

***Job Service North Dakota***

***Financial Report  
For the Year Ending  
June 30, 2023***

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

***Nicole Vorachek  
Finance Manager***

# JOB SERVICE NORTH DAKOTA

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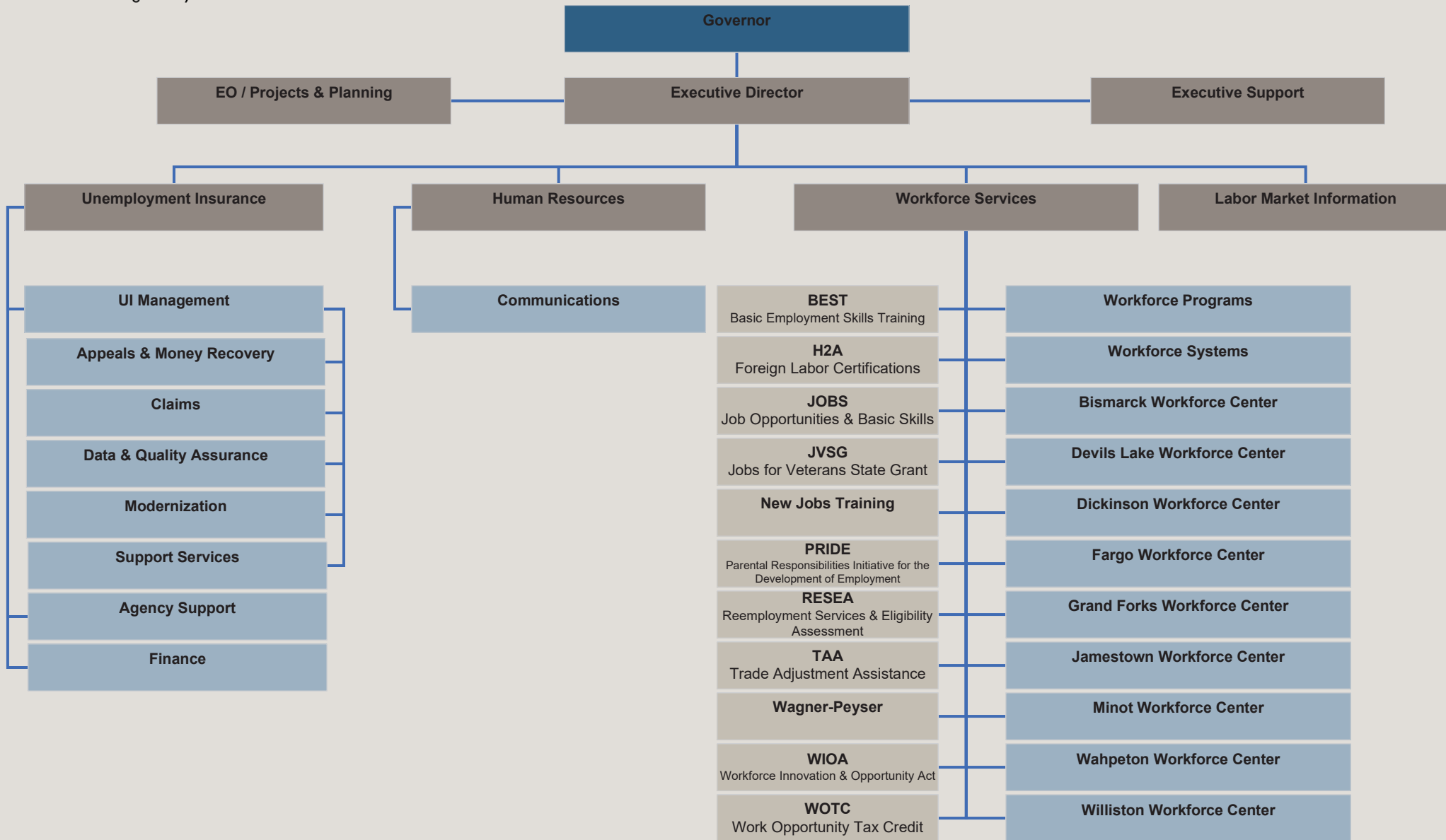
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# ORGANIZATIONAL STRUCTURE



# **Independent Auditors' Report**

## INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum  
The Legislative Assembly  
State of North Dakota

Pat Bertagnolli, Executive Director  
Job Service North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

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 year ended June 30, 2023, 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.

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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the statement of appropriations for the year 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, 2023, the changes in its financial position or, where applicable, its cash flows for the year 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.

As discussed in Note 1 to the financial statements, Job Service North Dakota changed its method of accounting for subscription-based information technology arrangements in 2023 due to the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, see note 9 to the financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the 2022 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Job Service North Dakota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Job Service North Dakota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Job Service North Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Job Service North Dakota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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.

### ***Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the organization chart and capital assets used in operations of governmental funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, 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 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**

November 3, 2023

# **Management's Discussion and Analysis**

# Management's Discussion and Analysis

## June 30, 2023

As management of Job Service North Dakota (Agency), we offer readers of the Agency's financial statements this narrative and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2023 with comparison to the fiscal year ended June 30, 2022.

### Financial Highlights

- ❑ The assets and deferred outflows of resources of Job Service North Dakota exceeded its liabilities and deferred inflows of resources at the close of the June 30, 2023 fiscal year by \$349.88 million (net position). The increase of \$46.47 million (15.32%) over the prior fiscal year is due to an increase in the Business-Type Activity of the Unemployment Insurance Trust fund of \$56.95 million and a decrease in the Governmental Activities of \$10.48 million primarily related to an increase in the net pension liability offset by a decrease in deferred pension outflows of resources and a decrease in deferred pension inflows of resources. The net position remained relatively stable through the year ended June 30, 2023.
- ❑ As of the close of the June 30, 2023 fiscal year, the Agency's Business-Type funds reported an ending net position of \$329.87 million, an increase of \$56.95 million, in comparison with the prior year. All of the assets of the business-type funds are fully restricted for specific purposes.
- ❑ The Agency's governmental funds reported net position of \$20.01 million as of June 30, 2023, a decrease of \$10.48 million, over the prior year. Of the total, \$5.81 million, of these assets are the net investment in capital assets, \$15.68 million are restricted for payment of pension benefits and (\$1.48) million 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, 2023. 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, 2023. 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 9-10 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 12 & 14 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, federal advance interest repayment account, and general fund, which are considered to be the only major funds for the year ended June 30, 2023. 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 18 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 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 15-17 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 assets and deferred outflows of resources of Job Service North Dakota exceeded liabilities and deferred inflows of resources by \$349.88 million as of June 30, 2023 and \$303.41 million as of June 30, 2022.

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

|  | Governmental<br>Activities |                  | Business-Type<br>Activities |                   | Total             |                   |
|--|----------------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|
|  | 2023                       | 2022             | 2023                        | 2022              | 2023              | 2022              |
| <b>Revenues:</b>   |                            |                  |                             |                   |                   |                   |
| <b>Program revenues:</b>                                     |                            |                  |                             |                   |                   |                   |
| Charges for services   | \$ -                       | \$ -             | \$ 91,933                   | \$ 82,240         | \$ 91,933         | \$ 82,240         |
| Operating grants and contributions                           | 25,330                     | 27,115           | 5,073                       | 4,152             | 30,403            | 31,267            |
| <b>Total revenues</b>  | <b>\$ 25,330</b>           | <b>\$ 27,115</b> | <b>\$ 97,006</b>            | <b>\$ 86,392</b>  | <b>\$ 122,336</b> | <b>\$ 113,507</b> |
| <b>Expenses:</b>   |                            |                  |                             |                   |                   |                   |
| Economic development<br>& assistance                         | \$ 35,977                  | \$ 29,151        | \$ -                        | \$ -              | \$ 35,977         | \$ 29,151         |
| Interest on leases   | 24                         | 1                | -                           | -                 | 24                | 1                 |
| Unemployment compensation funds                              | -                          | -                | 68,868                      | 75,427            | 68,868            | 75,427            |
| <b>Total expenses</b>  | <b>\$ 36,001</b>           | <b>\$ 29,152</b> | <b>\$ 68,868</b>            | <b>\$ 75,427</b>  | <b>\$ 104,869</b> | <b>\$ 104,579</b> |
| Change in net position before<br>transfers and special items | \$ (10,671)                | \$ (2,037)       | \$ 28,138                   | \$ 10,965         | \$ 17,467         | \$ 8,928          |
| Special Item - gain (loss) on<br>disposal of fixed assets    | -                          | -                | -                           | -                 | -                 | -                 |
| Transfers  | 199                        | 212              | -                           | -                 | 199               | 212               |
| Prior period adjustment                                      | -                          | 1,074            | 28,808                      | -                 | 28,808            | 1,074             |
| Change in net position                                       | (10,472)                   | (751)            | 56,946                      | 10,965            | 46,474            | 10,214            |
| Net Position - Beginning of year                             | 30,485                     | 31,236           | 272,921                     | 261,956           | 303,406           | 293,192           |
| Net Position - End of year                                   | <b>\$ 20,013</b>           | <b>\$ 30,485</b> | <b>\$ 329,867</b>           | <b>\$ 272,921</b> | <b>\$ 349,880</b> | <b>\$ 303,406</b> |

\*2022 data does not include the effects of GASB 96

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 \$349.88 million as of June 30, 2023 and \$303.41 million as of June 30, 2022 includes \$20.01 million and \$30.49 million of net position of the Governmental Activities, respectively, and \$329.87 million and \$272.92 million of net position of the Business-Type Activity, respectively, of the Proprietary fund.

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

|                                  | Governmental<br>Activities |                  | Business-Type<br>Activities |                   | Total             |                   |
|----------------------------------|----------------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                  | 2023                       | 2022             | 2023                        | 2022              | 2023              | 2022              |
| Current and other assets         | \$ 29,628                  | \$ 45,814        | \$ 341,213                  | \$ 281,590        | \$ 370,841        | \$ 327,404        |
| Capital assets                   | 6,295                      | 6,041            | -                           | -                 | 6,295             | 6,041             |
| <b>Total assets</b>              | <b>35,923</b>              | <b>51,855</b>    | <b>341,213</b>              | <b>281,590</b>    | <b>377,136</b>    | <b>333,445</b>    |
| Deferred outflows of resources   | \$ 22,723                  | \$ 11,726        | \$ -                        | \$ -              | \$ 22,723         | \$ 11,726         |
| Noncurrent liabilities           | 26,036                     | 11,260           | -                           | -                 | 26,036            | 11,260            |
| Other liabilities                | 2,309                      | 3,279            | 11,346                      | 8,669             | 13,655            | 11,948            |
| <b>Total liabilities</b>         | <b>28,345</b>              | <b>14,539</b>    | <b>11,346</b>               | <b>8,669</b>      | <b>39,691</b>     | <b>23,208</b>     |
| Deferred inflows of resources    | \$ 10,288                  | \$ 18,557        | \$ -                        | \$ -              | \$ 10,288         | \$ 18,557         |
| <b>Net Position:</b>             |                            |                  |                             |                   |                   |                   |
| Net investment in capital assets | 5,809                      | 6,037            | -                           | -                 | 5,809             | 6,037             |
| Restricted                       | 15,684                     | 31,760           | 329,867                     | 272,921           | 345,551           | 304,681           |
| Unrestricted                     | (1,480)                    | (7,312)          | -                           | -                 | (1,480)           | (7,312)           |
| <b>Total net position</b>        | <b>\$ 20,013</b>           | <b>\$ 30,485</b> | <b>\$ 329,867</b>           | <b>\$ 272,921</b> | <b>\$ 349,880</b> | <b>\$ 303,406</b> |

\*2022 data does not include the effects of GASB 96

**Governmental activities**

The net position as of June 30, 2023 and 2022, related to governmental activities, are \$20.01 million and \$30.49 million, respectively. The net position as of June 30, 2023 and 2022 include, \$5.81 million and \$6.04 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, 2023 and June 30, 2022, \$15.68 million and \$31.76 million, respectively, is classified as restricted for Pension Assets and (\$1.48) million and (\$7.31) 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 \$329.87 million and \$272.92 million at June 30, 2023 and June 30, 2022, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of \$319.12 million at June 30, 2023 and \$261.31 million at June 30, 2022 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 \$10.75 million at June 30, 2023 and \$11.61 million at June 30, 2022, represent the Department of Labor distribution of Reed Act resources into each state's trust fund that remains unexpended as of the end of the fiscal year. Federal law governs how the distribution may be expended. The distribution is available for the payment of Unemployment Insurance benefits to claimants and/or, if specifically appropriated by the Legislative Assembly, the administration of the state's Unemployment Insurance and Employment Service programs.

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

### ***Governmental funds***

Job Service North Dakota utilizes five individual governmental funds. The federal fund and the 001-General Fund are considered to be the agency's major funds. The Federal Advance Interest Repayment Account fund is also considered to be a major fund for years ended June 30, 2023 and June, 30 2022. The other 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 revenue of the Federal Fund decreased 6.3% from 2022 to 2023. This decrease was due to the decrease in Economic Development & Assistance expenditures, which is due to less expenditures from the CARES Act funding during the COVID-19 pandemic as those activities have diminished.

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, 2023 charges for service revenue increased by \$9.69 million over the prior year. This was due to a \$7.60 million increase in Unemployment Insurance contribution, an increase of \$.19 million in Federal Benefit Reimbursements for the Federal UI programs, a decrease of \$.18 million Unemployment Insurance Overpayments interest, and an increase of \$2.87 million of Federal benefit recoveries for the Federal UI programs during the COVID-19 pandemic. The Unemployment Insurance contribution increase is due to an increase in the average unemployment insurance tax rates to employers. June 30, 2023 operating grants increased by \$.92 million due to a higher trust fund balance over prior years.

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 \$9.06 million and the Federal Unemployment Benefits expense increased by \$.19 million for the year ended June 30, 2023. The State Unemployment Insurance Benefit expense decrease was due to a decrease in unemployment insurance benefits as the unemployment rate is very low. The net position of the proprietary fund increased 20.87% 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 \$5.81 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$6.04 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 and leased assets.

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 60-62. Additional information on the Agency's leases can be found in Note 9 of this report.

