Job Service North Dakota

Financial Report For the Years Ending June 30, 2017 and 2016

Prepared by:
Job Service North Dakota
Finance Department

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Finance Manager

JOB SERVICE NORTH DAKOTA

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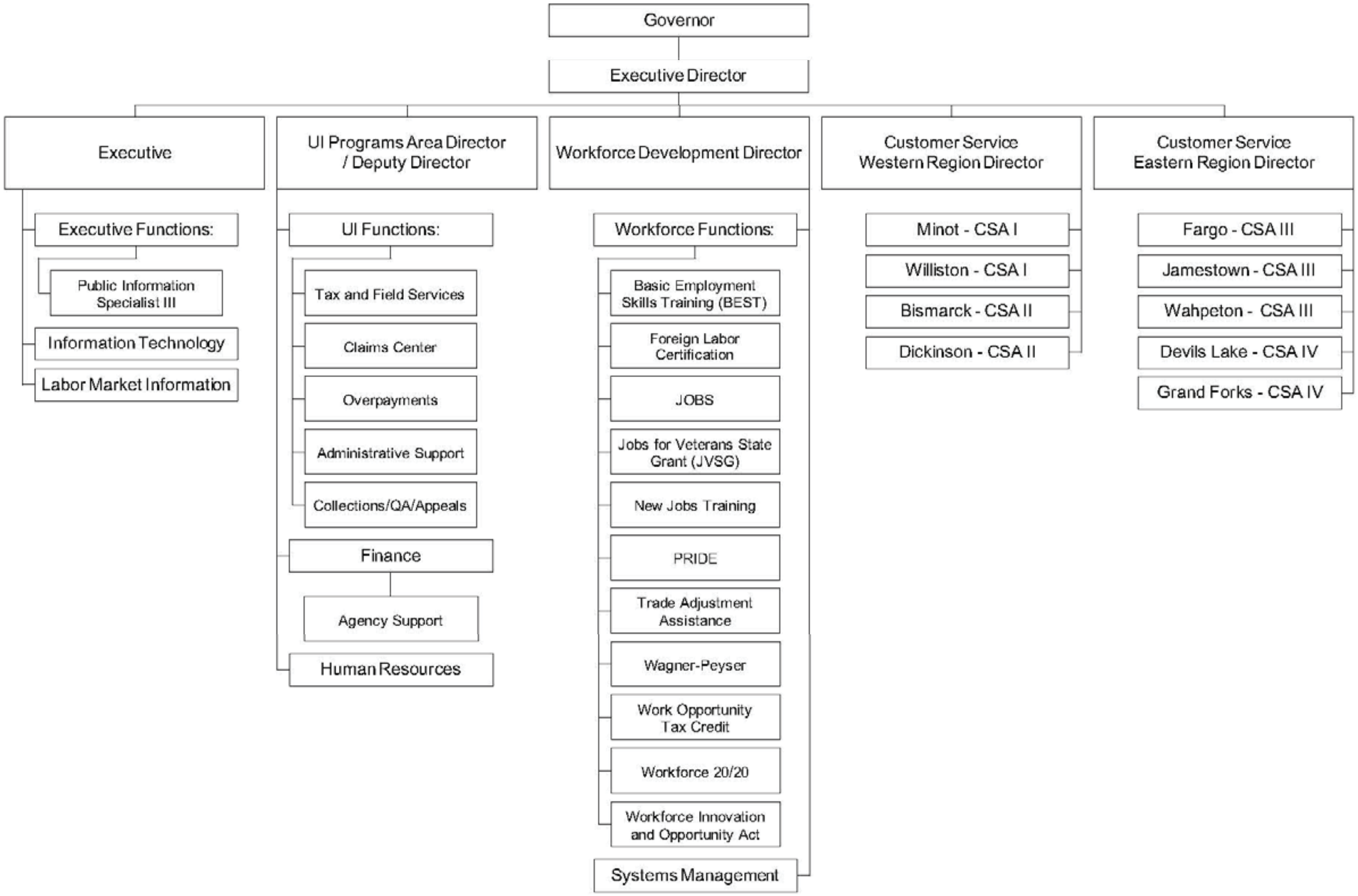


Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum
The Legislative Assembly

Michelle Kommer, Interim Executive Director
Job Service North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, a department of the State of North Dakota as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Job Service North Dakota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements of the Job Service North Dakota are intended to present the financial position, changes in net position, and 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, 2017 and 2016, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Job Service North Dakota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The section regarding capital assets used in the operation of governmental funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of Job Service North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control over financial reporting and compliance.

Brady Martz

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

October 23, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis
June 30, 2017

As management of Job Service North Dakota (Agency), we offer readers of the Agency's financial statements this narrative and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2017 with comparison to the fiscal year ended June 30, 2016.

Financial Highlights

- The assets of Job Service North Dakota exceeded its liabilities at the close of the most recent fiscal year by $179.76 million (net position). The increase of $42.64 million (31.10%) over the prior fiscal year is due to an increase in the Business-Type Activity of the Unemployment Insurance Trust fund of $37.82 million and an increase in the Governmental Activities of $4.82 million primarily related to the increase in the pension asset. The Unemployment Insurance Trust Fund increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was impacted by increased employer unemployment tax contributions and a decrease in payment of benefits to the unemployed and other states due to the benefit period ending from the slowdown in economic activity related to the oil industry.
- As of the close of the current fiscal year, the Agency's Business-Type funds reported combined ending net position of $139.71 million, an increase of $37.82 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 $40.05 million, an increase of $4.82 million over the prior year. Of the total, $5.10 million of these assets are the net investment in capital assets, $35.33 million are restricted for payment of pension benefits and ($.38) 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, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Comparative information is presented for June 30, 2017 and June 30, 2016. 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, 2017 and June 30, 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Unemployment Insurance contributions and earned but unused vacation and sick leave.)

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

The government-wide financial statements include only Job Service North Dakota itself; there are no component units reporting to the Agency. The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide, as a separate schedule, a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*. These reconciliations can be found on pages 13 & 15 of this report.

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

The Agency is appropriated a biennial budget from the North Dakota Legislature for its general, federal, and nonfederal funds. A budgetary comparison statement has been provided on page 19 to demonstrate compliance with this budget.

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

Proprietary Fund

Job Service North Dakota maintains one type of proprietary fund. An *enterprise fund* is used to report the same function presented as a *business-type activity* in the government-wide financial statements. The Agency uses an enterprise fund to account for the Unemployment Insurance Trust fund and its tax collection and benefit payment operations. The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Government-wide Financial Analysis

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The net position of Job Service North Dakota exceeded liabilities by $179.76 million at the close of the Agency's fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Program revenues:									
Charges for services	$ -	$ -	$ -	$ 193,119	$ 147,802	$ 127,328	$ 193,119	$ 147,802	$ 127,328
Operating grants and contributions	21,012	22,119	25,547	1,637	2,678	4,214	22,649	24,797	29,761
Total revenues	$ 21,012	$ 22,119	$ 25,547	$ 194,756	$ 150,480	$ 131,542	$ 215,768	$ 172,599	$ 157,089
Expenses:									
Economic development & assistance	$ 16,909	$ 18,367	$ 21,428	$ -	$ -	$ -	$ 16,909	$ 18,367	$ 21,428
Interest on long-term debt	71	52	57	-	-	-	71	52	57
Unemployment compensation funds	-	-	-	156,931	225,358	144,921	156,931	225,358	144,921
Total expenses	$ 16,980	$ 18,419	$ 21,485	$ 156,931	$ 225,358	$ 144,921	$ 173,911	$ 243,777	$ 166,406
Change in net position before transfers and special items	$ 4,032	$ 3,700	$ 4,062	$ 37,825	$ (74,878)	$ (13,379)	$ 41,857	$ (71,178)	$ (9,317)
Special Item - loss on disposal of fixed assetes	(3)	(32)	-	-	-	-	(3)	(32)	-
Transfers	791	1,203	1,167	-	-	-	791	1,203	1,167
Prior period adjustment	-	-	14,837	-	-	-	-	-	14,837
Change in net position	4,820	4,871	20,066	37,825	(74,878)	(13,379)	42,645	(70,007)	6,687
Net Position - Beginning of year	35,237	30,366	10,300	101,882	176,760	190,139	137,119	207,126	200,439
Net Position - End of year	$ 40,057	$ 35,237	$ 30,366	$ 139,707	$ 101,882	$ 176,760	$ 179,764	$ 137,119	$ 207,126

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

	Governmental Activities 2017	2016	2015	Business-Type Activities 2017	2016	2015	2017	2016	2015
Current and other assets	$ 44,875	$ 41,059	$ 41,388	$ 146,205	$ 111,426	$ 189,038	$ 191,080	$ 152,485	$ 230,426
Capital assets	7,169	6,590	6,493	-	-	-	7,169	6,590	6,493
Total assets	52,044	47,649	47,881	146,205	111,426	189,038	198,249	159,075	236,919
Deferred outflows of resources	$ 4,711	$ 1,468	$ 982	$ -	$ -	$ -	$ 4,711	$ 1,468	$ 982
Noncurrent liabilities	12,477	10,800	10,928	-	-	-	12,477	10,800	10,928
Other liabilities	1,885	1,855	2,254	6,498	9,544	12,278	8,383	11,399	14,532
Total liabilities	14,362	12,655	13,182	6,498	9,544	12,278	20,860	22,199	25,460
Deferred inflows of resources	$ 2,336	$ 1,225	$ 5,315	$ -	$ -	$ -	$ 2,336	$ 1,225	$ 5,315
Net Position:									
Net investment in capital assets	5,105	5,418	5,027	-	-	-	5,105	5,418	5,027
Restricted	35,329	32,893	32,650	139,707	101,882	176,760	175,036	134,775	209,410
Unrestricted	(377)	(3,074)	(7,311)	-	-	-	(377)	(3,074)	(7,311)
Total net position	$ 40,057	$ 35,237	$ 30,366	$ 139,707	$ 101,882	$ 176,760	$ 179,764	$ 137,119	$ 207,126

The Agency is primarily funded by federal grants from the Department of Labor. The largest portion of the Agency's net position reflects the business-type activity of the Unemployment Insurance Trust Fund. This net position will be discussed in further detail under the business-type activity section and the discussion of the proprietary fund. The net position of $179.76 million as of June 30, 2017 and $137.12 million as of June 30, 2016 include $40.05 million and $35.24 million in assets of the Governmental Activities, respectively, and $139.71 million and $101.88 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities

The net position as of June 30, 2017 and 2016, related to governmental activities, are $40.05 million and $35.24 million, respectively. The net position as of June 30, 2017 and 2016 include, $5.10 million and $5.42 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, $35.33 million is classified as restricted for Pension Assets and ($.38) million 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 with the implementation of GASB 68, *Accounting and Financial Reporting for 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 $139.71 million and $101.88 million at June 30, 2017 and June 30, 2016, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of $128.34 million at June 30, 2017 and $90.12 million at June 30, 2016 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund that may only be expended for unemployment benefits.

