

***Job Service North Dakota***

***Financial Report  
For the Years Ending  
June 30, 2012 and 2011***

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

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

# JOB SERVICE NORTH DAKOTA

## TABLE OF CONTENTS

### I. INTRODUCTORY SECTION

Table of Contents	i - ii
Organizational Chart	iii

### II. FINANCIAL SECTION

Independent Auditors' Report	A-AAA
------------------------------	-------

Management's Discussion and Analysis	1 - 8
--------------------------------------	-------

#### Basic Financial Statements:

##### Government-wide Financial Statements:

Statements of Net Assets	9
Statement of Activities – June 30, 2012	10
Statement of Activities – June 30, 2011	11

##### Fund Financial Statements:

Balance Sheets – Governmental Funds	12
Reconciliation of the Balance Sheets – Governmental Funds To the Statements of Net Assets	13
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliations of the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statements of Activities	15
Statements of Net Assets – Proprietary Fund	16
Statements of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	17
Statements of Cash Flows – Proprietary Fund	18

Statement of Appropriations	19
-----------------------------	----

Notes to the Financial Statements	20-45
-----------------------------------	-------

#### Required Supplementary Information:

##### In accordance with Statement Number 45 of the Government

##### Accounting Standards Board

Schedule of Funding Progress – Pension Trust Fund & OPEB	46
Schedule of Employer Contributions – Pension Trust Fund & OPEB	47
Notes to Required Supplementary Schedules	48-50

#### Combining and Individual Fund Statements and Schedules:

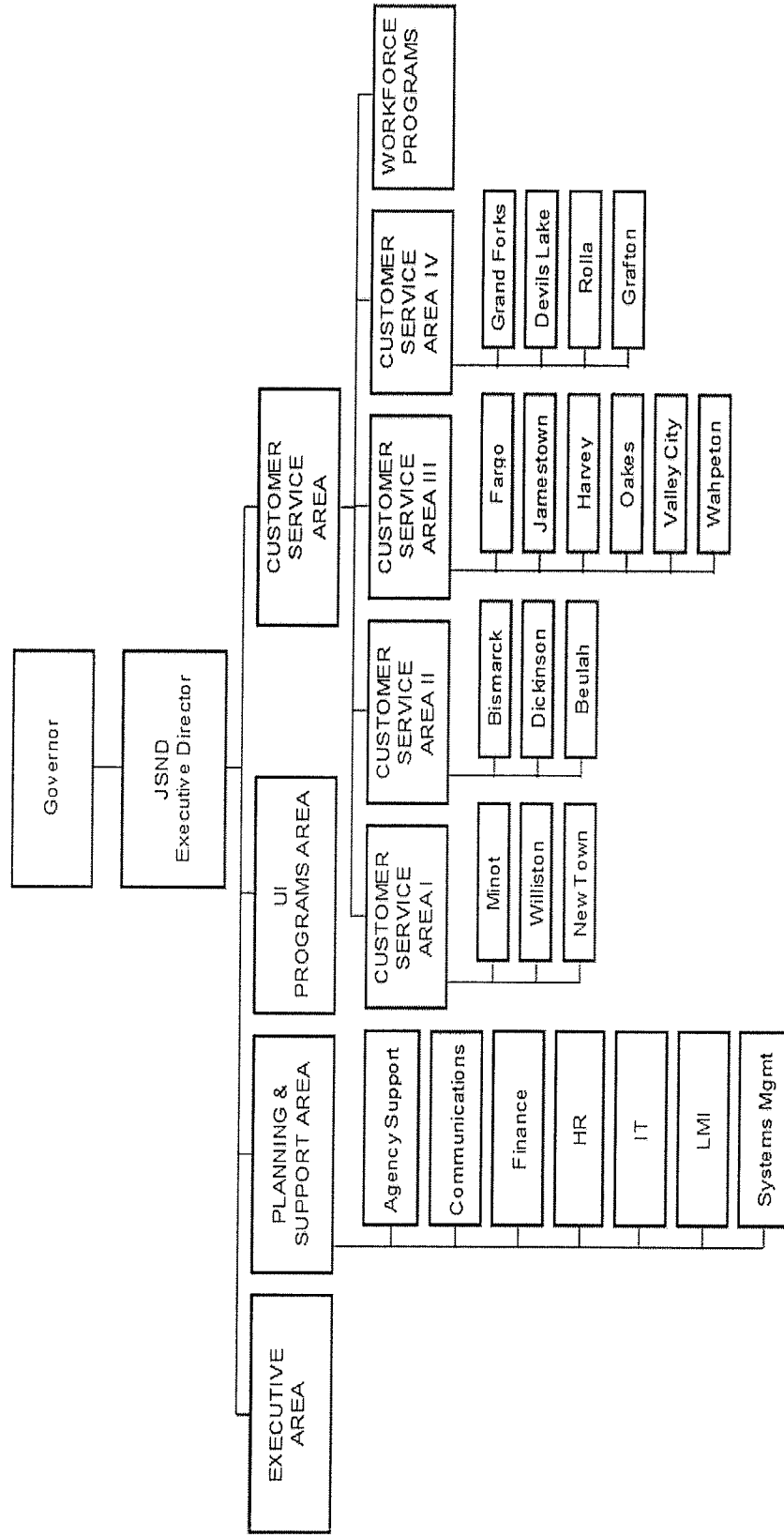
Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012	51
Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011	52
Combining Statement of Revenues, Expenditures, and Changes in Fund balances – Nonmajor Governmental Funds – June 30, 2012	53
Combining Statement of Revenues, Expenditures, and Changes in Fund balances – Nonmajor Governmental Funds – June 30, 2011	54