### **Noncurrent Liabilities**

Noncurrent liabilities at June 30, 2023 and June 30, 2022 were \$26.04 million and \$11.26 million, respectively, and includes the Agency's Other Post-Employment Benefits of \$1.83 million, the net Pension Liability of \$22.77 million, lease liabilities of \$.04 million, SBITA liability of \$.46 million and compensated absences of \$.94 million. Of the current year balance, \$.30 million is classified as due within one year on the Statement of Net Position. The remaining liability of \$1.13 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)*

|                                | <b>Governmental Activities</b> |                  | <b>Business-Type Activities</b> |                 | <b>Total</b>     |                  |
|--------------------------------|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|
|                                | 2023                           | 2022             | 2023                            | 2022            | 2023             | 2022             |
| <b>Current liabilities:</b>    |                                |                  |                                 |                 |                  |                  |
| Accounts payable               | \$ 199                         | \$ 386           | \$ 9,790                        | \$ 7,234        | \$ 9,989         | \$ 7,620         |
| Accrued payroll                | 1,256                          | 1,219            | -                               | -               | 1,256            | 1,219            |
| Interest payable               | 5                              | 0                | -                               | -               | 5                | 0                |
| Other current liabilities      | 850                            | 1,674            | 1,556                           | 1,436           | 2,406            | 3,110            |
| <b>Noncurrent liabilities:</b> |                                |                  |                                 |                 |                  |                  |
| Net OPEB Liability             | 1,834                          | 1,443            | -                               | -               | 1,834            | 1,443            |
| Net Pension Liability          | 22,771                         | 8,933            | -                               | -               | 22,771           | 8,933            |
| Due within one year            | 301                            | 90               | -                               | -               | 301              | 90               |
| Due in more than one year      | 1,129                          | 794              | -                               | -               | 1,129            | 794              |
| <b>Total liabilities</b>       | <b>\$ 28,345</b>               | <b>\$ 14,539</b> | <b>\$ 11,346</b>                | <b>\$ 8,670</b> | <b>\$ 39,691</b> | <b>\$ 23,209</b> |

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 18. The agency had an overall favorable variance of \$17.78 million. The Reed Act budget variance of \$10.65 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 IT resources being focused on programs related to the COVID-19 pandemic and the anticipated future receipt of funds to begin work on the project. 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, information technology costs, statewide indirect costs, etc. As costs increase and funding decreases the agency will have to continue to analyze 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:***

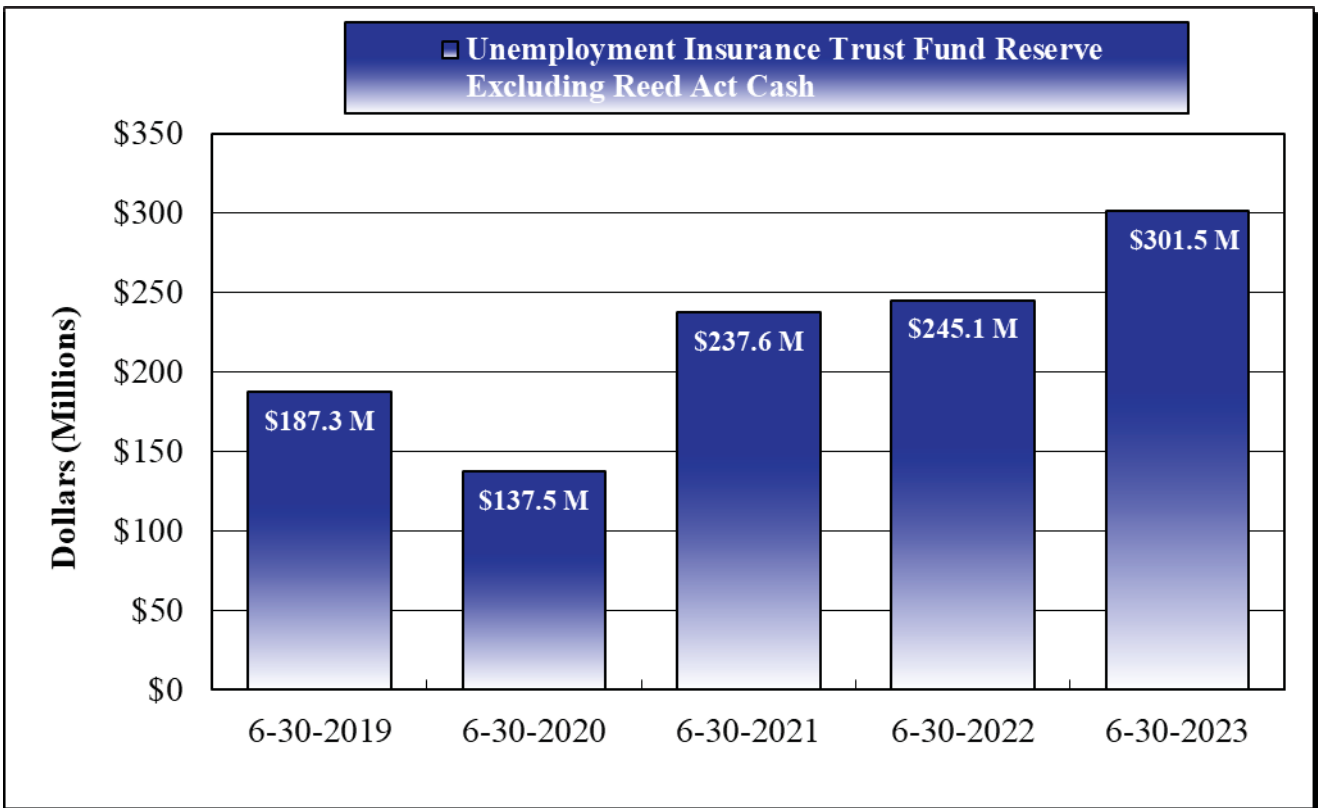
The 68th (2023) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

#### **HB 1016, Job Service North Dakota Appropriations**

This bill includes a base budget appropriation for Job Service North Dakota. The base budget includes \$6,578,847 of general funds for hosting costs of the workforce system site, a job placement pilot program for justice involved individuals, H2A inspections, unemployment insurance IT costs, and employee salary increases. The bill also includes an appropriation for \$45,000,000 of one-time Federal funding plus \$10,915,000 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 \$56.40 million, a 23.0% increase from a year ago. This increase is due to the net impact of an increase in unemployment insurance tax contributions and a decrease in unemployment insurance benefit paid.



| Year Ending | Actual Trust Fund Reserve Excluding Reed Act Cash | Reed Act Cash | Trust Fund Reserve Including Reed Act Cash |
|-------------|---|---------------|--|
| 6-30-2019   | 187,333,692                                       | 11,052,268    | 198,385,960                                |
| 6-30-2020   | 137,470,035                                       | 14,294,049    | 151,764,084                                |
| 6-30-2021   | 237,573,336                                       | 12,057,396    | 249,630,732                                |
| 6-30-2022   | 245,053,194                                       | 11,610,220    | 256,663,414                                |
| 6-30-2023   | 301,457,882                                       | 10,749,832    | 312,207,714                                |

**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, 2023**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>   |                            |                             |                       |
| Cash and Cash equivalents                             | \$ 1,324,494               | \$ 310,765,230              | \$ 312,089,724        |
| Investments   | 8,500,000                  | -                           | 8,500,000             |
| Receivables, net                                      | 977,985                    | 29,808,031                  | 30,786,016            |
| Lease Receivable                                      | 225,100                    | -                           | 225,100               |
| Due From:   |                            |                             |                       |
| Other Funds   | 617,103                    | 830                         | 617,933               |
| Federal Government                                    | 2,026,471                  | 1,514                       | 2,027,985             |
| Other State Agencies                                  | 199,196                    | -                           | 199,196               |
| Other States  | -                          | 637,451                     | 637,451               |
| Prepaid Items   | 73,146                     | -                           | 73,146                |
| Pension Assets  | 15,684,703                 | -                           | 15,684,703            |
| Capital Assets (net of accumulated depreciation):     |                            |                             |                       |
| Land  | 1,202,406                  | -                           | 1,202,406             |
| Buildings, Equipment, and Other Depreciable Assets    | 4,607,031                  | -                           | 4,607,031             |
| Lease Assets (net of accumulated depreciation):       | 34,875                     | -                           | 34,875                |
| SBITA Assets (net of accumulated depreciation):       | 450,226                    | -                           | 450,226               |
| <b>TOTAL ASSETS</b>                                   | <b>35,922,736</b>          | <b>341,213,056</b>          | <b>377,135,792</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                            |                             |                       |
| Deferred Pension Outflows                             | 22,262,276                 | -                           | 22,262,276            |
| Deferred OPEB Outflows                                | 461,010                    | -                           | 461,010               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>           | <b>22,723,286</b>          | <b>-</b>                    | <b>22,723,286</b>     |
| <b>LIABILITIES</b>                                    |                            |                             |                       |
| Accounts Payable                                      | 198,726                    | 9,790,337                   | 9,989,063             |
| Interest Payable                                      | 4,901                      | -                           | 4,901                 |
| Accrued Payroll                                       | 1,255,525                  | -                           | 1,255,525             |
| Due To:   |                            |                             |                       |
| Other Funds   | 558,151                    | 59,782                      | 617,933               |
| Federal Government                                    | -                          | 8,527                       | 8,527                 |
| Other States  | -                          | 1,452,358                   | 1,452,358             |
| Other State Agencies                                  | 291,556                    | 35,561                      | 327,117               |
| Noncurrent Liabilities:                               |                            |                             |                       |
| Due within one year                                   | 301,537                    | -                           | 301,537               |
| Due in more than one year                             | 1,128,845                  | -                           | 1,128,845             |
| Net OPEB Liability                                    | 1,834,160                  | -                           | 1,834,160             |
| Net Pension Liability                                 | 22,771,218                 | -                           | 22,771,218            |
| <b>TOTAL LIABILITIES</b>                              | <b>28,344,619</b>          | <b>11,346,565</b>           | <b>39,691,184</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                       |
| Deferred Pension Inflows                              | 10,003,578                 | -                           | 10,003,578            |
| Deferred OPEB Inflows                                 | 65,698                     | -                           | 65,698                |
| Deferred Right-to-Use Lease Inflows                   | 218,874                    | -                           | 218,874               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>            | <b>10,288,150</b>          | <b>-</b>                    | <b>10,288,150</b>     |
| <b>NET POSITION</b>                                   |                            |                             |                       |
| Net Investment in Capital Assets                      | 5,808,823                  | -                           | 5,808,823             |
| Restricted for:                                       |                            |                             |                       |
| Unemployment Insurance Benefits                       | -                          | 319,116,659                 | 319,116,659           |
| Unemployment Insurance Benefits and/or Other Purposes | -                          | 10,749,832                  | 10,749,832            |
| Pension Assets  | 15,684,703                 | -                           | 15,684,703            |
| Unrestricted  | (1,480,273)                | -                           | (1,480,273)           |
| <b>TOTAL NET POSITION</b>                             | <b>\$ 20,013,253</b>       | <b>\$ 329,866,491</b>       | <b>\$ 349,879,744</b> |

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2023**

|                                   | PROGRAM REVENUES      |   |  | NET (EXPENSE) REVENUE AND<br>CHANGES IN NET POSITION |                             |                       |
|-----------------------------------|-----------------------|---|--|--|-----------------------------|-----------------------|
|                                   | Expenses              | Charges for<br>Services                                 | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                 |
| <b>Functions/Programs</b>         |                       |   |  |  |                             |                       |
| Governmental Activities:          |                       |   |  |  |                             |                       |
| Economic Development & Assistance | \$ 35,977,076         | \$ -  | \$ 25,295,640                            | \$ (10,681,436)                                      | \$ -                        | \$ (10,681,436)       |
| Interest on leases                | 24,149                | -   | 34,748                                   | 10,599   | -                           | 10,599                |
| Total governmental activities     | <u>36,001,225</u>     | <u>-</u>  | <u>25,330,388</u>                        | <u>(10,670,837)</u>                                  | <u>-</u>                    | <u>(10,670,837)</u>   |
| Business-type Activities:         |                       |   |  |  |                             |                       |
| Unemployment Compensation Funds   | 68,868,118            | 91,932,860  | 5,072,711                                | -  | 28,137,453                  | 28,137,453            |
| Total Business-type Activities    | <u>68,868,118</u>     | <u>91,932,860</u>                                       | <u>5,072,711</u>                         | <u>-</u>   | <u>28,137,453</u>           | <u>28,137,453</u>     |
| <b>Total Primary Government</b>   | <u>\$ 104,869,343</u> | <u>\$ 91,932,860</u>                                    | <u>\$ 30,403,099</u>                     | <u>(10,670,837)</u>                                  | <u>28,137,453</u>           | <u>17,466,616</u>     |
|                                   |                       | Transfers   |  | 198,756  | -                           | 198,756               |
|                                   |                       | Change in Net Position                                  |  | (10,472,081)   | 28,137,453                  | 17,665,372            |
|                                   |                       | <b>Net Position, July 1, 2022, as originally stated</b> |  | 30,485,334   | 272,920,944                 | 303,406,278           |
|                                   |                       | Prior Period Adjustment                                 |  | -  | 28,808,094                  | 28,808,094            |
|                                   |                       | Prior Period Adjustment - GASB 96 Implementation        |  | -  | -                           | -                     |
|                                   |                       | <b>Net Position, July 1, 2022, as restated</b>          |  | <u>30,485,334</u>                                    | <u>301,729,038</u>          | <u>332,214,372</u>    |
|                                   |                       | <b>Net Position, June 30, 2023</b>                      |  | <u>\$ 20,013,253</u>                                 | <u>\$ 329,866,491</u>       | <u>\$ 349,879,744</u> |