Restricted assets for Unemployment Insurance Benefits and/or Other Purposes of $11.37 million at June 30, 2017 and $11.76 million at June 30, 2016, represent the Department of Labor distribution of Reed Act resources into each state's trust fund that remains unexpended as of the end of the fiscal year. Federal law governs how the distribution may be expended. The distribution is available for the payment of Unemployment Insurance benefits to claimants and/or, if specifically appropriated by the Legislative Assembly, the administration of the state's Unemployment Insurance and Employment Service programs.

Financial Analysis of the Government's Funds

Governmental funds
Job Service North Dakota utilizes five individual governmental funds. The federal fund and Federal Advance Interest Repayment Account are considered to be the agency's major funds. The three nonmajor governmental funds include the 362-Job Service Special Fund, 392-Insurance Recovery Fund, and the 001-General Fund (Workforce 20/20).

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

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 the Workforce 20/20 program and jobsnd.com, the labor exchange website. The Workforce 20/20 program was enacted by the 1991 Legislative Assembly and is designed to fill gaps in federally funded training programs. Workforce 20/20 can provide a match to employers to help cover some of the direct training cost when they provide training or upgrade training to their current workforce in order to meet the demands which are brought about by the introduction of new technologies and work methods.

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

tax rates to employers. The Unemployment Insurance Overpayments interest decrease is due to fewer overpayments being collected.

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

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets was $7.17 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to $6.59 million for the end of the previous year. This investment in the governmental activities includes land, buildings, and equipment with an acquisition cost of $5,000 or more.

Additional information on the Agency's capital assets can be found in Note 5 of this report and in the section entitled *Capital Assets Used in the Operation of Governmental Funds* on pages 63-65.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2017 and June 30, 2016 were $12.48 million and $10.80 million, respectively, and includes the Agency's Other Post Employment Benefits of $1.24 million, the net Pension Liability of $8.20 million due to implementation of GASB 68, a capitalized lease for the Bismarck/Mandan customer service office, equipment capital leases, and compensated absences. Of the current year balance, $.53 million is classified as due within one year on the Statement of Net Position. The remaining liability of $2.51 million is classified as a long-term liability on the financial statements because it is due in more than one year.

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

	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Current liabilities:									
Accounts payable	$ 185	$ 362	$ 257	$ 3,687	$ 4,261	$ 4,016	$ 3,872	$ 4,623	$ 4,273
Accrued payroll	1,185	1,143	1,457	-	-	-	1,185	1,143	1,457
Interest payable	11	3	4	-	-	-	11	3	4
Other current liabilities	504	342	365	2,811	5,283	8,262	3,315	5,625	8,626
Noncurrent liabilities:									
Net OPEB Obligation	1,235	1,158	1,066	-	-	-	1,235	1,158	1,066
Net Pension Liability	8,199	7,473	7,390	-	-	-	8,199	7,473	7,390
Due within one year	533	319	389	-	-	-	533	319	389
Due in more than one year	2,510	1,855	2,254	-	-	-	2,510	1,855	2,254
Total liabilities	$ 14,362	$ 12,655	$ 13,182	$ 6,498	$ 9,544	$ 12,278	$ 20,860	$ 22,199	$ 25,460

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

Financial Analysis of Appropriated Budget

The Agency's biennial budget can be found on page 19. The agency had an overall favorable variance of $28.17 million due to reductions in federal funding of several of the agencies grant programs. The Reed Act budget variance of $11.36 million is due to activities and funding associated with the continuation of the agencies Unemployment Insurance IT system replacement project. Expenditure of Reed Act funds during this biennium have been minimal due to additional research being conducted to find a replacement system. Enhancements have been made to the current system to allow for a smoother transition to a new system on a widely-used technology platform. The Reed Act resources continue to be a necessary funding component and will be needed to accommodate the development of the new computer system.

Economic Factors and Next Year's Budgets and Rates

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

- Annual "flat" or declining funding of the Agency's primary administrative funding for WIOA, Wagner Peyser and Unemployment Insurance. Sequestration, the automatic spending cuts provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985, if enacted again, will reduce future funding for the agency.

- Department of Labor (DOL) funding of our programs does not recognize or provide additional funding to cover state required expenditures, such as salary increases, fringe benefit increases, statewide indirect costs, etc. As costs increase and funding decreases the agency will have to continue to reduce staffing levels and operating costs. These reductions in funding may require a reallocation of resources within the state to ensure the agency is meeting the workforce demands of the state.

- DOL funding does not provide an adequate mechanism or resources for major investments in technology systems. Finding investment resources within the annual operating grants to replace existing aging technology systems and implement new technology for responsive customer service is difficult.

The Agency will develop a plan to address those needs that are high priority.

The annual budget setting process by Agency management continues to be a challenge as annual resources are strained to cover projected costs at the current level of service delivery. Through the planning process, the Agency will be reviewing the budget environment for future years to stay in line with projected resources while striving to maintain a high level of customer service.

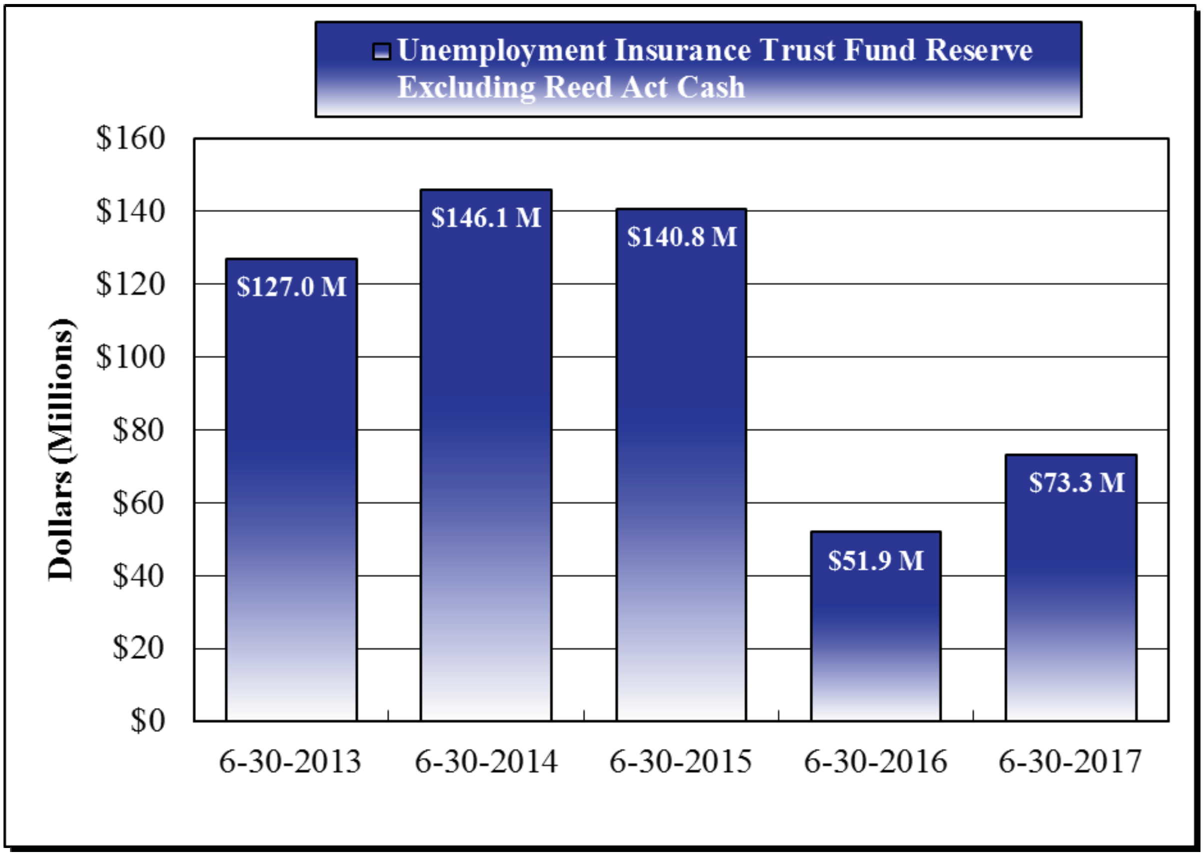
State of North Dakota Legislation:
The 65th (2017) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

SB 2016, Job Service North Dakota Appropriations

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

Unemployment Insurance Trust Fund Reserve:

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has increased by $21.4 million, a forty-one percent increase from a year ago. This increase is due to an increase in unemployment contributions resulting from an increase in the average unemployment insurance tax rates to employers and a decrease in unemployment insurance benefits paid.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
6-30-2013	126,955,034	12,570,609	139,525,643
6-30-2014	146,064,316	12,406,363	158,470,679
6-30-2015	140,829,944	12,406,363	153,236,307
6-30-2016	51,923,470	11,762,718	63,686,188
6-30-2017	73,321,994	11,364,798	84,686,792

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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Cash and Cash equivalents	$ 1,126,875	$ 2,559,191	$ 84,460,121	$ 63,314,775	$ 85,586,996	$ 65,873,966
Investments	5,000,000	3,000,000	-	-	5,000,000	3,000,000
Receivables, net	1,174,773	565,581	59,794,046	45,278,038	60,968,819	45,843,619
Due From:						
Other Funds	343,448	281,696	-	450	343,448	282,146
Federal Government	1,563,353	1,488,329	1,936	4,192	1,565,289	1,492,521
Other State Agencies	280,573	271,541	-	-	280,573	271,541
Other States	-	-	1,948,868	2,828,946	1,948,868	2,828,946
Prepaid Items	57,173	-	-	-	57,173	-
Pension Assets	35,329,182	32,892,878	-	-	35,329,182	32,892,878
Capital Assets (net of accumulated depreciation):						
Land	1,241,683	1,241,683	-	-	1,241,683	1,241,683
Buildings, Equipment, and Other Depreciable Assets	5,910,780	5,291,453	-	-	5,910,780	5,291,453
Work in Progress	16,242	56,832	-	-	16,242	56,832
TOTAL ASSETS	52,044,082	47,649,184	146,204,971	111,426,401	198,249,053	159,075,585
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Pension Outflows	4,711,344	1,468,485	-	-	4,711,344	1,468,485
LIABILITIES						
Accounts Payable	185,170	361,912	3,687,020	4,261,294	3,872,190	4,623,206
Interest Payable	10,994	3,457	-	-	10,994	3,457
Accrued Payroll	1,185,381	1,143,441	-	-	1,185,381	1,143,441
Due To:						
Other Funds	341,685	206,700	1,763	75,446	343,448	282,146
Federal Government	-	-	680	551	680	551
Other States	-	-	2,760,101	5,007,760	2,760,101	5,007,760
Other State Agencies	162,557	135,814	48,799	198,648	211,356	334,462
Net OPEB Obligation	1,234,844	1,157,547	-	-	1,234,844	1,157,547
Net Pension Liability	8,198,908	7,472,740	-	-	8,198,908	7,472,740
Noncurrent liabilities:						
Due within one year	532,814	318,579	-	-	532,814	318,579
Due in more than one year	2,509,961	1,854,673	-	-	2,509,961	1,854,673
TOTAL LIABILITIES	14,362,314	12,654,863	6,498,363	9,543,699	20,860,677	22,198,562
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Inflows	2,336,224	1,225,613	-	-	2,336,224	1,225,613
NET POSITION						
Net Investment in Capital Assets	5,105,371	5,418,350	-	-	5,105,371	5,418,350
Restricted for:						
Unemployment Insurance Benefits	-	-	128,341,810	90,119,984	128,341,810	90,119,984
Unemployment Insurance Benefits and/or Other Purposes	-	-	11,364,798	11,762,718	11,364,798	11,762,718
Pension Assets	35,329,182	32,892,878	-		35,329,182	32,892,878
Unrestricted	(377,665)	(3,074,035)	-	-	(377,665)	(3,074,035)
TOTAL NET POSITION	$ 40,056,888	$ 35,237,193	$ 139,706,608	$ 101,882,702	$ 179,763,496	$ 137,119,895