<b>Capital Assets Used in the Operation of Governmental Funds:</b>	
Comparative Schedule by Source	55
Schedule by Function and Activity	56
Schedule of Changes by Function and Activity	57
Schedule of Expenditures of Federal Awards	58-60

### **III. INTERNAL CONTROL AND COMPLIANCE SECTION**

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	61-62
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	63-64
Schedule of Findings and Questioned Costs	65-66
Independent Auditor's Specific Comments Required by the North Dakota Legislative Audit and Fiscal Review Committee	67-69

# JOB SERVICE NORTH DAKOTA



# **Independent Auditors' Report**



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Governor Jack Dalrymple  
The Legislative Assembly

Maren L. Daley, Executive Director  
Job Service North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, a department of the State of North Dakota as of and for the year ended June 30, 2012, which collectively comprise Job Service North Dakota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Job Service North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Job Service North Dakota as of June 30, 2011, were audited by other auditors whose report dated December 2, 2011, express an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of Job Service North Dakota are intended to present the financial position, the changes in net assets, changes in financial position, and cash flows, where applicable, of only that portion of the of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of North Dakota that is attributable to the transaction 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, 2012 and 2011, and the changes in its financial position, changes in net plan assets and its cash flows, where applicable, for the years then needed in conformity with accounting principles generally accepted in the United States of America.

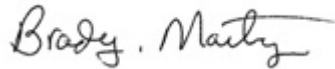
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of June 30,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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, 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* and should be considered in assessing the results of our audit.

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

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 section regarding capital assets used in the operation of governmental funds is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

A handwritten signature in cursive script that reads "Brady Martz".

**BRADY, MARTZ & ASSOCIATES, P.C.**

October 26, 2012



# **Management's Discussion and Analysis**

# ***Management's Discussion and Analysis***

## ***June 30, 2012***

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, 2012 with comparison to the fiscal year ended June 30, 2011.

Job Service North Dakota became a part of government when a public labor exchange was created in 1935 with the signing of the Social Security Act. Through the years, our role in providing Unemployment Insurance, Labor Market Information, and Workforce Development services to the public has continued to expand. Today, we continue to provide numerous services to both job seekers and employers; our role as a provider of labor market information has been expanded to new levels; and we are at the heart of the economic development movement in the state.

One of the primary focal points for Job Service North Dakota is providing excellence in customer service. We continuously focus on service excellence to our customers by proactive planning which provides us the direction and flexibility to provide those services that best meet the needs of our customers.

The future direction of Job Service and services we provide are addressed in our current strategic business plan. This plan is a living document, which allows us to review it on an ongoing basis and to change it to reflect current circumstances. Our plan provides us with direction for the future through the use of technology, collaborative efforts with other entities, and by restructuring our method of operations.

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

***Job Service North Dakota provides  
customer-focused services to meet the current and emerging  
workforce needs of the state.***

### ***Financial Highlights***

- The assets of Job Service North Dakota exceeded its liabilities at the close of the most recent fiscal year by \$162.86 million (net assets). The increase of \$41.21 million (33.9%) over the prior fiscal year is due almost entirely to increases in the Business-Type Activity of the Unemployment Insurance Trust fund. \$34.19 million of this increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund due to a higher taxable wage base, tax rate adjustments, lower Unemployment Insurance Benefit payments and collection of benefits paid from other states.
- As of the close of the current fiscal year, the Agency's Business-Type funds reported combined ending net assets of \$154.07 million, an increase of \$40.20 million in comparison with the prior year. All of these assets of the business-type funds are fully restricted for specific purposes.
- The Agency's governmental funds reported net assets of \$8.79 million, an increase of \$1.01 million over the prior year. Of the total, \$5.50 million of these assets are invested in capital assets, net of related debt, \$3.06 million are restricted for other purposes and \$0.23 million of net assets are unrestricted.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Job Service North Dakota. The basic financial statements of Job Service North Dakota are comprised of three components:

1. *Government-wide financial statements,*
2. *Fund financial statements, and*
3. *Notes to the financial statements.*

Other supplementary information is also included in this report in addition to the basic financial statements.