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Balance Sheets  
Governmental Funds  
June 30, 2023**

|  | Federal Fund        | Federal Advance<br>Interest<br>Repayment<br>Account | General Fund  | Nonmajor<br>Governmental<br>Funds | Total                |
|--|---------------------|---|---------------|-----------------------------------|----------------------|
| <b>Assets</b>  |                     |   |               |                                   |                      |
| Cash Deposits At The Bank of North Dakota                    | \$ -                | 1,015,216   | \$ -          | \$ -                              | \$ 1,015,216         |
| Cash in State Treasury                                       | -                   |   | -             | 309,278                           | 309,278              |
| Investments At The Bank of North Dakota                      | -                   | 8,500,000   | -             | -                                 | 8,500,000            |
| Accounts Receivable - Net:                                   |                     |   |               |                                   |                      |
| Accrued Interest   | -                   | 3,173   | -             | -                                 | 3,173                |
| Penalty and/or Interest                                      | -                   | 974,812   | -             | -                                 | 974,812              |
| Lease Receivable   | 225,100             | -   | -             | -                                 | 225,100              |
| Due From:  |                     |   |               |                                   |                      |
| Other Funds  | 59,782              | -   | -             | 557,321                           | 617,103              |
| Federal Government   | 2,026,471           | -   | -             | -                                 | 2,026,471            |
| Other State Agencies   | 198,734             | -   | 462           | -                                 | 199,196              |
| Prepaid Items  | 73,146              | -   | -             | -                                 | 73,146               |
| <b>Total Assets</b>  | <b>\$ 2,583,233</b> | <b>\$ 10,493,201</b>                                | <b>\$ 462</b> | <b>\$ 866,599</b>                 | <b>\$ 13,943,495</b> |
| <b>Liabilities</b>   |                     |   |               |                                   |                      |
| Accounts Payable   | \$ 192,411          | \$ -  | \$ -          | \$ 6,315                          | \$ 198,726           |
| Accrued Payroll  | 1,253,299           | -   | 462           | 1,764                             | 1,255,525            |
| Due To:  |                     |   |               |                                   |                      |
| Other Funds  | 549,132             | 8,189   | -             | 830                               | 558,151              |
| Other State Agencies   | 290,145             | -   | -             | 1,411                             | 291,556              |
| <b>Total Liabilities</b>                                     | <b>2,284,987</b>    | <b>8,189</b>  | <b>462</b>    | <b>10,320</b>                     | <b>2,303,958</b>     |
| <b>Deferred Inflows of Resources</b>                         |                     |   |               |                                   |                      |
| Lease Receivable   | 218,874             | -   | -             | -                                 | 218,874              |
| Unpaid Penalty and Interest                                  | -                   | 823,698   | -             | -                                 | 823,698              |
| <b>Total Deferred Inflows</b>                                | <b>218,874</b>      | <b>823,698</b>                                      | <b>-</b>      | <b>-</b>                          | <b>1,042,572</b>     |
| <b>Fund Balances</b>   |                     |   |               |                                   |                      |
| Non-spendable  | 73,146              | -   | -             | -                                 | 73,146               |
| Assigned   | 6,226               | 9,661,314   | -             | 856,279                           | 10,523,819           |
| <b>Total Fund Balances</b>                                   | <b>79,372</b>       | <b>9,661,314</b>                                    | <b>-</b>      | <b>856,279</b>                    | <b>10,596,965</b>    |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <b>\$ 2,583,233</b> | <b>\$ 10,493,201</b>                                | <b>\$ 462</b> | <b>\$ 866,599</b>                 | <b>\$ 13,943,495</b> |

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, 2023**

|   |                     |                      |
|---|---------------------|----------------------|
| Total fund balances for governmental funds  |                     | \$ 10,596,965        |
| 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) |                     | 15,684,703           |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)  |                     |                      |
| Land  | \$ 1,202,406        |                      |
| Buildings, equipment, and other depreciable assets  | 16,443,984          |                      |
| Accumulated depreciation  | <u>(11,836,953)</u> | 5,809,437            |
| Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.   |                     | 823,698              |
| Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.  |                     | 22,262,276           |
| Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.  |                     | (10,003,578)         |
| The Net Pension liability relating to retirement plans. (Note 6)  |                     | (22,771,218)         |
| Deferred OPEB outflows of resources does not provide current financial resources and are not reported as revenues in the funds.   |                     | 461,010              |
| Deferred OPEB inflows are not considered current cash expenses and are not reported as an expenditure in the funds.   |                     | (65,698)             |
| The Net OPEB liability relating to post-retirement benefits. (Note 7)   |                     | (1,834,160)          |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)  |                     |                      |
| Compensated absences  |                     | (940,086)            |
| Lease assets (Note 9)   |                     |                      |
| SBITA Asset   | 450,226             |                      |
| SBITA Liability   | (454,807)           |                      |
| Lease Asset   | 34,875              |                      |
| Lease Liability   | (35,489)            |                      |
| Accrued interest payable  | <u>(4,901)</u>      | <u>(10,096)</u>      |
| Net Position of Governmental Activities   |                     | <u>\$ 20,013,253</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 Year Ended June 30, 2023**

|   | <u>Federal Fund</u> | <u>Federal Advance<br/>Interest<br/>Repayment<br/>Account</u> | <u>General Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|---|---------------------|---|---------------------|--|----------------------|
| <b>Revenues</b>                                 |                     |   |                     |  |                      |
| Federal Grants                                  | \$ 23,592,637       | \$ -  | \$ -                | \$ -                                       | \$ 23,592,637        |
| Interest Earnings                               | 132                 | 50,516  | -                   | -  | 50,648               |
| Penalty and/or Interest                         | -                   | 1,254,315   | -                   | -  | 1,254,315            |
| Lease Income                                    | 297,080             | 53,550  | -                   | -  | 350,630              |
| Other Grants                                    | -                   | -   | -                   | 45,715                                     | 45,715               |
| Miscellaneous Income                            | -                   | -   | -                   | 42,850                                     | 42,850               |
| <b>Total Revenue</b>                            | <u>23,889,849</u>   | <u>1,358,381</u>  | <u>-</u>            | <u>88,565</u>                              | <u>25,336,795</u>    |
| <b>Expenditures</b>                             |                     |   |                     |  |                      |
| Current:  |                     |   |                     |  |                      |
| Economic Development & Assistance               | 23,866,576          | 275,481   | 198,756             | 80,459                                     | 24,421,272           |
| Capital Outlays                                 | 67,042              | -   | -                   | -  | 67,042               |
| <b>Total Expenditures</b>                       | <u>23,933,618</u>   | <u>275,481</u>  | <u>198,756</u>      | <u>80,459</u>                              | <u>24,488,314</u>    |
| Excess of Revenues<br>Over (Under) Expenditures | <u>(43,769)</u>     | <u>1,082,900</u>  | <u>(198,756)</u>    | <u>8,106</u>                               | <u>848,481</u>       |
| <b>Other Finance Sources (Uses)</b>             |                     |   |                     |  |                      |
| Transfers In From State                         | -                   | -   | 198,756             | -  | 198,756              |
| <b>Total Other Finance Sources</b>              | <u>-</u>            | <u>-</u>  | <u>198,756</u>      | <u>-</u>                                   | <u>198,756</u>       |
| Net Change in Fund Balances                     | (43,769)            | 1,082,900   | -                   | 8,106                                      | 1,047,237            |
| Fund Balances at July 1, prior year             | 123,141             | 8,578,414   | -                   | 848,173                                    | 9,549,728            |
| <b>Fund Balances at June 30</b>                 | <u>\$ 79,372</u>    | <u>\$ 9,661,314</u>   | <u>\$ -</u>         | <u>\$ 856,279</u>                          | <u>\$ 10,596,965</u> |

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 Year Ended June 30, 2023**

|  |                        |
|--|------------------------|
| Net change in fund balances - total governmental funds   | \$ 1,047,237           |
| 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)  | (16,075,023)           |
| Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.   | 10,738,727             |
| Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.   | 8,058,669              |
| The Net Pension liability relating to retirement plans. (Note 6)   | (13,838,400)           |
| Deferred OPEB outflows of resources does not provide current financial resources and are not reported as revenues in the funds.  | 258,305                |
| Deferred OPEB inflows are not considered current cash expenses and are not reported as an expenditure in the funds.  | 127,675                |
| The Net OPEB liability relating to post-retirement benefits. (Note 7)  | (390,739)              |
| 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.     | (227,820)              |
| Lease proceeds provide current financial resources to governmental funds for the right to use an asset. Payment and receipt is recorded in the governmental funds, but recognized as an asset and liability in the Statement of Net Position.<br>(Increase) decrease in leases (SBITA).<br>(Increase) decrease in leases (lessor). | (9,360)<br>(7,055)     |
| Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.<br>Increase (decrease) in Unpaid Penalty and Interest  | (94,126)               |
| 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.<br>(Increase) decrease in compensated absences.   | <u>(60,171)</u>        |
| Changes in net position of governmental activities   | <u>\$ (10,472,081)</u> |

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA****Statements of Net Position  
Proprietary Fund  
June 30, 2023****Unemployment Insurance****Assets**

## Current Assets:

|   |             |
|---|-------------|
| Cash Deposits At The Bank of North Dakota                 | \$ 67,327   |
| Cash and Cash Equivalents in U.S. Treasury                | 310,697,903 |
| Interest Receivable - Unemployment Insurance Trust Fund   | 1,509,811   |
| Accounts Receivable - Net:                                |             |
| Unemployment Insurance Contributions                      | 26,574,971  |
| Unemployment Insurance Overpayments - Benefits & Interest | 1,723,249   |
| Due From:   |             |
| Other Funds   | 830         |
| Federal Government  | 1,514       |
| Other States  | 637,451     |

**Total Assets** 341,213,056

**Liabilities**

## Current Liabilities:

|   |           |
|---|-----------|
| Benefits Payable                                    | 738,890   |
| Unemployment Insurance Overpayments - Contributions | 9,051,447 |
| Due To:   |           |
| Other Funds   | 59,782    |
| Federal Government                                  | 8,527     |
| Other States  | 1,452,358 |
| Other State Agencies                                | 35,561    |

**Total Liabilities** 11,346,565

**Net Position**

## Restricted for:

|   |             |
|---|-------------|
| Unemployment Insurance Benefits                       | 319,116,659 |
| Unemployment Insurance Benefits and/or Other Purposes | 10,749,832  |

**Total Net Position** \$ 329,866,491

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 Year Ended June 30, 2023**

|  | <u>Unemployment Insurance</u> |
|--|-------------------------------|
| <b>Operating Revenues:</b>   |                               |
| Unemployment Insurance Contributions                                 | \$ 86,485,845                 |
| Federal Benefit Reimbursements                                       | 1,519,462                     |
| Federal Benefit Recoveries   | 2,871,499                     |
| Unemployment Insurance Overpayments - Interest                       | 1,056,054                     |
| <b>TOTAL OPERATING REVENUES</b>                                      | <u>91,932,860</u>             |
| <b>Operating Expenses:</b>   |                               |
| Unemployment Insurance Benefits                                      | 63,591,344                    |
| Federal Unemployment Insurance Benefits                              | 1,519,462                     |
| Federal Benefit Reimbursements                                       | 2,871,499                     |
| Economic Development & Assistance                                    | 885,813                       |
| <b>TOTAL OPERATING EXPENSES</b>                                      | <u>68,868,118</u>             |
| Operating Income(Loss)   | <u>23,064,742</u>             |
| <b>Nonoperating Revenues:</b>  |                               |
| Interest Earnings  | 5,072,711                     |
| <b>TOTAL NONOPERATING REVENUES</b>                                   | <u>5,072,711</u>              |
| Change in Net Position   | 28,137,453                    |
| <b>Total Net Position at July 1, prior year as originally stated</b> | 272,920,944                   |
| Prior Period Adjustment  | 28,808,094                    |
| <b>Total Net Position at July 1, prior year as restated</b>          | <u>301,729,038</u>            |
| <b>Total Net Position at June 30</b>                                 | <u>\$ 329,866,491</u>         |

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA****Statements of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2023**

|  | <u>Unemployment Insurance</u> |
|--|-------------------------------|
| <b><i>Cash Flows from Operating Activities</i></b>   |                               |
| Receipts from employers  | \$ 81,922,345                 |
| Receipts from other states   | 5,397,751                     |
| Payments to other states   | (6,375,106)                   |
| Payments to employers  | (2,822,385)                   |
| Benefits Paid to claimants   | (28,359,050)                  |
| Overpayment Interest from claimants  | 1,063,907                     |
| Unemployment Insurance Relief  |                               |
| Economic Development and Assistance  | (860,388)                     |
| <b>Net cash (used in)/provided by operating activities</b>   | <u>49,967,074</u>             |
| <b><i>Cash Flows from Investing Activities</i></b>   |                               |
| Interest on investments  | 4,584,140                     |
| <b>Net cash provided by investing activities</b>   | <u>4,584,140</u>              |
| Net change in cash and cash equivalents  | 54,551,214                    |
| Cash and cash equivalents at July 1  | <u>256,214,016</u>            |
| <b>Cash and cash equivalents at June 30</b>  | <u>\$ 310,765,230</u>         |
| <b><i>Reconciliation of Operating Income to Net Cash (Used in)/Provided by Operating Activities:</i></b> |                               |
| Operating income(Loss)   | \$ 23,064,742                 |
| Net changes in assets and liabilities:   |                               |
| Contributions Receivable   | (4,289,261)                   |
| Unemployment Insurance Overpayments - Benefits & Interest  | (221,118)                     |
| Due from Other Funds   | (830)                         |
| Due from Federal Government  | 28,806,580                    |
| Due from Other States  | (70,132)                      |
| Due from State Agencies  |                               |
| Benefits Payable   | 184,334                       |
| Unemployment Insurance Overpayments - Contributions  | 2,372,092                     |
| Unemployment Insurance Relief Payments   |                               |
| Due to Other Funds   | 25,425                        |
| Due to Federal Government  | (23,953)                      |
| Due to Other States  | 101,019                       |
| Due to Other State Agencies  | 18,176                        |
| <b>Net cash (used in)/provided by operating activities</b>   | <u>\$ 49,967,074</u>          |

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statement of Appropriations  
For the Fiscal Year Ended June 30, 2023**

|                        | Approved<br>Budget<br>2021-2023<br>Biennium | Appropriation<br>Adjustments<br>2021-2023<br>Biennium | Adjusted<br>Budget<br>2021-2023<br>Biennium | Actual<br>Expenditures |                      | Variance<br>Favorable<br>(Unfavorable) |
|------------------------|---|---|---|------------------------|----------------------|--|
|                        |   |   |   | 2022                   | 2023                 |  |
| <b><i>Revenue:</i></b> |   |   |   |                        |                      |  |
| <b>General Fund</b>    | \$ 410,229                                  | \$ 6,128  | \$ 416,357                                  | \$ 211,505             | \$ 198,756           | \$ 6,096                               |
| <b>Federal Funds</b>   | 64,389,161                                  | 4,022,302   | 68,411,463                                  | 26,333,583             | 24,819,431           | 17,258,449                             |
| <b>Other Funds</b>     | 606,102                                     | -   | 606,102                                     | 49,551                 | 37,609               | 518,942                                |
| <b>Total Revenues</b>  | <u>\$ 65,405,492</u>                        | <u>\$ 4,028,430</u>                                   | <u>\$ 69,433,922</u>                        | <u>\$ 26,594,639</u>   | <u>\$ 25,055,796</u> | <u>\$ 17,783,487</u>                   |

***Expenditures By Line Item:***

|                                     |                      |                     |                      |                      |                      |                      |
|-------------------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Salaries and Wages</b>           | \$ 28,994,942        | \$ 3,028,430        | \$ 32,023,372        | \$ 15,451,939        | \$ 14,601,972        | \$ 1,969,461         |
| <b>Operating Expenses</b>           | 17,164,373           | 1,000,000           | 18,164,373           | 8,648,531            | 7,563,335            | 1,952,507            |
| <b>Capital Assets</b>               | 20,000               | -                   | 20,000               | 8,284                | 7,474                | 4,242                |
| <b>Grants Benefits &amp; Claims</b> | 8,281,051            | -                   | 8,281,051            | 2,478,514            | 2,599,590            | 3,202,947            |
| <b>Reed Act - Unemployment</b>      | 10,945,126           | -                   | 10,945,126           | 7,371                | 283,425              | 10,654,330           |
| <b>Total Expenditures</b>           | <u>\$ 65,405,492</u> | <u>\$ 4,028,430</u> | <u>\$ 69,433,922</u> | <u>\$ 26,594,639</u> | <u>\$ 25,055,796</u> | <u>\$ 17,783,487</u> |

See accompanying notes to the Financial Statements

**Job Service North Dakota  
Notes to Financial Statements  
June 30, 2023**

**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 Annual Comprehensive 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 policies:

**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. The Agency is included as part of the primary government unit of the State of North Dakota's reporting entity.