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	$ 16,909,607	$ -	$ 21,011,897	$ 4,102,290	$ -	$ 4,102,290
Interest on long-term debt	70,771	-	-	(70,771)	-	(70,771)
Total governmental activities	16,980,378	-	21,011,897	4,031,519	-	4,031,519
Business-type activities:						
Unemployment Compensation Funds	156,930,938	193,118,386	1,636,458	-	37,823,906	37,823,906
Total business-type activities	156,930,938	193,118,386	1,636,458	-	37,823,906	37,823,906
Total primary government	$ 173,911,316	$ 193,118,386	$ 22,648,355	4,031,519	37,823,906	41,855,425
Special Item - Loss on disposal of fixed assets				(2,535)	-	(2,535)
Transfers				790,711	-	790,711
Change in Net Position				4,819,695	37,823,906	42,643,601
Net Position, July 1, 2016				35,237,193	101,882,702	137,119,895
Net Position, June 30, 2017				$ 40,056,888	$ 139,706,608	$ 179,763,496

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Activities
For the Fiscal Year Ended June 30, 2016

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	$ 18,367,001	$ -	$ 22,119,353	$ 3,752,352	$ -	$ 3,752,352
Interest on long-term debt	52,322	-	-	(52,322)	-	(52,322)
Total governmental activities	18,419,323	-	22,119,353	3,700,030	-	3,700,030
Business-type activities:						
Unemployment Compensation Funds	225,358,209	147,802,377	2,678,317	-	(74,877,515)	(74,877,515)
Total business-type activities	225,358,209	147,802,377	2,678,317	-	(74,877,515)	(74,877,515)
Total primary government	$ 243,777,532	$ 147,802,377	$ 24,797,670	3,700,030	(74,877,515)	(71,177,485)
		Special Item - Loss on disposal of fixed assets		(31,692)	-	(31,692)
		Transfers		1,202,873	-	1,202,873
		Change in Net Position		4,871,211	(74,877,515)	(70,006,304)
		Net Position, July 1, 2015		30,365,982	176,760,217	207,126,199
		Net Position, June 30, 2016		$ 35,237,193	$ 101,882,702	$ 137,119,895

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Balance Sheets
Governmental Funds
June 30, 2017 and 2016

	Federal Fund		Federal Advance Interest Repayment Account	Nonmajor Governmental Funds		Total	
	2017	2016	2017	2017	2016	2017	2016
Assets							
Cash Deposits At The Bank of North Dakota	$ -	$ -	$ 371,014	$ -	$ 1,721,766	$ 371,014	$ 1,721,766
Cash in State Treasury	-	-	-	755,861	837,425	755,861	837,425
Investments At The Bank of North Dakota	-	-	5,000,000	-	3,000,000	5,000,000	3,000,000
Accounts Receivable - Net:							
Refunds	-	-	-	-	-	-	-
Accrued Interest	-	-	251	-	62	251	62
Penalty and/or Interest	-	-	1,174,522	-	565,519	1,174,522	565,519
Due From:							
Other Funds	1,763	75,446	-	341,685	206,250	343,448	281,696
Federal Government	1,563,353	1,488,329	-	-	-	1,563,353	1,488,329
Other State Agencies	238,835	120,205	-	41,738	151,336	280,573	271,541
Prepaid items	57,173	-	-	-	-	57,173	-
Total Assets	$ 1,861,124	$ 1,683,980	$ 6,545,787	$ 1,139,284	$ 6,482,358	$ 9,546,195	$ 8,166,338
Liabilities							
Accounts Payable	$ 157,811	$ 218,537	$ -	$ 27,359	$ 143,375	$ 185,170	$ 361,912
Accrued Payroll	1,163,631	1,125,916	-	21,750	17,525	1,185,381	1,143,441
Due To:							
Other Funds	341,021	204,444	664	-	2,256	341,685	206,700
Other State Agencies	141,488	135,083	-	21,069	731	162,557	135,814
Total Liabilities	1,803,951	1,683,980	664	70,178	163,887	1,874,793	1,847,867
Deferred Inflows of Resources							
Unpaid Penalty and Interest	-	-	1,016,870	-	482,953	1,016,870	482,953
Total Deferred Inflows	-	-	1,016,870	-	482,953	1,016,870	482,953
Fund Balances							
Non-spendable	57,173	-	-	-	-	57,173	-
Assigned	-	-	5,528,253	1,069,106	5,835,691	6,597,359	5,835,691
Unassigned	-	-	-	-	(173)	-	(173)
Total Fund Balances	57,173	-	5,528,253	1,069,106	5,835,518	6,654,532	5,835,518
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,861,124	$ 1,683,980	$ 6,545,787	$ 1,139,284	$ 6,482,358	$ 9,546,195	$ 8,166,338

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, 2017 and 2016

	2017		2016	
Total fund balances for governmental funds		$ 6,654,532		$ 5,835,518
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)		35,329,182		32,892,878
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)				
Land	$ 1,241,683		$ 1,241,683	
Buildings, equipment, and other depreciable assets	16,470,114		16,009,698	
Work in progress	16,242		56,832	
Accumulated depreciation	(10,559,334)	7,168,705	(10,718,245)	6,589,968
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.		1,016,870		482,953
Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.		4,711,344		1,468,485
Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.		(2,336,224)		(1,225,613)
.The Net Pension liability relating to retirement plans		(8,198,908)		(7,472,740)
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)		(1,234,844)		(1,157,547)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)				
Compensated absences		(979,441)		(1,001,634)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. This is the net effect of these balances on the statement. (Note 10)				
Capital Lease - Bismarck/Mandan Office	(951,500)		(1,121,500)	
Capital Lease - IT Equipment	(1,030,780)		(50,118)	
Capital Lease - Equipment	(81,054)		-	
Accrued interest payable	(10,994)	(2,074,328)	(3,457)	(1,175,075)
Net Position of Governmental Activities		$ 40,056,888		$ 35,237,193

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statements of Revenues, Expenditures, & Changes in Fund Balances
Governmental Funds
For the Fiscal Years Ended June 30, 2017 and 2016

	Federal Fund		Federal Advance Interest Repayment Account	Nonmajor Governmental Funds		Total	
	2017	2016	2017	2017	2016	2017	2016
Revenues							
Federal Grants	$ 19,763,067	$ 21,195,174	$ -	$ -	$ -	$ 19,763,067	$ 21,195,174
Interest Earnings	22	20	9,256	-	9,314	9,278	9,334
Penalty and/or Interest	-	-	1,036,947	-	833,911	1,036,947	833,911
Other Grants	-	-	-	202,605	80,933	202,605	80,933
Total Revenue	19,763,089	21,195,194	1,046,203	202,605	924,158	21,011,897	22,119,352
Expenditures							
Current:							
Economic Development & Assistance	19,435,118	20,428,100	320,711	956,967	2,152,783	20,712,796	22,580,883
Capital Outlays	1,639,674	841,866	-	-	-	1,639,674	841,866
Total Expenditures	21,074,792	21,269,966	320,711	956,967	2,152,783	22,352,470	23,422,749
Excess of Revenues Over (Under) Expenditures	(1,311,703)	(74,772)	725,492	(754,362)	(1,228,625)	(1,340,573)	(1,303,397)
Other Finance Sources (Uses)							
Transfers In	-	-	-	790,711	1,202,873	790,711	1,202,873
Capital Lease	1,368,876	-	-	-	-	1,368,876	-
Total Other Finance Sources	1,368,876	-	-	790,711	1,202,873	2,159,587	1,202,873
Net change in Fund Balances	57,173	(74,772)	725,492	36,349	(25,752)	819,014	(100,524)
Fund Balances at July 1, prior year	-	74,772	4,802,761	1,032,757	5,861,270	5,835,518	5,936,042
Fund Balances at June 30	$ 57,173	$ -	$ 5,528,253	$ 1,069,106	$ 5,835,518	$ 6,654,532	$ 5,835,518

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statements of Activities
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Net change in fund balances - total governmental funds	$ 819,014	$ (100,524)
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)	2,436,304	242,683
Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.	3,242,859	486,536
Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.	(1,110,611)	4,089,153
The Net Pension liability relating to retirement plans	(726,168)	(83,028)
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.	581,272	128,176
Gain(Loss) on disposal of fixed assets net of sale proceeds.	(2,535)	(31,692)
Debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.		
(Increase) Decrease in long-term debt and change in interest payable.	(899,253)	295,050
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.		
Increase(decrease) in Unpaid Penalty and Interest	533,917	(239,681)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Position and have been eliminated from the Statement of Activities.		
Decrease in compensated absences.	22,193	175,681
Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	(77,297)	(91,143)
Changes in net position of governmental activities	$ 4,819,695	$ 4,871,211

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statements of Net Position
Proprietary Fund
June 30, 2017 and 2016

	Unemployment Insurance	
	2017	**2016**
Assets		
Current Assets:		
Cash Deposits At The Bank of North Dakota	$ 171,529	$ 32,363
Cash and Cash Equivalents in U.S. Treasury	84,288,592	63,282,412
Interest Receivable - Unemployment Insurance Trust Fund	398,200	403,776
Accounts Receivable - Net:		
Unemployment Insurance Contributions	57,501,994	43,025,944
Unemployment Insurance Overpayments - Benefits & Interest	1,893,852	1,848,318
Due From:		
Due from other Funds	-	450
Federal Government	1,936	4,192
Other States	1,948,868	2,828,946
Total Assets	146,204,971	111,426,401
Liabilities		
Current Liabilities:		
Benefits Payable	443,787	1,114,118
Unemployment Insurance Overpayments - Contributions	3,243,233	3,147,176
Due To:		
Due to Other Funds	1,763	75,446
Federal Government	680	551
Other States	2,760,101	5,007,760
Other State Agencies	48,799	198,648
Total Liabilities	6,498,363	9,543,699
Net Position		
Restricted for:		
Unemployment Insurance Benefits	128,341,810	90,119,984
Unemployment Insurance Benefits and/or Other Purposes	11,364,798	11,762,718
Total Net Position	$ 139,706,608	$ 101,882,702

See accompanying notes to the Financial Statements.

Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Years Ended June 30, 2017 and 2016

	Unemployment Insurance	
	2017	**2016**
Operating Revenues:		
Unemployment Insurance Contributions	$ 191,295,459	$ 145,998,630
Federal Benefit Reimbursements	1,500,340	1,428,426
Unemployment Insurance Overpayments - Interest	322,587	375,321
TOTAL OPERATING REVENUES	193,118,386	147,802,377
Operating Expenses:		
Unemployment Insurance Benefits	155,106,362	223,210,692
Federal Unemployment Insurance Benefits	1,500,340	1,428,426
Economic Development & Assistance	324,236	719,091
TOTAL OPERATING EXPENSES	156,930,938	225,358,209
Operating Income(Loss)	36,187,448	(77,555,832)
Nonoperating Revenues:		
Interest Earnings	1,636,458	2,678,317
TOTAL NONOPERATING REVENUES	1,636,458	2,678,317
Change in Net Position	37,823,906	(74,877,515)
Total Net Position at July 1, prior year	101,882,702	176,760,217
Total Net Position at June 30	$ 139,706,608	$ 101,882,702

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statements of Cash Flows
Proprietary Fund
For the Fiscal Years Ended June 30, 2017 and 2016

	Unemployment Insurance	
	2017	**2016**
Cash Flows from Operating Activities		
Receipts from employers	$ 168,950,649	$ 122,103,713
Receipts from other states	11,389,050	14,614,331
Payments to other states	(18,473,780)	(23,750,479)
Payments to employers	(2,543,318)	(2,001,471)
Benefits Paid to claimants	(139,738,024)	(203,094,518)
Overpayment Interest from claimants	316,657	378,333
Economic Development and Assistance	(397,920)	(643,645)
Net cash (used in)/provided by operating activities	19,503,314	(92,393,736)
Cash Flows from Investing Activities		
Interest on investments	1,642,032	3,226,200
Net cash provided by investing activities	1,642,032	3,226,200
Net change in cash and cash equivalents	21,145,346	(89,167,536)
Cash and cash equivalents at July 1, prior year	63,314,775	152,482,311
Cash and cash equivalents at June 30	$ 84,460,121	$ 63,314,775
Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:		
Operating income(Loss)	$ 36,187,448	$ (77,555,832)
Net changes in assets and liabilities:		
Contributions Receivable	(14,476,050)	(12,991,143)
Unemployment Insurance Overpayments - Benefits & Interest	(45,534)	(387,661)
Due from Other Funds	450	(389)
Due from Federal Government	2,256	82,109
Due from Other States	880,080	1,193,222
Benefits Payable	(670,331)	(270,837)
Unemployment Insurance Overpayments - Contributions	96,057	515,826
Due to Other Funds	(73,683)	75,446
Due to Federal Government	129	343
Due to Other States	(2,247,659)	(309,275)
Due to Other State Agencies	(149,849)	(2,745,545)
Net cash (used in)/provided by operating activities	$ 19,503,314	$ (92,393,736)

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Appropriations
For the Fiscal Year Ended June 30, 2017

	Approved Budget 2015-2017 Biennium	Appropriation Adjustments 2015-2017 Biennium	Adjusted Budget 2015-2017 Biennium	Actual Expenditures 2016	Actual Expenditures 2017	Variance Favorable (Unfavorable)
Revenue:						
General Fund	$ 2,116,191	$ (128,027)	$ 1,988,164	$ 1,184,637	$ 790,538	$ 12,989
Federal Funds	69,777,470	-	69,777,470	21,989,056	20,030,152	27,758,262
Other Funds	690,396	-	690,396	127,214	166,429	396,753
Total Revenues	$ 72,584,057	$ (128,027)	$ 72,456,030	$ 23,300,907	$ 20,987,119	$ 28,168,004
Expenditures By Line Item:						
Salaries and Wages	$ 39,660,238	$ 10,584	$ 39,670,822	$ 15,127,061	$ 13,506,994	$ 11,036,767
Operating Expenses	13,512,657		13,512,657	4,925,011	5,192,664	3,394,982
Capital Assets	20,000	-	20,000	1,936	1,745	16,319
Grants Benefits & Claims	5,404,326	-	5,404,326	1,640,980	1,422,272	2,341,074
Workforce 20/20	1,579,836	(138,611)	1,441,225	895,253	530,783	15,189
Reed Act - Unemployment	12,407,000	-	12,407,000	710,666	332,661	11,363,673
Total Expenditures	$ 72,584,057	$ (128,027)	$ 72,456,030	$ 23,300,907	$ 20,987,119	$ 28,168,004

See accompanying notes to the Financial Statements

NOTE 1 – <u>Summary of Significant Accounting Policies</u>

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

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

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

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to government entities.

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

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

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted, committed and assigned resources, in this order, then unrestricted resources as they are needed. See note 15 Restricted Net Position on pages 49 and 50 for detailed information of the agencies fund balances utilizing GASB 54 classifications.

The following is a summary of the more significant polices:

A. <u>Reporting Entity</u>

In accordance with the 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 Standards 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.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

> Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
>
> Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements

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

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

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

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

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

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

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

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

Financial Statement Presentation

The Agency reports the following major governmental fund:

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

The Federal Advance Interest Repayment Account is a special revenue fund. The Federal Advance Interest Repayment Account revenues are assessments collected by the Unemployment Insurance program from interest, penalties, and fees collected as a result of non-payment or late payment of taxes due by an employer. The allowable uses and continuing appropriation of the fund are in Section 52-04-22 of the North Dakota Century Code. This fund was only a major fund for the year ended June 30, 2017.

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 Stated of America. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the budgetary basis. Because these amounts differ from accounting principles generally accepted in the United States of America amounts, reconciliation between the budgetary and these amounts is presented in Note 12.

For State Unemployment Benefits, Federal Unemployment Benefits, FAIRA Special Revenue expenditures, and Pension Trust Fund expenditures, special statutory authority exists covering those expenditures through a continuing appropriation. Encumbrances, which represent commitments related to unperformed contracts for goods and services, have not been recorded in the financial statements, as encumbrance accounting is not utilized.

E. Investments

Certificates of deposits are recorded at cost.

F. Prepaid Items

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

G. Capital Assets

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

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

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

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

Building & Building Improvements	10-50 years
Infrastructure	15-30 years
Office Equipment	3-10 years
Intangible Assets	3- 5 years

H. Compensated Absences

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

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

I. Post Employment Benefits

Retiree Health Credit Benefit

Regular employees hired under the Job Service North Dakota retirement plan prior to October 1, 1980, are eligible to participate in the retiree health care plan and receive the retiree health credit benefit. The retiree health credit benefit is a health insurance subsidy of $4.50 per year of service thru June 30, 2009 that is provided each month for as long as the retiree is alive and this benefit continues upon death to the spouse as long as the spouse is drawing an annuity and participates in the North Dakota Public Employees Retirement System (NDPERS). This retiree health credit has been increased to $5.00 per year of service effective July 1, 2009 by the North Dakota State Legislature. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2016.

Met Life Insurance Benefit

Job Service North Dakota pays 100% of the policy premium upon retirement for employees with an existing Met Life policy that was in effect on December 1, 1999, when the plan was discontinued for new employees. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2016.

J. Pensions

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

K. Accounting Estimates

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

L. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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:

	2017	2016
Capital Outlays	$ 1,639,674	$ 841,866
Depreciation Expense	(1,058,402)	(713,690)
Net adjustment to decrease (increase) *net changes in fund balances -- total governmental funds* to arrive at *change in net position of governmental activities*	$ 581,272	$ 128,176

Another element of that reconciliation states that "debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position." See Note 10 for additional information on debt. The details of this difference are as follows:

	2017	2016
Debt Issued	$ (1,368,876)	$ -
Principal repayments:		
General obligation debt	477,160	294,476
Change in Interest Payable	(7,537)	574
Net adjustment to decrease (increase) *net changes in fund balances -- total governmental funds* to arrive at *change in net position of governmental activities*	$ (899,253)	$ 295,050

NOTE 3 – Deposits and Investments

A. Deposits

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

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

The Agency had the following deposits:

	June 30, 2017 Fair Value	June 30, 2016 Fair Value
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	$ 542,543	$ 1,754,129
Cash in State Treasury recorded as Cash and Cash Equivalents	755,861	837,425
* Deposits not subject to custodial credit risk		
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	72,923,794	51,519,694
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	11,364,798	11,762,718
Totals	$ 85,586,996	$ 65,873,966

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, 2017 and 2016, the Agency had $5,000,000 and $3,000,000 of certificates of deposits, respectively. These certificates of deposit mature in the next fiscal year.

Custodial and Concentration Credit Risk

For investments, this is the risk that in the event of the failure of a party to the investment transaction, the Agency will not be able to recover the investments. Certificates of Deposit at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10). The Agency has no formal custodial and credit risk policy related to its investments and deposits at the Bank of North Dakota.

NOTE 4 – <u>Receivables</u>

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 2017 and 2016. 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, 2017

	Unemployment Insurance Contributions	*Penalty and/or Interest*	*Unemployment Insurance Overpayments- Benefits & Interest*	*Interest*	*State Refunds*	*Total*
Total Receivable	$ 66,695,122	$ 5,809,562	$ 11,040,312	$ 398,451	$ -	$ 83,943,447
Less: Allowance for Doubtful Accounts	9,193,128	4,635,040	9,146,460	-	-	22,974,628
Net Receivable	$ 57,501,994	$ 1,174,522	$ 1,893,852	$ 398,451	$ -	$ 60,968,819

Receivables as of June 30, 2016

	Unemployment Insurance Contributions	*Penalty and/or Interest*	*Unemployment Insurance Overpayments- Benefits & Interest*	*Interest*	*State Refunds*	*Total*
Total Receivable	$ 48,758,748	$ 4,223,210	$ 9,077,634	$ 403,838	$ -	$ 62,463,430
Less: Allowance for Doubtful Accounts	5,732,804	3,657,691	7,229,316	-	-	16,619,811
Net Receivable	$ 43,025,944	$ 565,519	$ 1,848,318	$ 403,838	$ -	$ 45,843,619

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 $1,016,870 and $482,953 as of June 30, 2017 and 2016, respectively, and represents an amount expected to be received after one year. The residual amounts of $157,652 and $82,566 on June 30, 2017 and 2016, respectively, were recorded as revenue and were expected to be received within one year.