### ***Government-wide financial statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's financial activity and status, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities with the difference between the two reported as *net assets*. Comparative information is presented for June 30, 2012 and June 30, 2011. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Job Service North Dakota is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the year ending June 30, 2012 and June 30, 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Unemployment Insurance contributions and earned but unused vacation and sick leave.)

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

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

### ***Fund financial statements***

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

#### **Governmental Funds**

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

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

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

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

#### **Proprietary Fund**

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

## Government-wide Financial Analysis

As previously mentioned, net assets may serve as a useful indicator of a government's financial position. The net assets of Job Service North Dakota exceeded liabilities by \$162.86 million at the close of the Agency's fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$ -	\$ -	\$ -	\$ 126,041	\$ 119,075	\$ 115,952	\$ 126,041	\$ 119,075	\$ 115,952
Operating grants and Contributions	27,669	27,051	27,808	3,392	3,764	4,094	31,061	30,815	31,902
<b>Total revenues</b>	<b>\$ 27,669</b>	<b>\$ 27,051</b>	<b>\$ 27,808</b>	<b>\$ 129,433</b>	<b>\$ 122,839</b>	<b>\$ 120,046</b>	<b>\$ 157,102</b>	<b>\$ 149,890</b>	<b>\$ 147,854</b>
<b>Expenses:</b>									
Economic Development & Assistance	\$ 27,190	\$ 27,429	\$ 28,018	\$ -	\$ -	\$ -	\$ 27,190	\$ 27,429	\$ 28,018
Interest on long-term debt	90	105	137	-	-	-	90	105	137
Unemployment Compensation Funds	-	-	-	89,237	108,482	137,473	89,237	108,482	137,473
<b>Total expenses</b>	<b>\$ 27,280</b>	<b>\$ 27,534</b>	<b>\$ 28,155</b>	<b>\$ 89,237</b>	<b>\$ 108,482</b>	<b>\$ 137,473</b>	<b>\$ 116,517</b>	<b>\$ 136,016</b>	<b>\$ 165,628</b>
Change in net assets before transfers and special items	\$ 389	\$ (483)	\$ (347)	\$ 40,196	\$ 14,357	\$ (17,427)	\$ 40,585	\$ 13,874	\$ (17,774)
Special Item - gain(loss) on disposal of fixed assets	(7)	-	237	-	-	-	(7)	-	237
Transfers	632	856	576	-	-	-	632	856	576
Change in net assets	1,014	373	466	40,196	14,357	(17,427)	41,210	14,730	(16,961)
Net assets - Beginning of year	7,775	7,402	6,936	113,875	99,518	116,945	121,650	106,921	123,880
Net assets - End of year	<b>\$ 8,789</b>	<b>\$ 7,775</b>	<b>\$ 7,402</b>	<b>\$ 154,071</b>	<b>\$ 113,875</b>	<b>\$ 99,518</b>	<b>\$ 162,860</b>	<b>\$ 121,651</b>	<b>\$ 106,920</b>

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

	Governmental Activities			Business-Type Activities			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Current and other assets	\$ 7,182	\$ 6,784	\$ 6,845	\$ 159,706	\$ 119,051	\$ 104,212	\$ 166,888	\$ 125,835	\$ 111,057
Capital assets	8,001	7,919	7,035	-	-	-	8,001	7,919	7,035
<b>Total assets</b>	<b>\$ 15,183</b>	<b>\$ 14,703</b>	<b>\$ 13,880</b>	<b>\$ 159,706</b>	<b>\$ 119,051</b>	<b>\$ 104,212</b>	<b>\$ 174,889</b>	<b>\$ 133,754</b>	<b>\$ 118,092</b>
Noncurrent liabilities	\$ 3,701	\$ 4,319	\$ 3,791	\$ -	\$ -	\$ -	\$ 3,701	\$ 4,319	\$ 3,791
Other liabilities	2,693	2,609	2,687	5,635	5,176	4,694	8,328	7,785	7,381
<b>Total liabilities</b>	<b>\$ 6,394</b>	<b>\$ 6,928</b>	<b>\$ 6,478</b>	<b>\$ 5,635</b>	<b>\$ 5,176</b>	<b>\$ 4,694</b>	<b>\$ 12,029</b>	<b>\$ 12,104</b>	<b>\$ 11,172</b>
<b>Net Assets:</b>									
Invested in capital assets, net of related debt	\$ 5,499	\$ 4,818	\$ 4,501	\$ -	\$ -	\$ -	\$ 5,499	\$ 4,818	\$ 4,501
Restricted	3,064	2,674	2,631	154,071	113,875	99,518	157,135	116,549	102,149
Unrestricted	226	283	270	-	-	-	226	283	270
<b>Total net assets</b>	<b>\$ 8,789</b>	<b>\$ 7,775</b>	<b>\$ 7,402</b>	<b>\$ 154,071</b>	<b>\$ 113,875</b>	<b>\$ 99,518</b>	<b>\$ 162,860</b>	<b>\$ 121,650</b>	<b>\$ 106,920</b>