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

### **Government-Wide Financial Statements**

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

The Statement of Net Position presents the reporting entity's non-fiduciary assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets, consists of capital assets and leased assets, net of accumulated depreciation/amortization 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Agency the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Operating revenues consist of: sales of goods and services, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the Agency would not otherwise undertake.

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

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

The Agency follows the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

### **Financial Statement Presentation**

The Agency reports the following major governmental funds:

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

General Fund - This fund is the principal operating fund of the Agency. It is used to account for all financial resources that are not accounted for in other funds.

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 11.

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. Cash and Cash Equivalents**

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

**F. Investments**

Certificates of deposits are recorded at cost.

**G. Receivables**

In the Proprietary fund, receivables for UI Contributions and UI Penalty and Interest are reported based on contributions received 45 days after the end of the year. Receivables for UI Overpayments are reported based on the historical collection rate of the overpayments receivable at the end of the year.

**H. 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.

**I. 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 (except for intangible right-to-use lease assets, the measurement of which is discussed in note 1.J below). 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.

Land and work in progress are not depreciated. The other tangible and intangible property, plant, equipment, and the right-to-use leased equipment are 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 | 5-50 years |
| Infrastructure                   | 5-50 years |
| Office Equipment                 | 3-20 years |
| Right-to-use Leased Equipment    | 5-20 years |
| Intangible Assets                | 3- 5 years |

**J. Leases**

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term.

Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

**Lessor:** The Agency is a lessor for a noncancellable lease of a building. The Agency recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**K. Subscription-Based Information Technology Arrangements**

For purposes of measuring subscription-based information technology arrangements (SBITA), a right-to-use subscription asset and a corresponding subscription liability are recognized at the commencement of the lease. To the extent relevant, the SBITA leases follow the lease policies.

**L. Compensated Absences**

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

**M. 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.

**N. 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.

**O. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position includes deferred outflows of resources that represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to liabilities, the statement of net position includes deferred inflows of resources that represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until then.

**P. 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.

**Q. Prior Period Adjustments**

The Agency has recorded a prior period adjustment in the Statement of Activities and the Statement of Revenue, Expenses and Changes in Fund Net Position for the Proprietary Fund to reflect the adjustment to prior year Net Position. Federal unemployment benefits revenue and expense should have been recognized in prior years when the transactions occurred and a receivable of due from Federal government should have been recorded. The transactions have been accounted for in the current year.

|                             | <u>As Previously<br/>Reported</u> | <u>Prior Period<br/>Adjustment</u> | <u>As Restated</u> |
|-----------------------------|-----------------------------------|------------------------------------|--------------------|
| Net Position, June 30, 2022 | \$272,920,944                     | \$28,808,094                       | \$301,729,038      |

**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>2023</u>         |
|---|---------------------|
| Capital Outlays   | \$ 67,042           |
| Depreciation Expense  | <u>(294,862)</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>\$ (227,820)</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:

|  | <b>June 30, 2023</b>     |
|--|--------------------------|
|  | <b><u>Fair Value</u></b> |
| Cash Deposits at the Bank of North Dakota<br>recorded as Cash and Cash Equivalents   | \$ 1,082,543             |
| Cash in State Treasury<br>recorded as Cash and Cash Equivalents                      | 309,278                  |
| * Deposits not subject to custodial credit risk                                      |                          |
| Cash Deposits at the U.S. Treasury<br>recorded as Cash and Cash Equivalents          | 299,948,071              |
| Reed Act Cash Deposits at the U.S. Treasury<br>recorded as Cash and Cash Equivalents | <u>10,749,832</u>        |
| Totals   | <u>\$ 312,089,724</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, 2023, the Agency had \$8,500,000 of certificates of deposits. 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 2023. 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, 2023**

|                                    | <u><i>Unemployment<br/>Insurance<br/>Contributions</i></u> | <u><i>Penalty<br/>and/or<br/>Interest</i></u> | <u><i>Unemployment<br/>Insurance<br/>Overpayments-<br/>Benefits &amp; Interest</i></u> | <u><i>Interest</i></u> | <u><i>Total</i></u>  |
|------------------------------------|--|---|--|------------------------|----------------------|
| Total Receivable                   | \$ 37,190,175  | \$ 13,390,317                                 | \$ 12,103,658  | \$ 1,512,984           | \$ 64,197,134        |
| Less:                              |  |   |  |                        |                      |
| Allowance for<br>Doubtful Accounts | 10,615,204   | 12,415,505                                    | 10,380,409   | -                      | 33,411,118           |
| Net Receivable                     | <u>\$ 26,574,971</u>                                       | <u>\$ 974,812</u>                             | <u>\$ 1,723,249</u>  | <u>\$ 1,512,984</u>    | <u>\$ 30,786,016</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 \$823,698 as of June 30, 2023 and represents an amount expected to be received after one year. The residual amounts of \$151,114 on June 30, 2023 were recorded as revenue and were expected to be received within one year.

**NOTE 5 – Capital Assets**

| Governmental Activities                      | Beginning<br>Balance<br>July 1, 2022 | Additions           | Deletions   | Ending<br>Balance<br>June 30, 2023 |
|--|--------------------------------------|---------------------|-------------|------------------------------------|
| Capital Assets, not being depreciated:       |                                      |                     |             |                                    |
| Land   | \$ 1,202,406                         | \$ -                | \$ -        | \$ 1,202,406                       |
| Total capital assets, not being depreciated  | <u>1,202,406</u>                     | <u>-</u>            | <u>-</u>    | <u>1,202,406</u>                   |
| Capital Assets, being depreciated:           |                                      |                     |             |                                    |
| Buildings                                    | 9,933,833                            | -                   | -           | 9,933,833                          |
| Infrastructure                               | 383,211                              | -                   | -           | 383,211                            |
| Equipment                                    | 1,152,690                            | 67,042              | -           | 1,219,732                          |
| Intangible Assets                            | 4,907,208                            | -                   | -           | 4,907,208                          |
| Total Capital Assets, being depreciated      | <u>16,376,942</u>                    | <u>67,042</u>       | <u>-</u>    | <u>16,443,984</u>                  |
| Less accumulated depreciation for:           |                                      |                     |             |                                    |
| Buildings                                    | 5,916,741                            | 191,853             | -           | 6,108,594                          |
| Infrastructure                               | 86,645                               | 16,587              | -           | 103,232                            |
| Equipment                                    | 669,878                              | 51,521              | -           | 721,399                            |
| Intangible Assets                            | 4,868,827                            | 34,901              | -           | 4,903,728                          |
| Total accumulated depreciation               | <u>11,542,091</u>                    | <u>294,862</u>      | <u>-</u>    | <u>11,836,953</u>                  |
| Total capital assets, being depreciated, net | <u>4,834,851</u>                     | <u>(227,820)</u>    | <u>-</u>    | <u>4,607,031</u>                   |
| Governmental activity capital assets, net    | <u>\$ 6,037,257</u>                  | <u>\$ (227,820)</u> | <u>\$ -</u> | <u>\$ 5,809,437</u>                |

Federal resources have funded all equipment.

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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040 in the 68<sup>th</sup> Legislative Assembly of North Dakota. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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 24 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 \$22,771,218 at June 30, 2023 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, 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 0.790649 percent at July 1, 2022 and 0.857029 percent at July 1, 2021, which was an decrease of 0.06638 from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$2,846,571. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | June 30, 2023                     |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ 118,783                        | \$ (434,970)                     |
| Net difference between projected and actual earnings on pension plan investments                              | 833,421                           | 0                                |
| Changes of assumptions  | 13,617,523                        | (8,442,111)                      |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 633,557                           | (1,126,497)                      |
| Employer contributions subsequent to the measurement date (see below)   | <u>641,377</u>                    | <u>0</u>                         |
| Total   | <u>\$ 15,844,661</u>              | <u>\$ (10,003,578)</u>           |

\$641,377 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, 2024.

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:**

|      |              |
|------|--------------|
| 2024 | \$ 1,471,396 |
| 2025 | 1,817,834    |
| 2026 | (28,434)     |
| 2027 | 1,938,910    |
| 2028 | 0            |

**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, 2022</u>                |
|----------------------------|------------------------------------|
| Inflation                  | 2.25%                              |
| Salary increases           | 3.5% to 17.75% including inflation |
| Investment rate of return  | 5.10%, net of investment expenses  |
| Cost-of-living adjustments | None                               |

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2022      | July 1, 2022                           |
| Domestic Equity       | 30%               | 5.75%                                  |
| International Equity  | 21%               | 6.45%                                  |
| Private Equity        | 7%                | 9.20%                                  |
| Domestic Fixed Income | 23%               | 0.34%                                  |
| Global Real Assets    | 19%               | 4.35%                                  |

**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).

For the purpose of the valuation as of July 1, 2022, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69 %; and the resulting Single Discount Rate is 5.10%.

**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 5.10 percent for the year ended June 30, 2023, 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:

|   | <b>1% Decrease (4.10%)</b> | <b>Current Discount Rate (5.10%)</b> | <b>1% Increase (6.10%)</b> |
|---|----------------------------|--------------------------------------|----------------------------|
| Employer's proportionate share of the net pension liability – June 30, 2023 | \$30,056,441               | \$22,771,218                         | \$16,790,302               |

**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, 2022).

**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, 2022). As of that date, membership consisted of:

|  |                   |
|--|-------------------|
|  | <u>7/1/2022</u>   |
| Retirees and beneficiaries currently receiving benefits              | 175               |
| Terminated employees entitled to benefits but not yet receiving them | 1                 |
| Current vested employees   | <u>1</u>          |
| TOTAL  | <u><u>177</u></u> |

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

**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 \$15,684,703 at June 30, 2023 for its net pension asset. The net pension asset was measured as of July 1, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

For the year ended June 30, 2023, the Employer recognized pension expense of \$8,910,614. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | June 30, 2023                     |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ 0                              | \$ 0                             |
| Net difference between projected and actual earnings on pension plan investments                              | 6,417,615                         | 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>\$ 6,417,615</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: |             |
|---------------------|-------------|
| 2024                | \$1,419,882 |
| 2025                | 1,779,382   |
| 2026                | 1,401,638   |
| 2027                | 1,816,713   |

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, 2022</u> |   |
|----------------------------|---------------------|---|
| Inflation                  | 2.25%               |   |
| Cost-of-living adjustments | 2.25%               |   |
| Salary increases           | 3.50%               | per annum                                       |
| Investment rate of return  | 3.00%               | net of investment expenses, including inflation |

Mortality rates were based on the following tables: Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2022      | July 1, 2022                           |
| Domestic Equity                     | 2%                | 5.37%                                  |
| Global Equity                       | 18%               | 5.74%                                  |
| US High Yield                       | 3%                | 4.22%                                  |
| Emerging Market Debt                | 3%                | 4.96%                                  |
| Core Fixed Income                   | 34%               | 1.31%                                  |
| Limited Duration Fixed Income       | 10%               | 0.59%                                  |
| Diversified Short Term Fixed Income | 5%                | 1.86%                                  |
| Short Term Corporate Fixed Income   | 25%               | 0.53%                                  |

## 7. Discount Rate

The discount rate used to measure the total pension liability was 3.00 percent as of June 30, 2023. 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, 2022, Actuarial Valuation Report. 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, 2023. 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, 2023.

## 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 3.00 percent for the year ended June 30, 2023, 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 (2.00%) | Current Discount Rate (3.00%) | 1% Increase (4.00%) |
|---|---------------------|-------------------------------|---------------------|
| Employer's proportionate share of the net pension liability (asset) – June 30, 2023 | \$(8,404,268)       | \$(15,684,703)                | \$(21,896,493)      |

## 9. Pension Plan Fiduciary Net Position

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

**Schedule of Changes to the Net Pension Liability and Related Ratios**

| <b>For the year ended June 30</b>   | <b>2022</b>            |
|---|------------------------|
| <b>Total pension liability (asset)</b>  |                        |
| Service cost  | \$ 41,998              |
| Interest  | 2,342,037              |
| Change of benefit terms   | -                      |
| Differences between expected and actual experience  | 3,413,145              |
| Changes of assumptions  | 4,717,298              |
| Benefit payments, including refund of employee contributions                              | (4,865,682)            |
| <b>Net change in total pension liability (asset)</b>                                      | <b>5,648,796</b>       |
| <b>Total pension liability (asset) - beginning</b>  | <b>64,843,971</b>      |
| <b>Total pension liability (asset) - ending (a)</b>                                       | <b>\$ 70,492,767</b>   |
| <b>Plan fiduciary net position</b>  |                        |
| Contributions - employer  | \$ -                   |
| Contributions - employee  | 9,299                  |
| Service credit repurchase   | -                      |
| Net investment income   | (5,551,487)            |
| Benefit payments, including refund of employee contributions                              | (4,865,682)            |
| Administrative expense  | (18,357)               |
| <b>Net change in plan fiduciary net position</b>  | <b>(10,426,227)</b>    |
| Plan fiduciary net position - beginning   | 96,603,697             |
| Plan fiduciary net position - ending (b)  | <b>\$ 86,177,470</b>   |
| <b>Net pension liability (asset) - ending (a) - (b)</b>                                   | <b>\$ (15,684,703)</b> |
| <b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b> | <b>122.25%</b>         |
| <b>Actual covered employee payroll</b>  | <b>\$ 61,332</b>       |
| <b>Plan net pension liability (asset) as a percentage of covered employee payroll</b>     | <b>(25573.44)%</b>     |

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, 2022.