NOTE 5 – Capital Assets

Governmental Activities	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Capital Assets, not being depreciated:				
Land	$ 1,241,683	$ -	$ -	$ 1,241,683
Work in Progess	56,832	51,606	92,196	16,242
Total capital assets, not being depreciated	1,298,515	51,606	92,196	1,257,925
Capital Assets, being depreciated:				
Buildings	8,960,923	25,725	-	8,986,648
Infrastructure	292,569	15,905	-	308,474
Equipment	1,610,016	1,546,438	1,193,353	1,963,101
Intangible Assets	5,146,190	92,196	26,495	5,211,891
Total Capital Assets, being depreciated	16,009,698	1,680,264	1,219,848	16,470,114
Less accumulated depreciation for:				
Buildings	5,206,293	179,172	-	5,385,465
Infrastructure	7,955	11,431	-	19,386
Equipment	1,447,991	474,727	1,192,060	730,658
Intangible Assets	4,056,006	393,072	25,253	4,423,825
Total accumulated depreciation	10,718,245	1,058,402	1,217,313	10,559,334
Total capital assets, being depreciated, net	5,291,453	621,862	2,535	5,910,780
Governmental activity capital assets, net	$ 6,589,968	$ 673,468	$ 94,731	$ 7,168,705

Governmental Activities	Beginning Balance July 1, 2015	Additions	Deletions	Ending Balance June 30, 2016
Capital Assets, not being depreciated:				
Land	$ 1,241,683	$ -	$ -	$ 1,241,683
Work in Progess - UI Modernization	311,956	345,946	601,070	56,832
Total capital assets, not being depreciated	1,553,639	345,946	601,070	1,298,515
Capital Assets, being depreciated:				
Buildings	8,800,604	160,319	-	8,960,923
Infrastructure	23,206	269,363	-	292,569
Equipment	1,622,618	66,238	78,840	1,610,016
Intangible Assets	4,545,120	601,070	-	5,146,190
Total Capital Assets, being depreciated	14,991,548	1,096,990	78,840	16,009,698
Less accumulated depreciation for:				
Buildings	5,030,305	175,988	-	5,206,293
Infrastructure	1,289	6,666	-	7,955
Equipment	1,469,174	25,965	47,148	1,447,991
Intangible Assets	3,550,935	505,071	-	4,056,006
Total accumulated depreciation	10,051,703	713,690	47,148	10,718,245
Total capital assets, being depreciated, net	4,939,845	383,300	31,692	5,291,453
Governmental activity capital assets, net	$ 6,493,484	$ 729,246	$ 632,762	$ 6,589,968

Federal resources have funded all equipment. Additions to Work in Progress during 2017 include $13,575 for the Unemployment Insurance Fraud Investigation project, $21,790 for the Workforce Innovation and Opportunity Act Eligible Training Provider project, $791 for the Unemployment Insurance Fraud Employer Verification Project and $15,450 for the New Jobs Training Program system. The Workforce Innovation and Opportunity Act Eligible Training Provider project went into production in August 2016, therefore it was a deletion from Work in Progress and capitalized as an intangible asset in the amount of $62,749. The Unemployment Insurance Fraud Investigation project went into production in November 2016, therefore it was a deletion from Work in Progress and capitalized as an intangible asset in the amount of $29,447. Additional information on the capital leases including future minimum lease payments is included in note 10 to the financial statements.

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

NOTE 6 – Pension Plans

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

A. North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

1. Pension Benefits

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

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

2. Death and Disability Benefits

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

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

3. Refunds of Member Account Balance

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

4. Member and Employer Contributions

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

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

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 25 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

The Employer reported a liability of $8,198,908 at June 30, 2017 and $7,472,740 at June 30, 2016 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016 and July 1, 2015, 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 0.841261 percent at July 1, 2016 and 1.098960 at July 1, 2015, which was a decrease of 0.257699 from its proportion measured as of July 1, 2015.

For the years ended June 30, 2017 and June 30, 2016, the Employer recognized pension expense of $692,072 and $631,604, respectively. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

$610,408 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

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

	June 30, 2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 216,794	$ 0
Net difference between projected and actual earnings on pension plan investments	0	(157,748)
Changes of assumptions	0	(665,786)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	(402,079)
Employer contributions subsequent to the measurement date (see below)	661,286	0
Total	$ 878,080	$ (1,225,613)

$661,286 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, 2016.

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:	
2017	($283,069)
2018	(283,069)
2019	(283,069)
2020	42,900
2021	(202,518)

6. Actuarial Assumptions

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

	July 1, 2016	July 1, 2015	
Inflation	3.50%	3.50%	
Salary increases	4.50%	4.50%	per annum
Investment rate of return	8.00%	8.00%	net of investment expenses
Cost-of-living adjustments	None	None	

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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, 2016	July 1, 2015	July 1, 2016	July 1, 2015
Domestic Equity	31%	31%	6.90%	6.90%
International Equity	21%	21%	7.55%	7.55%
Private Equity	5%	5%	11.30%	11.30%
Domestic Fixed Income	17%	17%	1.52%	1.52%
International Fixed Income	5%	5%	0.45%	0.45%
Global Real Assets	20%	20%	5.38%	5.38%
Cash Equivalents	1%	1%	0.00%	0.00%

7. **Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016 and June 30, 2015. 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, 2016 and July 1, 2015, 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, 2016 and June 30, 2015. 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, 2016 and June 30, 2015.

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 8 percent, 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability – June 30, 2017	$11,629,993	$8,198,908	$5,308,041
Employer's proportionate share of the net pension liability – June 30, 2016	$11,459,073	$7,472,740	$4,211,199

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, 2016).

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:

- 1.5% times years of credited service up to 5 plus
- 1.75% times years of credited service between 6 and 10 plus
- 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, 2015). As of that date, membership consisted of:

	7/1/2016	7/1/2015
Retirees and beneficiaries currently receiving benefits	206	206
Terminated employees entitled to benefits but not yet receiving them	1	1
Current vested employees	9	11
TOTAL	216	218

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 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 contribution rates are 3% and employer contribution, on behalf of the member, rates 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 $35,329,182 at June 30, 2017 and $32,892,878 at June 30, 2016. The net pension asset was measured as of July 1, 2016 and July 1, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

For the years ended June 30, 2017 and June 30, 2016, the Employer recognized pension expense of $(3,923,969) and $(4,705,352), respectively. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 0	$ 0
Net difference between projected and actual earnings on pension plan investments	2,078,070	0
Changes of assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date	0	0
Total	$ 2,078,070	$ 0

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

Year ended June 30:	
2018	$253,897
2019	253,897
2020	1,221,962
2021	348,314

	June 30, 2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 0	$ 0
Net difference between projected and actual earnings on pension plan investments	590,405	0
Changes of assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date	0	0
Total	$ 590,405	$ 0

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:	
2017	$(94,415)
2018	(94,415)
2019	(94,415)
2020	873,650

6. Actuarial Assumptions

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

	July 1, 2016	July 1, 2015	
Inflation	3.50%	3.50%	
Salary increases	3.50%	5.00%	per annum
Investment rate of return	7.00%	7.00%	net of investment expenses, including inflation
Cost-of-living adjustments	3.00%	3.00%	

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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, 2016	July 1, 2015	July 1, 2016	July 1, 2015
Domestic Equity	24%	24%	7.16%	7.16%
Core Fixed Income	19%	19%	4.26%	4.26%
Limited Duration Fixed Income	19%	19%	3.18%	3.13%
Global Equity	16%	16%	7.11%	7.10%
Diversified Short Term Fixed Income	10%	10%	3.54%	3.49%
Short Term Corporate Fixed Income	6%	6%	2.48%	2.48%
US High Yield	3%	3%	6.13%	5.98%
Emerging Market Debt	3%	3%	7.45%	7.45%

7. Discount Rate

The discount rate used to measure the total pension liability was 7 percent as of June 30, 2016 and June 30, 2015. 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, 2016, 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, 2016. 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, 2016.

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 7 percent, 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 (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6%)	**Current Discount Rate (7%)**	**1% Increase (8%)**
Employer's proportionate share of the net pension liability – June 30, 2017	$(29,386,845)	$(35,329,182)	$(40,412,093)

	1% Decrease (7%)	**Current Discount Rate (8%)**	**1% Increase (9%)**
Employer's proportionate share of the net pension liability – June 30, 2016	$(26,578,200)	$(32,892,878)	$(38,280,035)

9. **Pension Plan Fiduciary Net Position**

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

Schedule of Changes to the Net Pension Liability and Related Ratios

For the year ended June 30	**2017**	**2016**
Total pension liability (asset)		
Service cost	$ 71,420	$ 127,734
Interest	4,281,440	5,026,167
Change of benefit terms	-	-
Differences between expected and actual experience	(2,006,791)	(1,806,271)
Changes of assumptions	69,885	(309,878)
Benefit payments, including refund of employee contributions	(4,601,196)	(4,694,171)
Net change in total pension liability (asset)	(2,185,242)	(1,656,419)
Total pension liability (asset) - beginning	63,390,014	65,046,433
Total pension liability (asset) - ending (a)	$ 61,204,772	$ 63,390,014
Plan fiduciary net position		
Contributions - employer	$ -	$ -
Contributions - employee	44,178	50,142
Service credit repurchase	-	-
Net investment income	4,840,333	3,260,507
Benefit payments, including refund of employee contributions	(4,601,196)	(4,694,171)
Administrative expense	(32,253)	(30,214)
Net change in plan fiduciary net position	251,062	(1,413,736)
Plan fiduciary net position - beginning	96,282,892	97,696,628
Plan fiduciary net position - ending (b)	$ 96,533,954	$ 96,282,892
Net pension liability (asset) - ending (a) - (b)	$ (35,329,182)	$ (32,892,878)
Plan fiduciary net position as a percentage of the total pension liability (asset)	157.72%	151.89%
Actual covered employee payroll	$ 564,684	$ 673,836
Plan net pension liability (asset) as a percentage of covered employee payroll	(6256.45)%	(4881.44)%

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, 2016 and July 1, 2015.

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 stature and are a percentage of salaries and wages. Employee contributions are 7% and employer contributions are established at 7.12%. Job Service North Dakota pays 4% of the employee's required contribution. Employer contributions for the years ending June 30, 2017 and 2016 were $18,105 and $24,542, respectively.

NOTE 7 – Other Postretirement Benefits

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of July 1, 2016. The actuary determined the obligation the Agency has to record as of June 30, 2017 is the difference between the Annual Required Contribution(ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year. Requests to obtain or review the actuary report should be addressed to the Finance Manager –PO Box 5507 Bismarck, North Dakota, 58506-5507.

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

1. Plan Description

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under 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 Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota.

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

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.