The Agency is primarily funded by federal grants from the Department of Labor. The largest portion of the Agency's net assets reflects the business-type activity of the Unemployment Insurance Trust Fund. These net assets will be discussed in further detail under the business-type activity section and the discussion of the proprietary fund. The net assets of \$162.86 million as of June 30, 2012 and \$121.65 million as of June 30, 2011 include \$8.79 million and \$7.78 million in assets of the Governmental Activities, respectively, and \$154.07 million and \$113.88 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

### ***Governmental activities***

The net assets as of June 30, 2012 and 2011, related to governmental activities, are \$8.79 million and \$7.78 million, respectively. The net assets as of June 30, 2012 and 2011 include, \$5.50 million and \$4.82 million, respectively, as investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is outstanding. The Agency uses these capital assets to provide its services to the citizens of North Dakota. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net assets, \$3.06 million is restricted for other purposes and \$0.23 million are classified as unrestricted net assets. \$2.45 million of the assets restricted for other purposes are related to the unexpended resources of the Federal Advance Interest Repayment Account (FAIRA). North Dakota Century Code 52-04-22 initially established this account for the single purpose of paying the interest charges on any Title XII advances to the Unemployment Insurance Trust Fund. Through subsequent legislation, additional uses have been implemented into the law.

### ***Business-type activity***

The only business-type activity of the Agency is the operation of the Unemployment Insurance Trust Fund. The purpose of this activity is to collect employer taxes and pay unemployment benefits. In addition, any federally authorized unemployment benefit program administered by the Agency uses this fund for the federal revenue and federal benefit expenses. The restricted net assets of \$154.07 million and \$113.88 million at June 30, 2012 and June 30, 2011, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of \$141.18 million at June 30, 2012 and \$100.78 million at June 30, 2011 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund that may only be expended for unemployment benefits.

Restricted assets for Unemployment Insurance Benefits and/or Other Purposes of \$12.90 million at June 30, 2012 and \$13.09 million at June 30, 2011, represent the Department of Labor distribution of Reed Act resources into each state's trust fund that remains unexpended as of the end of the fiscal year. Federal law governs how the distribution may be expended. The distribution is available for the payment of Unemployment Insurance benefits to claimants and/or, if specifically appropriated by the Legislative Assembly, the administration of the state's Unemployment Insurance and Employment Service programs.

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

### ***Governmental funds***

Job Service North Dakota utilizes five individual governmental funds. The federal fund is considered to be the only major fund. Federal Grants revenue is accrued to equal the federal Economic Development & Assistance expenditures accrued through the fiscal year end.

The four nonmajor governmental funds include the 362-Job Service Special Fund, 392-Insurance Recovery Fund, the 001-General Fund (Workforce 20/20), and the Federal Advance Interest Repayment Account. The net assets of the governmental activities increased 13.04% from 2011 to 2012. Of the total net asset increase, 8.75% was the net result of capital asset purchases offset by additions to and payments on capital leases. The remaining increase was due to increased penalty and interest revenues in the special revenue funds.

The Workforce 20/20 Fund represents a state appropriation of general fund resources to the Agency to administer the Workforce 20/20 program. This program was enacted by the 1991 Legislative Assembly and is designed to fill gaps in federally funded training programs. Workforce 20/20 can provide a match to employers to help cover some of the direct training cost when they provide training or upgrade training to their current workforce in order to meet the demands which are brought about by the introduction of new technologies and work methods.

The OASIS Fund represents expenditures by the Agency from the OASIS Trust Fund for those services as defined in NDCC 52-10.