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 year ending June 30, 2023 were \$4,947.

## **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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to



participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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 \$881,164 at June 30, 2023 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2022, 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 0.734114 percent at July 1, 2022 and 0.795344 percent at July 1, 2021, which was a decrease of 0.06123 from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the Employer recognized OPEB expense of \$56,247. The Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

|   | June 30, 2023                     |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ 20,889                         | \$ (7,577)                       |
| Net difference between projected and actual earnings on pension plan investments                              | 118,646                           | 0                                |
| Changes of assumptions  | 221,955                           | 0                                |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 17,649                            | (58,121)                         |
| Employer contributions subsequent to the measurement date (see below)   | <u>81,871</u>                     | <u>0</u>                         |
| Total   | <u>\$ 461,010</u>                 | <u>\$ (65,698)</u>               |

\$81,871 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, 2024.

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:**

|      |           |
|------|-----------|
| 2024 | \$ 80,504 |
| 2025 | 74,677    |
| 2026 | 65,952    |
| 2027 | 92,308    |
| 2028 | 0         |

**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, 2022</u> |                            |
|----------------------------|---------------------|----------------------------|
| Inflation                  | 2.25%               |                            |
| Salary increases           | Not applicable      |                            |
| Investment rate of return  | 5.75%               | net of investment expenses |
| Cost-of-living adjustments | None                |                            |

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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 asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

| Asset Class            | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Broad US Equities      | 39%               | 5.75%                                  |
| International Equities | 26%               | 6.00%                                  |
| Core-Plus Fixed Income | 35%               | 0.22%                                  |

#### 4. **Discount Rate**

The discount rate used to measure the total OPEB liability was 5.39% for the July 1, 2022 actuarial valuation. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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, 2022, calculated using the discount rate of 5.39%, 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 or 1-percentage-point higher than the current rate:

|  | 1% Decrease (4.39%) | Current Discount Rate (5.39%) | 1% Increase (6.39%) |
|--|---------------------|-------------------------------|---------------------|
| Employer's proportionate share of the net OPEB liability – June 30, 2023 | \$1,124,753         | \$881,164                     | \$676,678           |

#### 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, 2022. 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, 2023. 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, 2022, the date of the latest actuarial valuation:

|  | <b>Met Life<br/>Insurance<br/>Benefit</b> |
|--|---|
| Retirees and beneficiaries currently receiving benefits              | 144                                       |
| Terminated employees entitled to benefits but not yet receiving them | 0   |
| Current vested employees   | <u>4</u>                                  |
| TOTAL  | <u><u>148</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 \$952,996 at June 30, 2023 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2022, 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, 2023, the Employer recognized OPEB expense of \$37,738. The Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

|   | June 30, 2023                     |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>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>0</u>                          | <u>0</u>                         |
| Total   | <u><u>\$ 0</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, 2022</u> |           |
|------------------|---------------------|-----------|
| Inflation        | none                |           |
| Salary increases | 5%                  |           |
| Discount rate    | 4.09%               | per annum |

Mortality rates were based on the RP-2014 Total Dataset Mortality Table adjusted to based year 2006, projected with Scale MP-2019.

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, 2023, calculated using the discount rate of 4.09%, as well as what the net OPEB 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 (3.09%) | Current Discount Rate (4.09%) | 1% Increase (5.09%) |
|--|---------------------|-------------------------------|---------------------|
| Employer's proportionate share of the net OPEB liability – June 30, 2023 | \$1,041,157         | \$952,996                     | \$876,708           |

5. **Schedule of Changes in Net OPEB Liability**

|                              | <u>Increase (Decrease)</u>      |                              |                                     |
|------------------------------|---------------------------------|------------------------------|-------------------------------------|
|                              | <u>Total OPEB Liability (a)</u> | <u>Plan Net Position (b)</u> | <u>Net OPEB Liability (a) - (b)</u> |
| <b>Balances at 6/30/22</b>   | <u>\$ 1,001,072</u>             | <u>\$ -</u>                  | <u>\$ 1,001,072</u>                 |
| <b>Changes for the Year:</b> |                                 |                              |                                     |
| Service cost                 | 292                             | -                            | 292                                 |
| Interest                     | 37,446                          | -                            | 37,446                              |
| Benefit changes              | -                               | -                            | -                                   |
| Experience losses (gains)    | -                               | -                            | -                                   |
| Changes of assumptions       | -                               | -                            | -                                   |
| Contributions - Employer     |                                 | 85,814                       | (85,814)                            |
| Benefits paid                | (85,814)                        | (85,814)                     | -                                   |
| Administrative expenses      | -                               | -                            | -                                   |
| <b>Net changes</b>           | <u>(48,076)</u>                 | <u>-</u>                     | <u>(48,076)</u>                     |
| <b>Balances at 6/30/23</b>   | <u>\$ 952,996</u>               | <u>\$ -</u>                  | <u>\$ 952,996</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, 2022.

**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 \$202,707 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 – Leases and Subscription Based Information Technology Arrangements**

**A. Lessee**

The Agency has leases covering such items as postage meters, photocopiers, and premises. All except the premise lease for office space are either short-term leases or considered to be immaterial.

| <b>Lease expense</b>                              | <u>Year ending 6/30/2023</u> |
|---|------------------------------|
| Amortization expense by class of underlying asset |                              |
| Building  | <u>\$34,876</u>              |
| Total amortization expense                        | 34,876                       |
| Interest on lease liabilities                     | <u>2,050</u>                 |
| <b>Total</b>                                      | <u><b>\$36,926</b></u>       |

| <b>Lease Assets</b>                   | <u>7/1/2022</u><br><u>Restated</u> | <u>Additions</u>          | <u>Modifications</u> | <u>Subtractions</u>       | <u>6/30/2023</u>        |
|---------------------------------------|------------------------------------|---------------------------|----------------------|---------------------------|-------------------------|
| Land                                  | \$ 29,091                          | \$ -                      | \$ -                 | \$ (29,091)               | \$ -                    |
| Building                              | 69,751                             | -                         | -                    | -                         | 69,751                  |
| <b>Less: Accumulated Amortization</b> |                                    |                           |                      |                           |                         |
| Land                                  | (24,935)                           | (4,156)                   | -                    | 29,091                    | -                       |
| Building                              | -                                  | (34,876)                  | -                    | -                         | (34,876)                |
| <b>Total Lease Assets, net</b>        | <u><b>\$ 73,907</b></u>            | <u><b>\$ (39,032)</b></u> | <u><b>\$ -</b></u>   | <u><b>\$ -</b></u>        | <u><b>\$ 34,875</b></u> |
| <b>Lease Liabilities</b>              | <u><b>\$ 70,955</b></u>            | <u><b>\$ -</b></u>        | <u><b>\$ -</b></u>   | <u><b>\$ (35,466)</b></u> | <u><b>\$ 35,489</b></u> |

**B. Lessor**

The Agency leases excess facility space in Agency-owned buildings to workforce partners in efforts to collaborate to provide services to customers. The total amount received for facility leases for the year ended June 30, 2023 were approximately \$345,581.

Following is the total lease-related revenue for the year ended June 30, 2023.

| <b>Lease-related Revenue</b> | <u><b>Year Ended</b></u><br><u><b>6/30/2023</b></u> |
|------------------------------|---|
| Lease Revenue                | \$ 297,128  |
| Interest Revenue             | 34,748  |
| <b>Total</b>                 | <u><b>\$ 331,876</b></u>                            |

Future minimum lease receivables are:

| <u><b>Year ending June 30:</b></u> | <u><b>Amount</b></u>     |
|------------------------------------|--------------------------|
| 2024                               | <u>\$ 225,100</u>        |
| <b>Total</b>                       | <u><b>\$ 225,100</b></u> |

No lease agreements extend beyond June 2024.

**C. Subscription-based Information Technology Agreement**

The Agency has a subscription-based information technology agreement (SBITA) for the unemployment insurance mainframe lease. The total costs of the agency's subscription assets are recorded as \$630,317, less accumulated amortization of \$180,091.

The future subscription payments under SBITA agreements are as follows:

| <u>Year ending June 30:</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2024                        | \$ 176,176        | \$ 16,546        | \$ 192,722        |
| 2025                        | 183,784           | 8,939            | 192,723           |
| 2026                        | 94,847            | 1,514            | 96,361            |
| Total                       | <u>\$ 454,807</u> | <u>\$ 26,999</u> | <u>\$ 481,806</u> |

**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, 2023 was \$940,086.

**B. Changes in Noncurrent Liabilities**

|                                | Beginning<br>Balance<br>July 1, 2022<br>restated | Additions           | Reductions        | Ending<br>Balance<br>June 30, 2023 | Amounts<br>Due Within<br>One Year |
|--------------------------------|--|---------------------|-------------------|------------------------------------|-----------------------------------|
| <b>Governmental Activities</b> |  |                     |                   |                                    |                                   |
| Other Long-term Liabilities:   |  |                     |                   |                                    |                                   |
| Compensated Absences           | \$ 879,914                                       | \$ 711,947          | \$ 651,775        | \$ 940,086                         | \$ 89,872                         |
| Lease Liability                | 73,981   | 35,489              | 73,981            | 35,489                             | 35,489                            |
| SBITA Liability                | -  | 454,807             | -                 | 454,807                            | 176,176                           |
| Total other liabilities        | 953,895  | 1,202,243           | 725,756           | 1,430,382                          | 301,537                           |
| Total Long-Term Liabilities    | <u>\$ 953,895</u>                                | <u>\$ 1,202,243</u> | <u>\$ 725,756</u> | <u>\$ 1,430,382</u>                | <u>\$ 301,537</u>                 |

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

**NOTE 11 – Statement of Appropriation Reconciliation**

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

|   |                      |
|---|----------------------|
| Budget Based Expenditures as per page 18:                   | <u>\$ 25,055,796</u> |
| GAAP Expenditures as per page 10:                           |                      |
| Governmental Activities - Economic Development & Assistance | 35,977,076           |
| Governmental Activities - Interest on long-term debt        | 24,149               |
| Business-type Activities - UC Funds                         | <u>68,868,118</u>    |
| Subtotal  | <u>104,869,343</u>   |
| Less:   |                      |
| Business-type Activities - UC Funds                         | 68,868,118           |
| FAIRA   | 275,481              |
| Pension Assets at June 30, 2022                             | 31,759,726           |
| Deferred Pension Outflows at June 30, 2022                  | 11,523,549           |
| Deferred OPEB Outflows at June 30, 2022                     | 202,705              |
| Pension Liability at June 30, 2023                          | 22,771,218           |
| Deferred Pension Inflows at June 30, 2023                   | 10,003,578           |
| OPEB Liability at June 30, 2023                             | 1,834,160            |
| Deferred OPEB Inflows at June 30, 2023                      | 65,698               |
| Net change in Unpaid Penalty and Interest                   | 94,126               |
| Addition to Noncurrent Liabilities-Compensated Absences     | 711,947              |
| Lease Liability   | 35,489               |
| SBITA Liability   | 454,807              |
| Depreciation Expense  | 294,862              |
| Interest Payable at June 30, 2023                           | 4,901                |
| Insurance Recovery Expenses                                 | <u>42,850</u>        |
| Subtotal  | <u>148,943,215</u>   |
| Plus:   |                      |
| Appropriated Expenses in Proprietary Fund                   | 885,813              |
| Net Capital Asset Additions                                 | 67,042               |
| Lease Assets  | 34,875               |
| SBITA Assets  | 450,226              |
| Reduction to Noncurrent Liabilities-Leases                  | 74                   |
| Reduction to Noncurrent Liabilities-Compensated Absences    | 651,776              |
| Accrued Interest at June 30, 2022                           | 14                   |
| Pension Liability at June 30, 2022                          | 8,932,818            |
| Deferred Pension Inflows at June 30, 2022                   | 18,062,247           |
| OPEB Liability at June 30, 2022                             | 1,443,421            |
| Deferred OPEB Inflows at June 30, 2022                      | 193,373              |
| Pension Assets at June 30, 2023                             | 15,684,703           |
| Deferred Pension Outflows at June 30, 2023                  | 22,262,276           |
| Deferred OPEB Outflows at June 30, 2023                     | <u>461,010</u>       |
| Subtotal  | <u>69,129,668</u>    |
| Adjusted GAAP Expenditures                                  | <u>\$ 25,055,796</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 12 – Interfund Receivables / Payables**

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

**June 30, 2023**

| <b>Governmental Funds</b>                     | <b>Due From</b>   | <b>Due To</b>     |
|---|-------------------|-------------------|
| Job Service Special Fund                      | \$ 557,321        | \$ 830            |
| Federal Advance Interest<br>Repayment Account | -                 | 8,189             |
| Federal Funds                                 | 59,782            | 549,132           |
| <b>Total</b>                                  | <b>\$ 617,103</b> | <b>\$ 558,151</b> |

| <b>Proprietary Fund</b> | <b>Due From</b> | <b>Due To</b>    |
|-------------------------|-----------------|------------------|
| Unemployment Insurance  | \$ 830          | \$ 59,782        |
| <b>Total</b>            | <b>\$ 830</b>   | <b>\$ 59,782</b> |

**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, 2023**

|  | <b>Federal Fund</b> | <b>General Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Proprietary<br/>Fund</b> |
|--|---------------------|---------------------|--|-----------------------------|
| <b>A. <u>Due From Other State Agencies</u></b> |                     |                     |  |                             |
| Department of Human Services                   | \$ 198,734          | \$ -                | \$ -                                       | \$ -                        |
| Office of Management and Budget                | -                   | 462                 | -  | -                           |
| <b>Total</b>                                   | <b>\$ 198,734</b>   | <b>\$ 462</b>       | <b>\$ -</b>                                | <b>\$ -</b>                 |
| <b>B. <u>Due To Other State Agencies</u></b>   |                     |                     |  |                             |
| Office of Management and Budget                | \$ 25,890           | \$ -                | \$ -                                       | \$ -                        |
| Information Technology Department              | 210,686             | -                   | 899  | -                           |
| Department of Commerce                         | 1,412               | -                   | -  | -                           |
| ND PERS  | 190                 | -                   | -  | -                           |
| Office of the Attorney General                 | 11,360              | -                   | -  | -                           |
| Department of Transportation                   | 5,773               | -                   | 512  | -                           |
| Governor's Office                              | 95                  | -                   | -  | -                           |
| Bismarck State College                         | 19,350              | -                   | -  | -                           |
| University of North Dakota                     | 3,500               | -                   | -  | -                           |
| Minot State University                         | 4,270               | -                   | -  | -                           |
| TrainND Northwest                              | 7,199               | -                   | -  | -                           |
| TrainND Southeast                              | 420                 | -                   | -  | -                           |
| Bank of North Dakota                           | -                   | -                   | -  | 35,561                      |
| <b>Total</b>                                   | <b>\$ 290,145</b>   | <b>\$ -</b>         | <b>\$ 1,411</b>                            | <b>\$ 35,561</b>            |

C. **Transfers**

|                                    | <u>Transfer In</u> |
|------------------------------------|--------------------|
| <u>Nonmajor Governmental Funds</u> |                    |
| General Fund Appropriation         | \$ 198,756         |
| <b>Total</b>                       | <b>\$ 198,756</b>  |

**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 \$2,000,000 for its employees. The State Bonding Fund charges the Agency a premium for this coverage.