B. Met Life Insurance Benefit

1. Plan Description

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

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

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	200	180
Terminated employees entitled to benefits but not yet receiving them	1	0
Current vested employees	9	18
TOTAL	210	198

C. Contributions Required and Made

The funding policy of the plans thru June 30, 2017 is a pay-as-you-go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by Bryan, Pendleton, Swats & McAllister, LLC:

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age actuarial cost method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

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

June 30, 2017

	Retiree Health Benefits Fund	Met Life Insurance Benefit	Total
Annual required contributions	$ 371,578	$ 84,698	$ 456,276
Interest on OPEB obligation	30,031	20,122	50,153
Adjustment to annual required contributions	(60,787)	(40,731)	(101,518)
Annual OPEB costs	340,822	64,089	404,911
Contributions made	278,576	49,038	327,614
Increase in net OPEB obligation	62,246	15,051	77,297
Net OPEB obligations, July 1, 2016	703,301	454,246	1,157,547
Net OPEB obligations, June 30, 2017	$ 765,547	$ 469,297	$ 1,234,844

June 30, 2016

	Retiree Health Benefits Fund	Met Life Insurance Benefit	Total
Annual required contributions	$ 384,274	$ 86,264	$ 470,538
Interest on OPEB obligation	28,220	19,768	47,988
Adjustment to annual required contributions	(57,122)	(40,013)	(97,135)
Annual OPEB costs	355,372	66,019	421,391
Contributions made	279,187	51,061	330,248
Increase in net OPEB obligation	76,185	14,958	91,143
Net OPEB obligations, July 1, 2015	627,116	439,288	1,066,404
Net OPEB obligations, June 30, 2016	$ 703,301	$ 454,246	$ 1,157,547

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

June 30	Annual Retiree Health Benefits OPEB Costs	Annual Met Life Insurance OPEB Costs	Annual Retiree Health Benefit Cost Contributed	Annual Met Life Insurance Cost Contributed	OPEB Obligation	Annual OPEB Cost Contributed
2008	282,723	93,786	222,801	52,078	101,630	73.0%
2009	282,723	93,786	212,698	51,055	112,756	70.1%
2010	249,460	103,806	232,784	50,725	69,757	80.3%
2011	249,460	103,806	240,307	50,669	62,290	82.4%
2012	378,622	116,911	243,420	50,855	201,258	59.4%
2013	378,622	116,911	247,112	51,442	197,566	60.2%
2014	360,521	110,585	256,911	51,980	162,215	65.6%
2015	360,521	110,585	260,155	52,019	158,932	66.3%
2016	355,372	66,019	279,187	51,061	91,143	78.4%
2017	340,822	64,089	278,576	49,038	77,297	80.9%

Funded Status and Funding Progress – As of June 30, 2017 the most recent actuarial valuation date, the plans were unfunded. The actuarial accrued liability for benefits was $4,997,422, and the actuarial value of assets was $ 0.00 resulting in an unfunded actuarial accrued liability (UAAL) of $4,997,422. The covered payroll was (annual payroll of active employees covered by the plans) was $1,144,260 and the ratio of the UAAL to the covered payroll was 436.74 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the years ended June 30, 2008 thru June 30, 2017, as the standard was implemented in fiscal year 2008. Multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is displayed.

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

NOTE 8 – Contingencies and Commitments

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

The Agency has commitments to pay $519,572 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded. Of these commitments, $137,546 are to contractors to build a new Unemployment Insurance computer system.

NOTE 9 – Lease Commitments

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for capital and operating leases for the years ended June 30, 2017 and 2016 were approximately $671,652 and $451,675, respectively.

Future minimum operating lease commitments are:

Year ending June 30:		Amount
2018	$	202,430
2019		202,430
2020		182,181
2021		174,313
2022		31,955
Total	$	793,309

No lease commitments extend beyond June 2022.

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, 2017 and 2016 was $979,441 and $1,001,634.

B. Capital Leases

All capital leases are accounted for within the Governmental Funds. Future minimum lease payments under capital leases and the present value of the net minimum lease payments are as follows on June 30, 2017:

Year ending June 30:	Governmental Activities
2018	$ 508,550
2019	508,001
2020	511,750
2021	509,526
2022	223,104
2023	15,700
Total Minimum Lease Payments	2,276,631
Less: Amount Representing Interest	213,297
Present Value of Future Minimum Lease Payments	$ 2,063,334

The historical costs of assets acquired under capital leases, and included as capital assets on the Government-wide Statement of Net Position at June 30, 2017 and 2016 is as follows:

	2017 Governmental Activities	2016 Governmental Activities
Bismarck/Mandan Building	$ 2,187,530	$ 2,187,530
Information Technology Equipment	1,279,922	957,542
Equipment	88,954	-
Less: Accumulated Depreciation	(955,046)	(1,440,190)
Total	$ 2,601,360	$ 1,704,882

C. Changes in Noncurrent Liabilities

Governmental Activities	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	$ 1,001,634	$ 786,156	$ 808,349	$ 979,441	$ 94,908
Capital Leases	1,171,618	1,368,876	477,160	2,063,334	437,906
Total other liabilities	2,173,252	2,155,032	1,285,509	3,042,775	532,814
Total Long-Term Liabilities	$ 2,173,252	$ 2,155,032	$ 1,285,509	$ 3,042,775	$ 532,814

Governmental Activities	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	$ 1,177,314	$ 745,072	$ 920,752	$ 1,001,634	$ 98,461
Capital Leases	1,466,095	-	294,477	1,171,618	220,118
Total other liabilities	2,643,409	745,072	1,215,229	2,173,252	318,579
Total Long-Term Liabilities	$ 2,643,409	$ 745,072	$ 1,215,229	$ 2,173,252	$ 318,579

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. During 2017, capital lease additions include a new IT equipment lease of $1,279,922 and several new copier leases totaling $88,954. During 2016, an address printer and mail inserter were removed from capital leases as the assets were disposed.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2017

Governmental Funds	Due From	Due To
Job Service Special Fund	$ 341,685	$ -
Federal Advance Interest Repayment Account	-	664
Federal Funds	1,763	341,021
Total	$ 343,448	$ 341,685

Proprietary Fund	Due From	Due To
Unemployment Insurance	$ -	$ 1,763
Total	$ -	$ 1,763

June 30, 2016

Governmental Funds	Due From	Due To
Job Service Special Fund	$ 206,250	$ 450
General Fund	-	173
Federal Advance Interest Repayment Account	-	1,633
Federal Funds	75,446	204,444
Total	$ 281,696	$ 206,700

Proprietary Fund	Due From	Due To
Unemployment Insurance	$ 450	$ 75,446
Total	$ 450	$ 75,446

NOTE 12 – Statement of Appropriation Reconciliation

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

Budget Based Expenditures as per page 19:	$ 20,987,119
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	16,909,607
Governmental Activities - Interest on long-term debt	70,771
Business-type Activities - UC Funds	156,930,938
Subtotal	173,911,316
Less:	
Business-type Activities - UC Funds	156,930,938
FAIRA	320,711
Pension Assets at June 30, 2016	32,892,878
Deferred Pension Outflows at June 30, 2016	1,468,485
Pension Liability at June 30, 2017	8,198,908
Deferred Pension Inflows at June 30, 2017	2,336,224
Addition to Noncurrent Liabilities-Compensated Absences	786,156
Capital Lease Additions	1,368,876
Depreciation Expense	1,058,402
Interest Payable at June 30, 2017	10,994
OPEB Expense at June 30, 2017	77,297
Subtotal	205,449,869
Plus:	
Appropriated Expenses in Proprietary Fund	324,236
Net change in Unpaid Penalty and Interest	533,917
Net Capital Asset Additions	1,639,674
Reduction to Noncurrent Liabilities-Capital Lease	477,160
Reduction to Noncurrent Liabilities-Compensated Absences	808,349
Interest Payable at June 30, 2016	3,457
Pension Liability at June 30, 2016	7,472,740
Deferred Pension Inflows at June 30, 2016	1,225,613
Pension Assets at June 30, 2017	35,329,182
Deferred Pension Outflows at June 30, 2017	4,711,344
Subtotal	52,525,672
Adjusted GAAP Expenditures	$ 20,987,119

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

NOTE 13 – Related Parties

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

June 30, 2017

	Federal Fund	Nonmajor Governmental Funds	Proprietary Fund
A. *Due From Other State Agencies*			
Department of Human Services	$ 102,630	$ -	$ -
Department of Public Instruction	136,205	-	-
General Fund	-	41,738	-
Total	$ 238,835	$ 41,738	$ -
B. *Due To Other State Agencies*			
Office of Management and Budget	$ 9,835	$ 18	$ -
Information Technology Department	81,007	20,387	-
Dept of Career & Technical Education	775	-	-
Department of Commerce	12,017	-	-
ND PERS	318	-	-
Office of the Attorney General	3,018	-	-
Department of Transportation	3,480	664	-
Bismarck State College	4,623	-	-
Lake Region State College	735	-	-
ND State College of Science	7,192	-	-
TrainND Southeast	10,275	-	-
Mayville State University	4,000	-	-
Minot State University	4,213	-	-
Bank of North Dakota	-	-	48,799
Total	$ 141,488	$ 21,069	$ 48,799

C. *Transfers*

Nonmajor Governmental Funds	Transfer In
General Fund Appropriation	$ 790,711
Total	$ 790,711

D. *Capital Leases*

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

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

June 30, 2016

	Federal Fund	Nonmajor Governmental Funds	Proprietary Fund
A. *Due From Other State Agencies*			
Department of Human Services	$ 104,205	$ -	$ -
Department of Public Instruction	16,000	-	-
General Fund	-	151,336	-
Total	$ 120,205	$ 151,336	$ -
B. *Due To Other State Agencies*			
Office of Management and Budget	$ 12,004	$ 54	$ -
Information Technology Department	89,942	-	-
Office of Administrative Hearings	495	-	-
ND PERS	335	-	-
Office of the Attorney General	7,804	-	-
Department of Transportation	3,244	677	-
Bismarck State College	8,923	-	-
Lake Region State College	140	-	-
ND State College of Science	4,397	-	-
North Dakota State University	1,500	-	-
TrainND Southeast	4,255	-	-
Valley City State University	1,442	-	-
Williston State College	602	-	-
Bank of North Dakota	-	-	198,648
Total	$ 135,083	$ 731	$ 198,648

C. *Transfers*

Nonmajor Governmental Funds	Transfer In
General Fund Appropriation	$ 1,202,873
Total	$ 1,202,873

D. *Capital Leases*

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

Year ending June 30:		
2017	$	214,075
2018		214,325
2019		213,775
2020		217,525
2021		215,300
2022-2023		228,100
Less: amount representing interest		(181,600)
Present value of future minimum lease payments	$	1,121,500

NOTE 14 – Risk Management

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

The Agency participates in the Risk Management Fund (RMF), an internal service fund of the state, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the state is limited to a total of $250,000 per person and $1,000,000 per occurrence.

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

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

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

NOTE 15 –Net Position and Fund Balance

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

The amounts of $128,341,810 on June 30, 2017 and $90,119,984 on June 30, 2016 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund. These resources may only be expended for unemployment benefits or as allowed by federal law, as described in the next paragraph.

An amount of $11,364,798 on June 30, 2017 and $11,762,718 on June 30, 2016 represents the Department of Labor distribution of Reed Act resources into each state's trust fund in March of 2002. Federal law governs how the distribution may be expended. The 2002 distribution is available for the payment of Unemployment Insurance benefits to claimants and, if appropriated, the administration of the state's Unemployment Insurance and Employment Service programs.

An amount of $35,329,182 on June 30, 2017 and $32,892,878 on June 30, 2016 represents the Pension Assets of the Job Service North Dakota Retirement Plan. These resources are restricted to payment of retirement benefits to Job Service North Dakota Retirement plan participants.