The Agency participates in the North Dakota Workforce Safety & Insurance, an Enterprise Fund of the state of North Dakota. NDWSI 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 amount of \$319,116,659 on June 30, 2023 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 \$10,749,832 on June 30, 2023 represents the Department of Labor distribution of Reed Act resources into each state’s trust fund in April 2020 and March 2002. Federal law governs how the distribution may be expended. The 2020 distribution is available for the administration of the state’s Unemployment Insurance program. 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 \$15,684,703 on June 30, 2023 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:

|                          | <b>Fund Balances as of June 30, 2023</b> |                      |                   |                      |
|--------------------------|--|----------------------|-------------------|----------------------|
|                          | <b>Non-spendable</b>                     | <b>Assigned</b>      | <b>Unassigned</b> | <b>Total</b>         |
| <b>Fund Balances:</b>    |  |                      |                   |                      |
| Job Service Special Fund | \$ -                                     | \$ 856,279           | \$ -              | \$ 856,279           |
| New Jobs Program         |  |                      |                   |                      |
| Insurance Recovery Fund  | -  | -                    | -                 | -                    |
| Federal Advance Interest |  |                      |                   |                      |
| Repayment Account        | -  | 9,661,314            | -                 | 9,661,314            |
| Federal Fund             | 73,146                                   | 6,226                | -                 | 79,372               |
| Total                    | <u>\$ 73,146</u>                         | <u>\$ 10,523,819</u> | <u>\$ -</u>       | <u>\$ 10,596,965</u> |

**NOTE 16 – GASB Pronouncements**

GASB Statement No. 99, Omnibus 2022, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, Compensated Absences, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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 November 3, 2023, 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\***

|   | 2023          | 2022         | 2021          | 2020         | 2019          | 2018          | 2017         | 2016         | 2015         | 2014  |
|---|---------------|--------------|---------------|--------------|---------------|---------------|--------------|--------------|--------------|-------|
| Employer's proportion of the net pension liability (asset)  | 0.790649%     | 0.857029%    | 0.793094%     | 0.792419%    | 0.823378%     | 0.835667%     | 0.841261%    | 1.098960%    | 1.164245%    | 0.00% |
| Employer's proportionate share of the net pension liability (asset)   | \$ 22,771,218 | \$ 8,932,818 | \$ 24,950,907 | \$ 9,287,724 | \$ 13,895,402 | \$ 13,431,911 | \$ 8,198,908 | \$ 7,472,740 | \$ 7,389,712 | \$ -  |
| Employer's covered payroll  | \$ 8,500,056  | \$ 9,319,430 | \$ 8,595,525  | \$ 8,242,503 | \$ 8,458,706  | \$ 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 | 248.10%       | 92.04%       | 285.19%       | 112.68%      | 164.27%       | 157.45%       | 96.71%       | 76.33%       | 75.35%       | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability  | 54.47%        | 78.26%       | 48.91%        | 71.66%       | 62.80%        | 61.98%        | 70.46%       | 77.15%       | 77.70%       | 0.00% |

\*Complete data for this schedule is not available prior to 2015. The 2023 information presented has a measurement date of July 1, 2022.

**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\***

|   | 2023            | 2022            | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            | 2014  |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|
| Employer's proportion of the net pension liability (asset)  | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 100.00%         | 0.00% |
| Employer's proportionate share of the net pension liability (asset)   | \$ (15,684,703) | \$ (31,759,726) | \$ (31,122,000) | \$ (31,006,306) | \$ (27,458,900) | \$ (33,635,942) | \$ (35,329,182) | \$ (32,892,878) | \$ (32,650,195) | \$ -  |
| Employer's covered payroll  | \$ 132,843      | \$ 199,701      | \$ 386,378      | \$ 416,552      | \$ 416,652      | \$ 498,564      | \$ 564,684      | \$ 673,836      | \$ 752,999      | \$ -  |
| Plan fiduciary net position   | \$ 86,177,470   | \$ 96,603,697   | \$ 95,250,637   | \$ 97,203,246   | \$ 95,588,111   | \$ 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 | (25573.44)%     | (18130.18)%     | (9892.34)%      | (7443.56)%      | (6590.37)%      | (6746.56)%      | (6256.45)%      | (4881.44)%      | (4336.02)%      | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability  | 122.25%         | 148.98%         | 148.53%         | 146.84%         | 140.30%         | 152.86%         | 157.72%         | 151.89%         | 150.20%         | 0.00% |

\*Complete data for this schedule is not available prior to 2015. The 2023 information presented has a measurement date of July 1, 2022.

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\***

|  | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|
| Statutory determined contribution                                    | \$ 641,377   | \$ 616,858   | \$ 669,690   | \$ 613,126   | \$ 594,668   | \$ 623,020   | \$ 618,590   | \$ 613,788   | \$ 743,659   | \$ -  |
| Contributions in relation to the actuarially determined contribution | (641,377)    | (616,858)    | (669,690)    | (613,126)    | (594,668)    | (596,897)    | (610,715)    | (661,365)    | (742,673)    | -     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ 26,123    | \$ 7,875     | \$ (47,577)  | \$ 986       | \$ -  |
| Covered payroll  | \$ 8,749,895 | \$ 8,500,056 | \$ 9,319,430 | \$ 8,595,525 | \$ 8,352,081 | \$ 8,458,706 | \$ 8,530,847 | \$ 8,477,929 | \$ 9,790,399 | \$ -  |
| Contributions as a percentage of covered payroll                     | 7.33%        | 7.26%        | 7.19%        | 7.13%        | 7.12%        | 7.06%        | 7.16%        | 7.60%        | 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\***

|  | 2023      | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       |
|--|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Statutory determined contribution                                    | \$ -      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Contributions in relation to the actuarially determined contribution | -         | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Contribution deficiency (excess)                                     | \$ -      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered payroll  | \$ 61,404 | \$ 132,843 | \$ 199,701 | \$ 386,378 | \$ 416,552 | \$ 416,652 | \$ 498,564 | \$ 564,684 | \$ 673,836 | \$ 842,601 |
| Contributions as a percentage of covered 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**

| <b>For the Ten Years Ended June 30*</b>                      | <b>2023</b>            | <b>2022</b>            | <b>2021</b>            | <b>2020</b>            | <b>2019</b>            | <b>2018</b>            | <b>2017</b>            | <b>2016</b>            | <b>2015</b>            | <b>2014</b> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------|
| <b>Total pension liability (asset)</b>                       |                        |                        |                        |                        |                        |                        |                        |                        |                        |             |
| Service cost   | \$ 41,998              | \$ 58,356              | \$ 57,560              | \$ 70,295              | \$ 80,344              | \$ 55,500              | \$ 71,420              | \$ 127,734             | \$ 87,668              | \$ -        |
| Interest   | 2,342,037              | 2,628,514              | 3,038,156              | 3,129,175              | 3,500,344              | 4,130,232              | 4,281,440              | 5,026,167              | 5,107,459              | -           |
| Change of benefit terms                                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -           |
| Differences between expected and actual experience           | 3,413,145              | (201,346)              | (1,122,296)            | (504,895)              | (310,124)              | (1,648,283)            | (2,006,791)            | (1,806,271)            | (1,607,033)            | -           |
| Changes of assumptions                                       | 4,717,298              | 2,898,630              | 539,852                | -                      | 5,811,755              | 4,421,401              | 69,885                 | (309,878)              | -                      | -           |
| Benefit payments, including refund of employee Contributions | (4,865,682)            | (4,668,820)            | (4,581,575)            | (4,626,846)            | (4,582,577)            | (4,534,153)            | (4,601,196)            | (4,694,171)            | (4,594,462)            |             |
| <b>Net change in total pension liability (asset)</b>         | <b>5,648,796</b>       | <b>715,334</b>         | <b>(2,068,303)</b>     | <b>(1,932,271)</b>     | <b>4,499,742</b>       | <b>2,424,697</b>       | <b>(2,185,242)</b>     | <b>(1,656,419)</b>     | <b>(1,006,368)</b>     |             |
| <b>Total pension liability (asset) - beginning</b>           | <b>64,843,971</b>      | <b>64,128,637</b>      | <b>66,196,940</b>      | <b>68,129,211</b>      | <b>63,629,469</b>      | <b>61,204,772</b>      | <b>63,390,014</b>      | <b>65,046,433</b>      | <b>66,052,801</b>      |             |
| <b>Total pension liability (asset) - ending (a)</b>          | <b>\$ 70,492,767</b>   | <b>\$ 64,843,971</b>   | <b>\$ 64,128,637</b>   | <b>\$ 66,196,940</b>   | <b>\$ 68,129,211</b>   | <b>\$ 63,629,469</b>   | <b>\$ 61,204,772</b>   | <b>\$ 63,390,014</b>   | <b>\$ 65,046,433</b>   |             |
| <b>Plan fiduciary net position</b>                           |                        |                        |                        |                        |                        |                        |                        |                        |                        |             |
| Contributions - employer                                     | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -        |
| Contributions - employee                                     | 9,299                  | 13,979                 | 27,047                 | 29,159                 | 32,987                 | 39,417                 | 44,178                 | 50,142                 | 55,748                 |             |
| Service credit repurchase                                    | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |             |
| Net investment income  | (5,551,487)            | 6,025,272              | 2,621,067              | 6,229,630              | 2,918,585              | 5,238,877              | 4,840,333              | 3,260,507              | 11,887,840             |             |
| Benefit payments, including refund of employee contributions | (4,865,682)            | (4,668,820)            | (4,581,575)            | (4,626,846)            | (4,582,577)            | (4,534,153)            | (4,601,196)            | (4,694,171)            | (4,594,462)            |             |
| Administrative expense                                       | (18,357)               | (17,371)               | (19,148)               | (16,808)               | (46,295)               | (12,684)               | (32,253)               | (30,214)               | (31,455)               |             |
| <b>Net change in plan fiduciary net position</b>             | <b>(10,426,227)</b>    | <b>1,353,060</b>       | <b>(1,952,609)</b>     | <b>1,615,135</b>       | <b>(1,677,300)</b>     | <b>731,457</b>         | <b>251,062</b>         | <b>(1,413,736)</b>     | <b>7,317,671</b>       |             |
| <b>Plan fiduciary net position - beginning</b>               | <b>96,603,697</b>      | <b>95,250,637</b>      | <b>97,203,246</b>      | <b>95,588,111</b>      | <b>97,265,411</b>      | <b>96,533,954</b>      | <b>96,282,892</b>      | <b>97,696,628</b>      | <b>90,378,957</b>      |             |
| <b>Plan fiduciary net position - ending (b)</b>              | <b>\$ 86,177,470</b>   | <b>\$ 96,603,697</b>   | <b>\$ 95,250,637</b>   | <b>\$ 97,203,246</b>   | <b>\$ 95,588,111</b>   | <b>\$ 97,265,411</b>   | <b>\$ 96,533,954</b>   | <b>\$ 96,282,892</b>   | <b>\$ 97,696,628</b>   |             |
| <b>Net pension liability (asset) - ending (a) - (b)</b>      | <b>\$ (15,684,703)</b> | <b>\$ (31,759,726)</b> | <b>\$ (31,122,000)</b> | <b>\$ (31,006,306)</b> | <b>\$ (27,458,900)</b> | <b>\$ (33,635,942)</b> | <b>\$ (35,329,182)</b> | <b>\$ (32,892,878)</b> | <b>\$ (32,650,195)</b> |             |

\*Complete data for this schedule is not available prior to 2015. The 2023 information presented has a measurement date of July 1, 2022.

See accompanying notes to the Required Supplemental Information.



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

|  | 2023        | 2022        | 2021        | 2020        | 2019        | 2018        | 2017  | 2016  | 2015  | 2014  |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------|-------|-------|-------|
| Employer's proportion of the net OPEB liability (asset)  | 0.734114%   | 0.795344%   | 0.751239%   | 0.753263%   | 0.792162%   | 0.811997%   | 0.00% | 0.00% | 0.00% | 0.00% |
| Employer's proportionate share of the net OPEB liability (asset)   | \$881,164   | \$442,349   | \$631,940   | \$605,011   | \$623,882   | \$642,298   | -     | -     | -     | -     |
| Employer's covered payroll   | \$7,579,026 | \$8,671,300 | \$8,706,403 | \$8,986,989 | \$8,667,975 | \$8,784,521 | -     | -     | -     | -     |
| Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 11.63%      | 5.10%       | 7.26%       | 6.73%       | 7.20%       | 7.31%       | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 56.28%      | 76.63%      | 63.38%      | 63.13%      | 61.89%      | 59.78%      | 0.00% | 0.00% | 0.00% | 0.00% |

\*Complete data for this schedule is not available prior to 2018. The 2023 information presented has a measurement date of July 1, 2022.