The GASB 54 fund balance classifications are presented below:

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

	Fund Balances as of June 30, 2016			
	Non-spendable	**Assigned**	**Unassigned**	**Total**
Fund Balances:				
Job Service Special Fund New Jobs Program	$ -	$ 1,032,930	$ -	$ 1,032,930
General Fund	-	-	(173)	(173)
Federal Advance Interest Repayment Account	-	4,802,761	-	4,802,761
Total	$ -	$ 5,835,691	$ (173)	$ 5,835,518

For the year ended June 30, 2016, the general fund had a deficit balance of $173.

NOTE 16 – GASB Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67 and No. 73, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

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

GASB Statement No. 85, Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

NOTE 17 – Subsequent Events

No significant events occurred subsequent to Agency's year end. Subsequent events have been evaluated through October 23, 2017, which is the date these financial statements were available to be issued.

Required Supplementary Information

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutory determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 563,094	$ 564,684	$ 673,836	$ 842,601	$ 1,011,115	$ 1,162,731	$ 1,265,787	$ 1,487,175	$ 1,612,533	$ 1,843,140
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutory determined contribution	$ 610,408	$ 613,788	$ 743,659	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	(610,408)	(661,365)	(742,673)	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ (47,577)	$ 986	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 8,573,152	$ 8,477,929	$ 9,790,399	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	7.12%	7.80%	7.60%	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.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	(35,329,182)	(32,892,878)	(32,650,195)	-	-	-	-	-	-	-
Employer's covered-employee payroll	564,684	673,836	752,999	-	-	-	-	-	-	-
Plan fiduciary net position	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	(6256.45)%	(4881.44)%	(4336.02)%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	157.72%	151.89%	150.20%	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. The 2017 information presented has a measurement date of July 1, 2016.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability (asset)	0.841261%	1.098960%	1.164245%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	$8,198,908	$7,472,740	$7,389,712	-	-	-	-	-	-	-
Employer's covered-employee payroll	$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	96.71%	76.33%	75.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%	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. The 2017 information presented has a measurement date of July 1, 2016.

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

For the Ten Years Ended June 30*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability (asset)										
Service cost	$ 71,420	$ 127,734	$ 87,668	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	4,281,440	5,026,167	5,107,459	-	-	-	-	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(2,006,791)	(1,806,271)	(1,607,033)	-	-	-	-	-	-	-
Changes of assumptions	69,885	(309,878)	-	-	-	-	-	-	-	-
Benefit payments, including refund of employee Contributions	(4,601,196)	(4,694,171)	(4,594,462)							
Net change in total pension liability (asset)	(2,185,242)	(1,656,419)	(1,006,368)							
Total pension liability (asset) - beginning	63,390,014	65,046,433	66,052,801							
Total pension liability (asset) - ending (a)	$ 61,204,772	$ 63,390,014	$ 65,046,433							
Plan fiduciary net position										
Contributions - employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions - employee	44,178	50,142	55,748							
Service credit repurchase	-	-	-							
Net investment income	4,840,333	3,260,507	11,887,840							
Benefit payments, including refund of employee contributions	(4,601,196)	(4,694,171)	(4,594,462)							
Administrative expense	(32,253)	(30,214)	(31,455)							
Net change in plan fiduciary net position	251,062	(1,413,736)	7,317,671							
Plan fiduciary net position - beginning	96,282,892	97,696,628	90,378,957							
Plan fiduciary net position - ending (b)	$ 96,533,954	$ 96,282,892	$ 97,696,628							
Net pension liability (asset) - ending (a) - (b)	$ (35,329,182)	$ (32,892,878)	$ (32,650,195)							

*Complete data for this schedule is not available prior to 2015. The 2017 information presented has a measurement date of July 1, 2016.

Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress OPEB
For the Year Ended June 30, 2017

Year Ended June 30	Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	2008	0	$5,746,170	$5,746,170	0.0%	$3,411,634	168.43%
2009	2008	0	5,746,170	5,746,170	0.0%	3,064,817	187.49%
2010	2010	0	5,482,757	5,482,757	0.0%	3,199,800	171.35%
2011	2010	0	5,482,757	5,482,757	0.0%	2,609,254	210.13%
2012	2012	0	5,572,574	5,572,574	0.0%	2,299,949	242.29%
2013	2012	0	5,572,574	5,572,574	0.0%	2,111,709	263.89%
2014	2014	0	5,531,753	5,531,753	0.0%	1,805,340	306.41%
2015	2014	0	5,531,753	5,531,753	0.0%	1,659,528	333.33%
2016	2016	0	5,154,497	5,154,497	0.0%	1,281,180	402.32%
2017	2016	0	4,997,422	4,997,422	0.0%	1,144,260	436.74%

Required Supplementary Information
Schedule of Employer Contributions OPEB
For the Year Ended June 30, 2017

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$376,509	73%
2009	376,509	70%
2010	356,517	80%
2011	356,517	82%
2012	510,323	57%
2013	510,323	58%
2014	505,452	61%
2015	505,452	62%
2016	470,538	70%
2017	456,276	72%

Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2017

NOTE 1 – Description of Schedule of Funding Progress

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

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

NOTE 2 – Actuarial Assumptions and Methods

Pension Funding Method: Frozen Initial Liability Cost Method. The "annual contribution" under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method.

The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.

Asset Valuation Method: The asset value is adjusted toward market value by adding to the "preliminary asset value" 20% of the difference between the market value and the preliminary asset value. The preliminary asset value is the actuarial asset value at the beginning of the year plus net new money. Net new money is the sum of contributions, dividends, and interest, less the sum of benefit payments, administrative expenses and investment fees. If necessary, the actuarial value is further adjusted to be within 20% of market value.

Other Postemployment Benefit Plans: Unfunded actuarial accrued liabilities (UAAL) were amortized by level dollar contributions. The UAAL was determined using the funding value of assets, which equal $0, and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the level dollar amount required to fully amortize the UAAL over a 15 year period.

Significant actuarial assumptions employed by the actuaries for funding purposes as of July 1, 2016, the date of the latest actuarial studies:

Mortality tables:

Healthy: *Pension Plan* – RP-2000 Combined Healthy Mortality Table setback 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014.

OPEB Plans - RP-2014 adjusted to 2006 and projected using scale MP-2016

Disabled: *Pension Plan* - RP-2000 Disabled Mortality Table setback 1 year for males (no setback for females) multiplied by 125%

OPEB Plans - Combined table based on age

OPEB Withdrawal rates: Sample rates shown below.

	Mortality		***Disability***	
	Male	**Female**	***Incidence***	***Withdrawal***
20	0.34	0.14	0.00	54.40
35	0.49	0.30	1.30	47.00
50	3.84	2.64	2.90	24.70
60	7.68	5.29	5.90	0.90

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

Pension Plan Withdrawal rates: Sample rates shown below.

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

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

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

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

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

Retirement Age	**Rates of Retirement**
55-59	4.0%
60	6.0%
61	12.0%
62	25.0%
63	20.0%
64	20.0%
65	30.0%
70	100.0%

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

Salary scale: 4.5% per year.

Post-retirement Cost of Living Adjustment (COLA): 3% per year.

Inflation Rate: 3.50%

Marriage Assumption: *Pension Plan*: 85% of all active and inactive vested participants are assumed to be married.
OPEB Plans: 70% of participants are assumed to be married with husbands being 3 years older than spouses.

Age of spouse: *Pension Plan*: Females are assumed to be four years younger than males.
OPEB Plans: Females are assumed to be three years younger than males

Rate of return: *Pension Plan* **-** 8% for NDPERS and 7% for JSND. The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.
OPEB Benefit Plans – 4.5% per year compounded annually, net of investment fees and administrative expenses.

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

Actuarial value of assets: *Pension Plan*: The plan's assets are reported without smoothing.
OPEB Plans: As of June 30, 2017, there is $0 in valuation assets available to offset the liabilities of the plans.

Actuarial cost method: *Pension Plan:* Entry age actuarial cost method. Under this method, each employee's service cost is determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefits payable.

OPEB Benefit Plans: The Entry Age actuarial cost method was used in the valuation.

Other assumptions: Same as those used in the July 1, 2015 and July 1, 2014 actuarial funding valuations.

Changes of assumptions: Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Combining and Individual Fund Statements and Schedules

JOB SERVICE NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Total Nonmajor Governmental Funds
Assets				
Cash Deposits At The Bank of North Dakota	$ -	$ -	$ -	$ -
Cash in State Treasury	-	755,861	-	755,861
Investments At The Bank of North Dakota	-	-	-	-
Accounts Receivable - Net:				
Refunds	-	-	-	-
Accrued Interest	-	-	-	-
Penalty and/or Interest	-	-	-	-
Due From:				
Other Funds	-	341,685	-	341,685
Other State Agencies	41,738	-	-	41,738
Total Assets	$ 41,738	$ 1,097,546	$ -	$ 1,139,284
Liabilities				
Accounts Payable	$ 27,359	$ -	$ -	$ 27,359
Accrued Payroll	14,372	7,378	-	21,750
Due To:				
Other Funds	-	-	-	-
Other State Agencies	7	21,062	-	21,069
Total Liabilities	41,738	28,440	-	70,178
Deferred Inflows of Resources				
Unpaid Penalty and Interest	-	-	-	-
Total Deferred Inflows	-	-	-	-
Fund Balances				
Assigned	-	1,069,106	-	1,069,106
Unassigned	-	-	-	-
Total Fund Balances	-	1,069,106	-	1,069,106
Total Liabilities, Deferred Inflows and Fund Balances	$ 41,738	$ 1,097,546	$ -	$ 1,139,284

JOB SERVICE NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue				
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	Total Nonmajor Governmental Funds
Assets					
Cash Deposits At The Bank of North Dakota	$ -	$ -	$ -	$ 1,721,766	$ 1,721,766
Cash in State Treasury	-	837,425	-	-	837,425
Investments At The Bank of North Dakota	-	-	-	3,000,000	3,000,000
Accounts Receivable - Net:					
Refunds	-	-	-	-	-
Accrued Interest	-	-	-	62	62
Penalty and/or Interest	-	-	-	565,519	565,519
Due From:					
Other Funds	-	206,250	-	-	206,250
Other State Agencies	151,336	-	-	-	151,336
Total Assets	$ 151,336	$ 1,043,675	$ -	$ 5,287,347	$ 6,482,358
Liabilities					
Accounts Payable	$ 142,419	$ 956	$ -	$ -	$ 143,375
Accrued Payroll	8,867	8,658	-	-	17,525
Due To:					
Other Funds	173	450	-	1,633	2,256
Other State Agencies	50	681	-	-	731
Total Liabilities	151,509	10,745	-	1,633	163,887
Deferred Inflows of Resources					
Unpaid Penalty and Interest	-	-	-	482,953	482,953
Total Deferred Inflows	-	-	-	482,953	482,953
Fund Balances					
Assigned	-	1,032,930	-	4,802,761	5,835,691
Unassigned	(173)	-	-	-	(173)
Total Fund Balances	(173)	1,032,930	-	4,802,761	5,835,518
Total Liabilities, Deferred Inflows and Fund Balances	$ 151,336	$ 1,043,675	$ -	$ 5,287,347	$ 6,482,358