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

|  | 2023      | 2022        | 2021        | 2020        | 2019        | 2018        | 2017  | 2016  | 2015  | 2014  |
|--|-----------|-------------|-------------|-------------|-------------|-------------|-------|-------|-------|-------|
| Employer's proportion of the net OPEB liability (asset)  | 100.00%   | 100.00%     | 100.00%     | 100.00%     | 100.00%     | 100.00%     | 0.00% | 0.00% | 0.00% | 0.00% |
| Employer's proportionate share of the net OPEB liability (asset)   | \$952,996 | \$1,001,072 | \$1,215,321 | \$1,265,603 | \$1,452,692 | \$1,490,632 | -     | -     | -     | -     |
| Employer's covered payroll   | n/a       | n/a         | n/a         | n/a         | n/a         | n/a         | -     | -     | -     | -     |
| Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | n/a       | n/a         | n/a         | n/a         | n/a         | n/a         | 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 2023 information presented has a measurement date of July 1, 2022.

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\***

|  | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016  | 2015  | 2014  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|-------|-------|
| Statutory determined contribution                                    | \$ 81,871    | \$ 85,801    | \$ 101,708   | \$ 98,827    | \$ 97,703    | \$ 101,670   | \$ 102,114   | \$ -  | \$ -  | \$ -  |
| Contributions in relation to the actuarially determined contribution | (81,871)     | (85,801)     | (101,708)    | (98,827)     | (97,703)     | (95,570)     | (97,783)     | -     | -     | -     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ 6,100     | \$ 4,331     | \$ -  | \$ -  | \$ -  |
| Covered-employee payroll   | \$ 7,557,797 | \$ 7,557,797 | \$ 8,987,199 | \$ 8,706,043 | \$ 8,986,989 | \$ 8,667,975 | \$ 8,784,521 | \$ -  | \$ -  | \$ -  |
| Contributions as a percentage of covered-employee payroll            | 1.08%        | 1.14%        | 1.13%        | 1.14%        | 1.09%        | 1.10%        | 1.11%        | 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\***

|  | 2023      | 2022      | 2021      | 2020      | 2019       | 2018       | 2017  | 2016  | 2015  | 2014  |
|--|-----------|-----------|-----------|-----------|------------|------------|-------|-------|-------|-------|
| Actuarially determined contribution                                  | \$ 89,105 | \$ 93,311 | \$ 93,167 | \$ 92,204 | \$ 106,095 | \$ 104,284 | \$ -  | \$ -  | \$ -  | \$ -  |
| Contributions in relation to the actuarially determined contribution | (85,814)  | (89,045)  | (82,634)  | (78,699)  | (83,650)   | (79,667)   | -     | -     | -     | -     |
| Contribution deficiency (excess)                                     | \$ 3,291  | \$ 4,266  | \$ 10,533 | \$ 13,505 | \$ 22,445  | \$ 24,617  | \$ -  | \$ -  | \$ -  | \$ -  |
| Covered-employee payroll   | n/a       | n/a       | n/a       | n/a       | n/a        | n/a        | \$ -  | \$ -  | \$ -  | \$ -  |
| Contributions as a percentage of covered-employee payroll            | n/a       | n/a       | n/a       | n/a       | n/a        | n/a        | 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**

| <b>For the Ten Years Ended June 30*</b>                      | <b>2023</b>       | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|-------------|-------------|-------------|
| <b>Total OPEB liability (asset)</b>                          |                   |                     |                     |                     |                     |                     |             |             |             |             |
| Service cost   | \$ 292            | \$ 281              | \$ 862              | \$ 821              | \$ 3,672            | \$ 3,497            | \$ -        | \$ -        | \$ -        | \$ -        |
| Interest   | 37,446            | 29,966              | 31,490              | 36,570              | 42,038              | 43,135              | -           | -           | -           | -           |
| Change of benefit terms                                      | -                 | -                   | -                   | -                   | -                   | -                   | -           | -           | -           | -           |
| Differences between expected and actual experience           | -                 | (17,503)            | -                   | (192,150)           | -                   | -                   | -           | -           | -           | -           |
| Changes of assumptions                                       | -                 | (137,948)           | -                   | 46,369              | -                   | -                   | -           | -           | -           | -           |
| Benefit payments, including refund of employee Contributions | (85,814)          | (89,045)            | (82,634)            | (78,699)            | (83,650)            | (79,667)            |             |             |             |             |
| <b>Net change in total OPEB liability (asset)</b>            | <b>(48,076)</b>   | <b>(214,249)</b>    | <b>(50,282)</b>     | <b>(187,089)</b>    | <b>(37,940)</b>     | <b>(33,035)</b>     |             |             |             |             |
| <b>Total OPEB liability (asset) - beginning</b>              | <b>1,001,072</b>  | <b>1,215,321</b>    | <b>1,265,603</b>    | <b>1,452,692</b>    | <b>1,490,632</b>    | <b>1,523,667</b>    |             |             |             |             |
| <b>Total OPEB liability (asset) - ending (a)</b>             | <b>\$ 952,996</b> | <b>\$ 1,001,072</b> | <b>\$ 1,215,321</b> | <b>\$ 1,265,603</b> | <b>\$ 1,452,692</b> | <b>\$ 1,490,632</b> |             |             |             |             |
| <b>Plan fiduciary net position</b>                           |                   |                     |                     |                     |                     |                     |             |             |             |             |
| Contributions - employer                                     | \$ 85,814         | \$ 89,045           | \$ 82,634           | \$ 78,699           | \$ 83,650           | \$ 79,667           | \$ -        | \$ -        | \$ -        | \$ -        |
| Contributions - employee                                     | -                 | -                   | -                   | -                   | -                   | -                   | -           | -           | -           | -           |
| Service credit repurchase                                    | -                 | -                   | -                   | -                   | -                   | -                   | -           | -           | -           | -           |
| Net investment income  | -                 | -                   | -                   | -                   | -                   | -                   | -           | -           | -           | -           |
| Benefit payments, including refund of employee contributions | (85,814)          | (89,045)            | (82,634)            | (78,699)            | (83,650)            | (79,667)            |             |             |             |             |
| Administrative expense                                       | -                 | -                   | -                   | -                   | -                   | -                   |             |             |             |             |
| <b>Net change in plan fiduciary net position</b>             | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            |             |             |             |             |
| <b>Plan fiduciary net position - beginning</b>               | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            |             |             |             |             |
| <b>Plan fiduciary net position - ending (b)</b>              | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |             |             |             |             |
| <b>Net OPEB liability (asset) - ending (a) - (b)</b>         | <b>\$ 952,996</b> | <b>\$ 1,001,072</b> | <b>\$ 1,215,321</b> | <b>\$ 1,265,603</b> | <b>\$ 1,452,692</b> | <b>\$ 1,490,632</b> |             |             |             |             |

\*Complete data for this schedule is not available prior to 2018. The 2023 information presented has a measurement date of July 1, 2022.

See accompanying notes to the Required Supplemental Information.

**Job Service North Dakota  
Notes to Required Supplementary Schedules  
June 30, 2023**

**NOTE 1 – Actuarial Assumptions and Methods**

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

Changes of benefit terms: The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions:

The investment return assumption was updated from 7.00 percent to 6.50 percent beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation of July 1, 2020.

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

Methods and Assumptions Used to Determine Actuarially Determined Contribution Rates:

Actuarial Cost Method: Frozen Initial Liability (Aggregate since no initial Liability remains)

Amortization Method: N/A

Asset Valuation Method: 5-year smoothed market

Inflation: 2.25%

COLA: 2.25%

Salary Increases: 3.50%

Investment Rate of Return: 3.75%

Retirement Age: Age-based table of rates that are specific to the type of eligibility condition

Mortality: For July 1, 2022, mortality rates for active members, inactive members and healthy retirees were based on the Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Other Notes: There were no benefit changes during the year. The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019. The Board approved lowering the investment return assumption from 4.25 percent to 3.75 percent, first effective July 1, 2021. The System has assets in excess of the present value of future benefits. Therefore, no employer contributions are being made.

Methods and Assumptions Used to Determine GASB 67/68 Net Pension Liability:

Actuarial Cost Method: Entry Age Normal

Asset Valuation Method: Plan Fiduciary Net Position (Market value of assets, no asset smoothing)

Inflation: 2.25%

COLA: 2.25%

Salary Increases: 3.50%

Investment Rate of Return: 3.00%

Retirement Age: Age-based table of rates that are specific to the type of eligibility condition

Mortality: For July 1, 2022, mortality rates for active members, inactive members and healthy retirees were based on the Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Other Notes: There were no benefit changes during the year. The assumptions were updated beginning with the actuarial valuation of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019. The Board approved lowering the investment return assumption from 3.75 percent to 3.00 percent, first effective July 1, 2022. The System has assets in excess of the present value of future benefits. Therefore, no employer contributions are being made.

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

Changes of benefit terms: Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions:

The investment return assumption was updated from 6.50 percent to 5.75 percent beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**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, 2022:

- The discount rate is 4.09 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022, compared to the prior discount rate of 2.66%.
- Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2019 to table PubG-2010 Headcount Weighted with improvement scale MP-2021.

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

**JOB SERVICE NORTH DAKOTA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

|  | <u>Special Revenue</u>                                    |  |  |
|--|---|--|--|
|  | <u>362</u><br><b>Job<br/>Service<br/>Special<br/>Fund</b> | <u>392</u><br><b>Insurance<br/>Recovery<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
| <b>Assets</b>  |   |  |  |
| Cash in State Treasury                                       | \$ 309,278  | \$ -   | \$ 309,278   |
| Due From:  |   |  |  |
| Other Funds  | 557,321   | -  | 557,321  |
| <b>Total Assets</b>  | <u>\$ 866,599</u>   | <u>\$ -</u>  | <u>\$ 866,599</u>                                    |
| <b>Liabilities</b>   |   |  |  |
| Accounts Payable   | \$ 6,315  | \$ -   | \$ 6,315   |
| Accrued Payroll  | 1,764   | -  | 1,764  |
| Due To:  |   |  |  |
| Other Funds  | 830   | -  | 830  |
| Other State Agencies   | 1,411   | -  | 1,411  |
| <b>Total Liabilities</b>                                     | <u>10,320</u>   | <u>-</u>   | <u>10,320</u>  |
| <b>Fund Balances</b>   |   |  |  |
| Assigned   | 856,279   | -  | 856,279  |
| Unassigned   | -   | -  | -  |
| <b>Total Fund Balances</b>                                   | <u>856,279</u>  | <u>-</u>   | <u>856,279</u>                                       |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <u>\$ 866,599</u>   | <u>\$ -</u>  | <u>\$ 866,599</u>                                    |

**JOB SERVICE NORTH DAKOTA**

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

|                                       | <b>Special Revenue</b>                      |  |  |
|---------------------------------------|---|--|--|
|                                       | <u>362</u>                                  | <u>392</u>                             |  |
|                                       | <b>Job<br/>Service<br/>Special<br/>Fund</b> | <b>Insurance<br/>Recovery<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
| <b>Revenues</b>                       |   |  |  |
| Other Grants                          | \$ 45,715                                   | \$ -                                   | \$ 45,715  |
| Miscellaneous Income                  | -   | 42,850                                 | 42,850   |
| <b>Total Revenues</b>                 | <u>45,715</u>                               | <u>42,850</u>                          | <u>88,565</u>  |
| <b>Expenditures</b>                   |   |  |  |
| Current:                              |   |  |  |
| Economic Development & Assistance     | 37,609                                      | 42,850                                 | 80,459   |
| <b>Total Expenditures</b>             | <u>37,609</u>                               | <u>42,850</u>                          | <u>80,459</u>  |
| Excess of Revenues                    |   |  |  |
| Over (Under) Expenditures             | <u>8,106</u>                                | <u>-</u>                               | <u>8,106</u>   |
| Net Change in Fund Balances           | 8,106                                       | -                                      | 8,106  |
| Fund Balances at July 1, 2022         | 848,173                                     | -                                      | 848,173  |
| <b>Fund Balances at June 30, 2023</b> | <u>\$ 856,279</u>                           | <u>\$ -</u>                            | <u>\$ 856,279</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  
For the Fiscal Year Ended June 30, 2023**

|   | <u>2023</u>                 |
|---|-----------------------------|
| <b><i>Governmental funds capital assets:</i></b>                          |                             |
| Land  | \$ 1,202,406                |
| Buildings   | 9,933,833                   |
| Infrastructure  | 383,211                     |
| Machinery and equipment   | 1,219,732                   |
| Intangible Assets   | 4,907,208                   |
| Work in Progress  | -                           |
| <b><i>Total governmental funds capital assets</i></b>                     | <u><u>\$ 17,646,390</u></u> |
| <br>  |                             |
| <b><i>Investments in governmental funds capital assets by source:</i></b> |                             |
| Special revenue funds   | <u><u>\$ 17,646,390</u></u> |

**JOB SERVICE NORTH DAKOTA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedules By Function and Activity  
For the Fiscal Year Ended June 30, 2023**

|  | June 30, 2023              |                            |                          |                            |                            |                    |                             |
|--|----------------------------|----------------------------|--------------------------|----------------------------|----------------------------|--------------------|-----------------------------|
| Function and Activity                          | Land                       | Buildings                  | Infrastructure           | Equipment                  | Intangible Assets          | Work in Progress   | Total                       |
| <b>General government:</b>                     |                            |                            |                          |                            |                            |                    |                             |
| Economic development and assistance            | \$ 1,202,406               | \$ 9,933,833               | \$ 383,211               | \$ 1,219,732               | \$ 4,907,208               | \$ -               | \$ 17,646,390               |
| Total general government                       | <u>1,202,406</u>           | <u>9,933,833</u>           | <u>383,211</u>           | <u>1,219,732</u>           | <u>4,907,208</u>           | <u>-</u>           | <u>17,646,390</u>           |
| <b>Total governmental funds capital assets</b> | <u><u>\$ 1,202,406</u></u> | <u><u>\$ 9,933,833</u></u> | <u><u>\$ 383,211</u></u> | <u><u>\$ 1,219,732</u></u> | <u><u>\$ 4,907,208</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 17,646,390</u></u> |

**Job Service North Dakota**

**Capital Assets Used in the Operation of Governmental Funds  
Schedules of Changes By Function and Activity  
For the Fiscal Year Ended June 30, 2023**

| <u>Function and Activity</u>                          | <u>June 30, 2023</u>  |                         |                    | <u>Governmental<br/>Funds Capital<br/>Assets<br/>June 30, 2023</u> |
|---|---|-------------------------|--------------------|--|
|   | <u>Governmental<br/>Funds Capital<br/>Assets<br/>July 1, 2022</u> | <u>Additions</u>        | <u>Deductions</u>  |  |
|   | <b><i>General government:</i></b>                                 |                         |                    |  |
| Economic development and assistance                   | \$ 17,579,348   | \$ 67,042               | \$ -               | \$ 17,646,390  |
| Total general government                              | 17,579,348  | 67,042                  | -                  | 17,646,390   |
| <b><i>Total governmental funds capital assets</i></b> | <b><u>\$ 17,579,348</u></b>                                       | <b><u>\$ 67,042</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 17,646,390</u></b>  |

# **Schedule of Expenditures of Federal Awards**

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023**

| <u><i>Federal Grantor/<br/>Federal Program<br/>Grant Title</i></u> | <u><i>AL #</i></u> | <u><i>Expenditures</i></u> |
|--|--------------------|----------------------------|
| <b><i>U.S. Department of Labor</i></b>                             |                    |                            |
| <b><i>Labor Force Statistics</i></b>                               |                    |                            |
| Cooperative Agreement LM-36106-22-75-J-38                          | 17.002             | \$ 165,376                 |
| Cooperative Agreement LM-38423-23-75-J-38                          |                    | 470,303                    |
|  | ST                 | <u>635,679</u>             |
| <br>   |                    |                            |
| <b><i>Work Opportunity Tax Credit Program (WOTC)</i></b>           |                    |                            |
| WOTC FY 2021   | 17.271             | 140,095                    |
| WOTC FY 2022   |                    | 11,905                     |
| WOTC FY 2023   |                    | 54,056                     |
|  | ST                 | <u>206,056</u>             |
| <br>   |                    |                            |
| <b><i>Temporary Labor Certification for Foreign Workers</i></b>    |                    |                            |
| Alien Labor Certification FY 2022                                  | 17.273             | 108,207                    |
| Alien Labor Certification FY 2023                                  |                    | 398,621                    |
|  | ST                 | <u>506,828</u>             |
| <br>   |                    |                            |
| <b><i>Unemployment Insurance</i></b>                               |                    |                            |
| UI Administration FY 2021  | 17.225             |                            |
| UI Administration FY 2022  |                    | 5,590,408                  |
| UI Administration FY 2023  |                    | 3,143,219                  |
| TRA FY 2022  |                    | 4,693                      |
| TRA FY 2023  |                    | 12,179                     |
| Reed Act   |                    | 287,222                    |
| Federal Unemployment Insurance Benefits                            |                    | 1,526,078                  |
| Federal Unemployment Insurance Benefits-FAC-ARRA                   |                    | (6,616)                    |
| State Unemployment Insurance Benefits funded by State Taxes        |                    | 63,591,344                 |
|  | ST                 | <u>74,148,527</u>          |
| <br>   |                    |                            |
| <b><i>COVID-19 - Unemployment Insurance</i></b>                    |                    |                            |
| CARES Act of 2020  | 17.225             | 830,806                    |
| EUISAA Administration 2020   |                    | 598,591                    |
| Federal Unemployment Insurance Benefits                            |                    | (2,830,653)                |
|  | ST                 | <u>(1,401,256)</u>         |
| <br>   |                    |                            |
| <b><i>Total Unemployment Insurance</i></b>                         |                    |                            |
|  | 17.225             | <u>72,747,271</u>          |
| <br>   |                    |                            |
| <b><i>Trade Adjustment Assistance-Workers</i></b>                  |                    |                            |
| TAA Training FY 2020   | 17.245             | 20,405                     |
| TAA Training FY 2021   |                    | 40,807                     |
| TAA Training FY 2022   |                    | 0                          |
| TAA Training FY 2023   |                    | 0                          |
|  | ST                 | <u>61,212</u>              |
| <br>   |                    |                            |
| <b><i>Employment Service</i></b>                                   |                    |                            |
| Wagner-Peyser PY 2020  | 17.207             | 889,280                    |
| Wagner-Peyser PY 2021  |                    | 3,376,695                  |
| Wagner-Peyser PY 2022  |                    | 652,129                    |
| Workforce Information Grant PY 2020                                |                    | 133,038                    |
| Workforce Information Grant PY 2021                                |                    | 185,555                    |
| Workforce Information Grant PY 2022                                |                    | 0                          |
|  | ST                 | <u>5,236,697</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, 2023**

| <u><i>Federal Grantor/<br/>Federal Program<br/>Grant Title</i></u>                                  | <u><i>AL #</i></u>       | <u><i>Expenditures</i></u> <sup>(1)</sup> |
|---|--------------------------|---|
| <b><i>Jobs for Veterans State Grant</i></b>   | <b><i>17.801</i></b>     |   |
| JVSG FY 2022  |                          | \$ 305,024                                |
| JVSG FY 2023  |                          | 285,975                                   |
|   |                          | <u>ST 590,999</u>                         |
| <b><i>Subtotal of 17.207, 17.801 (Employment Service Cluster)</i></b>                               |                          | <u>5,827,696</u>                          |
| <br><b><i>Passed Through Governor of North Dakota<br/>WIA/WIOA Adult Program</i></b>                | <br><b><i>17.258</i></b> |   |
| Grant Number AA-34787-20-55-A-38  |                          | 530,847                                   |
| Grant Number AA-36338-21-55-A-38  |                          | 1,710,128                                 |
| Grant Number AA-38548-22-55-A-38  |                          | 568,321                                   |
|   |                          | <u>ST 2,809,296</u>                       |
| <br><b><i>WIA/WIOA Youth Activities</i></b>   | <br><b><i>17.259</i></b> |   |
| Grant Number AA-34787-20-55-A-38  |                          | 905,041                                   |
| Grant Number AA-36338-21-55-A-38  |                          | 950,371                                   |
| Grant Number AA-38548-22-55-A-38  |                          | 589,633                                   |
|   |                          | <u>ST 2,445,045</u>                       |
| <br><b><i>WIA/WIOA Dislocated Workers</i></b>   | <br><b><i>17.278</i></b> |   |
| Grant Number AA-34787-20-55-A-38  |                          | 168,166                                   |
| Grant Number AA-36338-21-55-A-38  |                          | 102,439                                   |
| Grant Number AA-38548-22-55-A-38  |                          | 283,369                                   |
|   |                          | <u>ST 553,974</u>                         |
| <b><i>Subtotal of 17.258, 17.259, 17.278 (Workforce Innovation and Opportunity Act Cluster)</i></b> |                          | <u>5,808,315</u>                          |
| <b><i>TOTAL U.S. DEPARTMENT OF LABOR</i></b>  |                          | <u><u>\$ 85,793,057</u></u>               |
| <br><b><u><i>U.S. Department of Homeland Security</i></u></b>                                       |                          |   |
| <b><i>Other Needs Assistance</i></b>  | <b><i>97.050</i></b>     |   |
| Federal Unemployment Insurance Benefits   |                          | \$ (40,846)                               |
| <b><i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i></b>  |                          | <u><u>\$ (40,846)</u></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, 2023**

| <u>Federal Grantor/<br/>Federal Program<br/>Grant Title</u>  | <u>AL #</u>   | <u>Expenditures</u> <sup>(1)</sup> |
|--|---------------|------------------------------------|
| <b><u>U.S. Department of Agriculture</u></b>   |               |                                    |
| <b><u>Passed Through ND Department of Human Services:<br/>State Admin. Matching Grants for the Supplemental<br/>Nutrition Assistance Program Cluster</u></b> | <b>10.561</b> |                                    |
| Food Stamp Employment & Training (Contract Number<br>410-10285)  |               | \$ 95,325                          |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |               | <b>\$ 95,325</b>                   |
| <b><u>U.S. Department of Health and Human Services:</u></b>  |               |                                    |
| <b><u>Passed Through ND Department of Human Services:<br/>Temporary Assistance for Needy Families Cluster</u></b>  | <b>93.558</b> |                                    |
| Job Opportunities and Basic Skills Program<br>(Contract 405-10121)   |               | \$ 656,720                         |
| Parental Employment Pilot Project (Contract 405-10121)   |               | 504,487                            |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |               | <b>\$ 1,161,207</b>                |
| <b>TOTAL FEDERAL ASSISTANCE</b>  |               | <b>\$ 87,008,743</b>               |

(1) The total federal assistance reported on this schedule consists of the total Federal Fund expenditures less the Federal Fund prepaid items and Other Financing Source - Capital Lease on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 13) and the total expenses from the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 16).

**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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.

**NOTE 2 INDIRECT COST RATE**

Job Service North Dakota has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 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, 2023. 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.



# **Internal Control and Compliance Section**

**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

Pat Bertagnolli, 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, 2023, 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 November 3, 2023.

### **Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our

audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

### **Report on 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 financial statements. 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*.

### **Job Service North Dakota's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Job Service North Dakota's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Job Service North Dakota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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**

November 3, 2023

## 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

Pat Bertagnolli, Executive Director  
Job Service North Dakota

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Job Service North Dakota's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Job Service North Dakota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Job Service North Dakota's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Job Service North Dakota's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Job Service North Dakota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Job Service North Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Job Service North Dakota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Job Service North Dakota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Job Service North Dakota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



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

November 3, 2023

**JOB SERVICE NORTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

**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>  x  </u> yes  | <u>      </u> none reported |
| <br>Noncompliance material to financial statements noted? | <u>      </u> yes | <u>  x  </u> no             |

Federal Awards

|  |                   |                            |
|--|-------------------|----------------------------|
| Internal control over major programs:  |                   |                            |
| Material weakness(es) identified?  | <u>      </u> yes | <u>  x  </u> no            |
| Significant deficiency(ies) identified?  | <u>      </u> yes | <u>  x  </u> none reported |
| <br>Type of auditor's report issued on compliance for major programs:                              | <u>Unmodified</u> |                            |
| Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? | <u>      </u> yes | <u>  x  </u> no            |

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 17.225              | Unemployment Insurance                    |
| 17.207 / 17.801     | Employment Service Cluster                |

|  |                    |                  |
|--|--------------------|------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$3,000,000</u> |                  |
| <br>Auditee qualified as a low-risk auditee?                             | <u>  x  </u> yes   | <u>      </u> no |

**Section II - Financial Statement Findings**

2023-001: Significant Deficiency – Prior Period Adjustment

Criteria

Job Service North Dakota is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

Job Service North Dakota recorded a prior period adjustment to their financial statements to properly reflect revenue related to unemployment claims during COVID where the waiting period was waived for the claimant.

**JOB SERVICE NORTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
JUNE 30, 2023**

Cause

Job Service North Dakota's software was not originally designed to calculate and quantify this amount until FY 2023. The grant was awarded in prior years, and an estimate of this receivable and related revenue should have been recorded in prior years as the related expenditures were already incurred.

Effect

The financial statements were not properly recorded in accordance with accounting principles generally accepted in the United States of American in the prior fiscal year, for the year ended June 30, 2022.

Recommendation

Management has corrected and recorded the amount in the financial statements. In the future, management should monitor grant awards and related expenditures and recognize federal revenue when expenditures are incurred and substantially all barriers of the grant are met.

Views of Responsible Officials and Planned Corrective Actions

Due to limited resources, continual changes to program and eligibility requirement guidance from the USDOL which impacted those eligible for waiting week payments, and technology system limitations during the 2020 COVID pandemic, Job Service North Dakota was not able to determine the amount of COVID waiting week payments immediately upon waiting week payments. Although this item did not appear as a Significant Deficiency or Finding during our prior year audit where this issue also existed, Management agrees that an estimate should have been calculated for the COVID waiting week payments to record a receivable in the FY 22 financial statements. The system has been programmed to reflect the changes to determine the amount of COVID waiting week payments during FY 23 and the transactions have been recorded in the necessary accounts. The FY 23 financial statements include a prior period adjustment.

Current Year Status

This is new finding.

**Section III - Federal Award Findings and Questioned Costs**

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



## INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE YEAR ENDED JUNE 30, 2023

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, 2023 audit of Job Service North Dakota are as follows:

### **Audit Report Communications:**

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

Unmodified.

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

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

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

No.

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

There were no prior year findings.

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.

*As described in Note 1, the Agency changed accounting by adopting GASB Statement No. 96, Subscription-Based Technology Arrangements 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, 2023 to August 15, 2023. 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.

3. Identify any significant audit adjustments.

An audit adjustment was proposed to reflect a prior period adjustment to JSND's financial statements to properly reflect revenue related to unemployment claims during COVID where the waiting period was waived for the claimant.

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

None.

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

None.

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

None.

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

None.

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

Based on the audit procedures performed, Job Service North Dakota's critical information technology system is mainframe (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**

November 3, 2023

Finding 2023-001: Significant Deficiency – Prior Period Adjustment

Criteria

Job Service North Dakota is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

Job Service North Dakota recorded a prior period adjustment to their financial statements to properly reflect revenue related to unemployment claims during COVID where the waiting period was waived for the claimant.

Cause

Job Service North Dakota's software was not originally designed to calculate and quantify this amount until FY 2023. The grant was awarded in prior years, and an estimate of this receivable and related revenue should have been recorded in prior years as the related expenditures were already incurred.

Effect

The financial statements were not properly recorded in accordance with accounting principles generally accepted in the United States of America in the prior fiscal year, for the year ended June 30, 2022.

Recommendation

Management has corrected and recorded the amount in the financial statements. In the future, management should monitor grant awards and related expenditures and recognize federal revenue when expenditures are incurred and substantially all barriers of the grant are met.

Views of Responsible Officials and Planned Corrective Actions

Due to limited resources, continual changes to program and eligibility requirement guidance from the USDOL which impacted those eligible for waiting week payments, and technology system limitations during the 2020 COVID pandemic, Job Service North Dakota was not able to determine the amount of COVID waiting week payments immediately upon waiting week payments. Although this item did not appear as a Significant Deficiency or Finding during our prior year audit where this issue also existed, Management agrees that an estimate should have been calculated for the COVID waiting week payments to record a receivable in the FY 22 financial statements. The system has been programmed to reflect the changes to determine the amount of COVID waiting week payments during FY 23 and the transactions have been recorded in the necessary accounts. The FY 23 financial statements include a prior period adjustment.

Contact Person: Patrick Bertagnolli, Executive Director or Nicole Lagasse, Accounting Manger

Anticipated Completion Date: June 30, 2024