JOB SERVICE NORTH DAKOTA

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

	Special Revenue			
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Total Nonmajor Governmental Funds
Revenues				
Interest Earnings	$ -	$ -	$ -	$ -
Penalty and/or Interest	-	-	-	-
Other Grants	-	202,605	-	202,605
Total Revenues	-	202,605	-	202,605
Expenditures				
Current:				
Economic Development & Assistance	790,538	166,429	-	956,967
Total Expenditures	790,538	166,429	-	956,967
Excess of Revenues				
Over (Under) Expenditures	(790,538)	36,176	-	(754,362)
Other Finance Sources				
Transfers In	790,711	-	-	790,711
Total Other Finance Sources	790,711	-	-	790,711
Net change in Fund Balances	173	36,176	-	36,349
Fund Balances at July 1, 2016	(173)	1,032,930	-	1,032,757
Fund Balances at June 30, 2017	$ -	$ 1,069,106	$ -	$ 1,069,106

Combining Statement of Revenues, Expenditures, & Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Special Revenue				
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	Total Nonmajor Governmental Funds
Revenues					
Interest Earnings	$ -	$ -	$ -	$ 9,314	$ 9,314
Penalty and/or Interest	-	-	-	833,911	833,911
Other Grants	-	80,933	-	-	80,933
Total Revenues	-	80,933	-	843,225	924,158
Expenditures					
Current:					
Economic Development & Assistance	1,184,637	127,214	18,409	822,523	2,152,783
Total Expenditures	1,184,637	127,214	18,409	822,523	2,152,783
Excess of Revenues					
Over (Under) Expenditures	(1,184,637)	(46,281)	(18,409)	20,702	(1,228,625)
Other Finance Sources					
Transfers In	1,184,464	-	18,409	-	1,202,873
Total Other Finance Sources	1,184,464	-	18,409	-	1,202,873
Net change in Fund Balances	(173)	(46,281)	-	20,702	(25,752)
Fund Balances at July 1, 2015	-	1,079,211	-	4,782,059	5,861,270
Fund Balances at June 30, 2016	$ (173)	$ 1,032,930	$ -	$ 4,802,761	$ 5,835,518

Capital Assets Used in the Operation of Governmental Funds

JOB SERVICE NORTH DAKOTA

Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2017 and 2016

	2017	2016
Governmental funds capital assets:		
Land	$ 1,241,683	$ 1,241,683
Buildings	8,986,648	8,960,923
Infrastructure	308,474	292,569
Machinery and equipment	1,963,101	1,610,016
Intangible Assets	5,211,891	5,146,190
Work in Progress	16,242	56,832
Total governmental funds capital assets	$ 17,728,039	$ 17,308,213
Investments in governmental funds capital assets by source:		
Special revenue funds	$ 17,728,039	$ 17,308,213

JOB SERVICE NORTH DAKOTA

Capital Assets Used in the Operation of Governmental Funds
Schedules By Function and Activity
June 30, 2017 and 2016

June 30, 2017

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

June 30, 2016

Function and Activity	Land	Buildings	Infrastructure	Equipment	Intangible Assets	Work in Progress	Total
General government:							
Economic development and assistance	$ 1,241,683	$ 8,960,923	$ 292,569	$ 1,610,016	$ 5,146,190	$ 56,832	$ 17,308,213
Total general government	1,241,683	8,960,923	292,569	1,610,016	5,146,190	56,832	17,308,213
Total governmental funds capital assets	$ 1,241,683	$ 8,960,923	$ 292,569	$ 1,610,016	$ 5,146,190	$ 56,832	$ 17,308,213

Job Service North Dakota

Capital Assets Used in the Operation of Governmental Funds
Schedules of Changes By Function and Activity
For the Fiscal Years Ended June 30, 2017 and 2016

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

Function and Activity	June 30, 2016			
	Governmental Funds Capital Assets July 1, 2015	Additions	Deductions	Governmental Funds Capital Assets June 30, 2016
General government:				
Economic development and assistance	$ 16,545,187	$ 1,442,936	$ 679,910	$ 17,308,213
Total general government	16,545,187	1,442,936	679,910	17,308,213
Total governmental funds capital assets	$ 16,545,187	$ 1,442,936	$ 679,910	$ 17,308,213

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures (1)
U.S. Department of Labor			
Labor Force Statistics	***17.002***		
Cooperative Agreement LM-25617-15-75-J-38			$ (375)
Cooperative Agreement LM-26980-16-75-J-38			123,760
Cooperative Agreement LM-28236-17-75-J-38			415,664
		ST	539,049
Work Opportunity Tax Credit Program (WOTC)	***17.271***		
WOTC FY 2016			16,706
WOTC FY 2017			47,011
		ST	63,717
Temporary Labor Certification for Foreign Workers	***17.273***		
Alien Labor Certification FY 2016			104,005
Alien Labor Certification FY 2017			88,955
		ST	192,960
Unemployment Insurance	***17.225***		
UI Administration FY 2013			(25)
UI Administration FY 2016			4,465,857
UI Administration FY 2017			2,687,437
Reemployment Services & Eligibility Assessments			106,214
DUA 2011 Flood FY 2011			(1,549)
UI SBR - WyCAN Consortium - FFY 11			523,233
UI SBR FY14			240,513
UI SBR FY15			102,491
UI SBR FY16			13,219
UI EUC STATE ADMINISTRATION - FFY 14			166
Reed Act			324,236
Federal Unemployment Insurance Benefits			1,504,998
Federal Unemployment Insurance Benefits-FAC-ARRA			(4,658)
State Unemployment Insurance Benefits funded by State Taxes			155,106,362
		ST	165,068,494
Trade Adjustment Assistance-Workers	***17.245***		
TAA Training FY 2014			10,732
TAA Training FY 2016			(857)
TAA Training FY 2017			5,974
		ST	15,849
Employment Service	***17.207 (2)***		
Wagner-Peyser PY 2015			1,251,748
Wagner-Peyser PY 2016			3,015,506
Workforce Information Grant PY 2014			121,178
Workforce Information Grant PY 2015			111,747
Workforce Information Grant PY 2016			19,430
		ST	4,519,609
Disabled Veterans Outreach Program	***17.801 (2)***		
DVOP FY 2016			227,328
DVOP FY 2017			262,883
		ST	490,211

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures (1)
Local Veterans' Employment Representative Program	***17.804 (2)***		
LVER FY 2016			$ 60,832
LVER FY 2017			31,870
		ST	92,702
	Subtotal of 17.207, 17.801, 17.804		5,102,522
Passed Through Governor of North Dakota			
WIA/WIOA Adult Program	***17.258 (3)***		
Grant Number AA-26792-15-55-A-38			809,819
Grant Number AA-28329-16-55-A-38			909,116
		ST	1,718,935
WIA/WIOA Youth Activities	***17.259 (3)***		
Grant Number AA-26792-15-55-A-38			855,117
Grant Number AA-28329-16-55-A-38			770,551
		ST	1,625,668
WIA/WIOA Dislocated Workers	***17.278 (3)***		
Grant Number AA-26792-15-55-A-38			232,365
Grant Number AA-28329-16-55-A-38			187,928
		ST	420,293
	Subtotal of 17.258, 17.259 & 17.278		3,764,896
WIA/WIOA Dislocated Worker National Reserve TECHNICAL ASSISTANCE AND TRAINING	***17.281***		
Grant Number MI-27265-15-60-A-38			38,591
			38,591
Apprenticeship USA Grants	***17.285***		
Grant Number AP-29151-16-55-A-38			36,229
			36,229
Passed Through ND Department of Public Instruction			
Workforce Investment Act Incentive Grants	***17.267***		
Grant Number PI-27419-15-55-A-38			674,756
			674,756
TOTAL U.S. DEPARTMENT OF LABOR			**$ 175,497,063**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures [1]
U.S. Department of Agriculture			
Passed Through ND Department of Human Services:			
State Admin. Matching Grants for the Supplemental Nutrition Assistance Program	***10.561***		
Food Stamp Employment & Training (Contract Number 410-10285		$	113,960
TOTAL U.S. DEPARTMENT OF AGRICULTURE		**$**	**113,960**
U.S. Department of Health and Human Services:			
Passed Through ND Department of Human Services:			
Temporary Assistance for Needy Families	***93.558***		
Job Opportunities and Basic Skills Program (Contract 405-10121)		$	461,440
Parental Employment Pilot Project (Contract 405-10121)			621,564
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		**$**	**1,083,004**
TOTAL FEDERAL ASSISTANCE [4]		**$**	**176,694,027**

(1) Modified accrual basis.
(2) Employment Service Cluster
(3) Workforce Investment Act Cluster
(4) The total federal assistance reported on this schedule consists of the total Federal Fund expenditures plus the Federal Fund prepaid items less the Other Finance Source -Capital Lease on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 14) and the total expenditures from the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 17).

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Job Service North Dakota under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Job Service North Dakota , it is not intended to and does not present the financial position, change in net position, or cash flows of Job Service North Dakota.

NOTE 2 Summary of Significant Accounting Policies

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

Internal Control and Compliance Section

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor Doug Burgum
The Legislative Assembly

Michelle Kommer, Interim 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, 2017, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brady Martz

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

October 23, 2017

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Governor Doug Burgum
The Legislative Assembly

Michelle Kommer, Interim Executive Director
Job Service North Dakota

Report on Compliance for Each Major Federal Program

We have audited Job Service North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Job Service North Dakota's major federal programs for the year ended June 30, 2017. Job Service North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Job Service North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Job Service North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Job Service North Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, Job Service North Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Job Service North Dakota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Job Service North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Job Service North Dakota's internal control over compliance.

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

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

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

Brady Martz

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

October 23, 2017

JOB SERVICE NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA Number(s)	Name of Federal Program or Cluster
17.225	Unemployment Insurance
17.207, 17.801 & 17.804	Employment Service Cluster

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

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE YEAR ENDED JUNE 30, 2017

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, 2017 audit of Job Service North Dakota are as follows:

Audit Report Communications:

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

   Unmodified.

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

   Yes.

3. Was internal control adequate and functioning effectively?

   Yes.

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

   No.

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

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

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

   No.

Audit Committee Communications:

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

   None.

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

   Job Service North Dakota estimates the amount of unemployment taxes, penalties, and interest that will be receivable and uncollectible. Management estimates the taxes, penalties, and interest at year end by determining the amount of collections from July 1, 2017 to August 15, 2017. The auditor's conclusion is based on the past history of collections and subsequent payment of the receivables after year end.

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

3. Identify any significant audit adjustments.

   None.

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

   None.

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

   None.

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

   None.

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

   None.

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

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

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

October 23, 2017