The Job Service Special Fund represents contracts and cooperative agreements with outside parties for the provision of employment and training related services to targeted groups or areas.

The Insurance Recovery fund represents proceeds from insurance claims to fund repairs to equipment and buildings.

The Federal Advance Interest Repayment Account contains the penalty and interest revenue collected on delinquent Unemployment Insurance contribution reports. These revenues are used to pay any interest due on federal and nonfederal obligations of the Unemployment Insurance Trust fund. In addition, North Dakota Century Code 52-04-22 authorizes specific other purposes for which these revenues may be expended.

### ***Proprietary fund***

Job Service North Dakota maintains the Unemployment Insurance Trust Fund as its only proprietary fund. The primary revenue source for this fund is the collection of the state Unemployment tax. The nonoperating revenue for this fund is the interest earned on these collected taxes that is on deposit with the United State Treasury. The federal government reimburses this fund for any federal benefit expenditures that are paid through this fund and this revenue source is reported as Federal Benefit Reimbursements. June 30, 2012 charges for service revenue increased by \$6.97 million over the prior year due to \$18.42 million increase in Unemployment Insurance contributions, offset by a decrease of \$11.49 million of Federal Benefit Reimbursements. The federal benefit reimbursement decrease is a result of a reduction of the extended unemployment benefit program, reduced federal benefit claims and the Unemployment Insurance contribution increase is due to a combination of factors including a higher taxable wage base, tax rate adjustments and collection of benefits paid from other states.

Expenditures for this fund are primarily the unemployment benefits paid under the applicable state or federal benefit laws. The net assets of the proprietary fund increased 35.3% from the previous year. This increase was primarily a result of lower unemployment resulting in lower unemployment benefit payouts, a higher taxable wage base, tax rate adjustments and collection of benefits paid from other states.

## ***Capital Asset and Debt Administration***

### ***Capital assets***

The Agency's investment in capital assets was \$8 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$7.92 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 54-56.

### ***Noncurrent Liabilities***

Noncurrent liabilities at June 30, 2012 and June 30, 2011 were \$3.70 million and \$4.32 million, respectively, and includes a capitalized lease for the Grand Forks customer service office, a capital lease for the Bismarck/Mandan customer service office, equipment capital leases, other notes payable, and compensated absences. Of the current year balance, \$.44 million is considered as a current liability on the Statement of Net Assets because it is due within one year. The remaining liability of \$3.26 million is classified as a long-term liability on the financial statements because it is due in more than one year.

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

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total</b>		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
<b>Current Liabilities:</b>									
Accounts payable	\$ 197	\$ 250	\$ 284	\$ 2,658	\$ 2,059	\$ 1,423	\$ 2,855	\$ 2,309	\$ 1,707
Accrued Payroll	1,349	1,457	1,542	-	-	-	1,349	1,457	1,542
Interest payable	7	15	19	-	-	-	7	15	19
Other current liabilities	1,140	887	841	2,978	3,117	3,271	4,118	4,004	4,112
<b>Noncurrent Liabilities:</b>									
Due within one year	437	566	455	-	-	-	437	566	455
Due in more than one year	3,264	3,753	3,336	-	-	-	3,264	3,753	3,336
<b>Total liabilities</b>	<b>\$ 6,394</b>	<b>\$ 6,928</b>	<b>\$ 6,478</b>	<b>\$ 5,636</b>	<b>\$ 5,176</b>	<b>\$ 4,694</b>	<b>\$ 12,030</b>	<b>\$ 12,104</b>	<b>\$ 11,172</b>

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

**Financial Analysis of Appropriated Budget**

The Agency's biennial budget can be found on page 19. The agency had an overall favorable variance of \$44.35 million due in large part to completion of only the first year of the biennium. A majority of the funding will be expended in the next year. The Reed Act budget variance of \$12.4 million is due to the continuation of the agencies unemployment Insurance IT project and has come in under budget this biennium as a four state consortium is working with vendors to develop the new computer system. The Reed Act resources will be needed to accommodate building of the new computer system.

**Economic Factors and Next Year's Budgets and Rates**

**Administrative Funding:**

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

- Annual "flat" or declining funding of the Agency's primary administrative funding for WIA, Wagner Peyser and Unemployment Insurance.
- Department of Labor (DOL) funding of our programs does not recognize or provide additional funding to cover state required expenditures, such as salary increases, fringe benefit increases, statewide indirect costs, etc.
- DOL funding does not provide an adequate mechanism or resources for major investments in technology systems. Finding investment resources within the annual operating grants to replace existing aging technology systems and implement new technology for responsive customer service is difficult.

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

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

**State of North Dakota Legislation:**

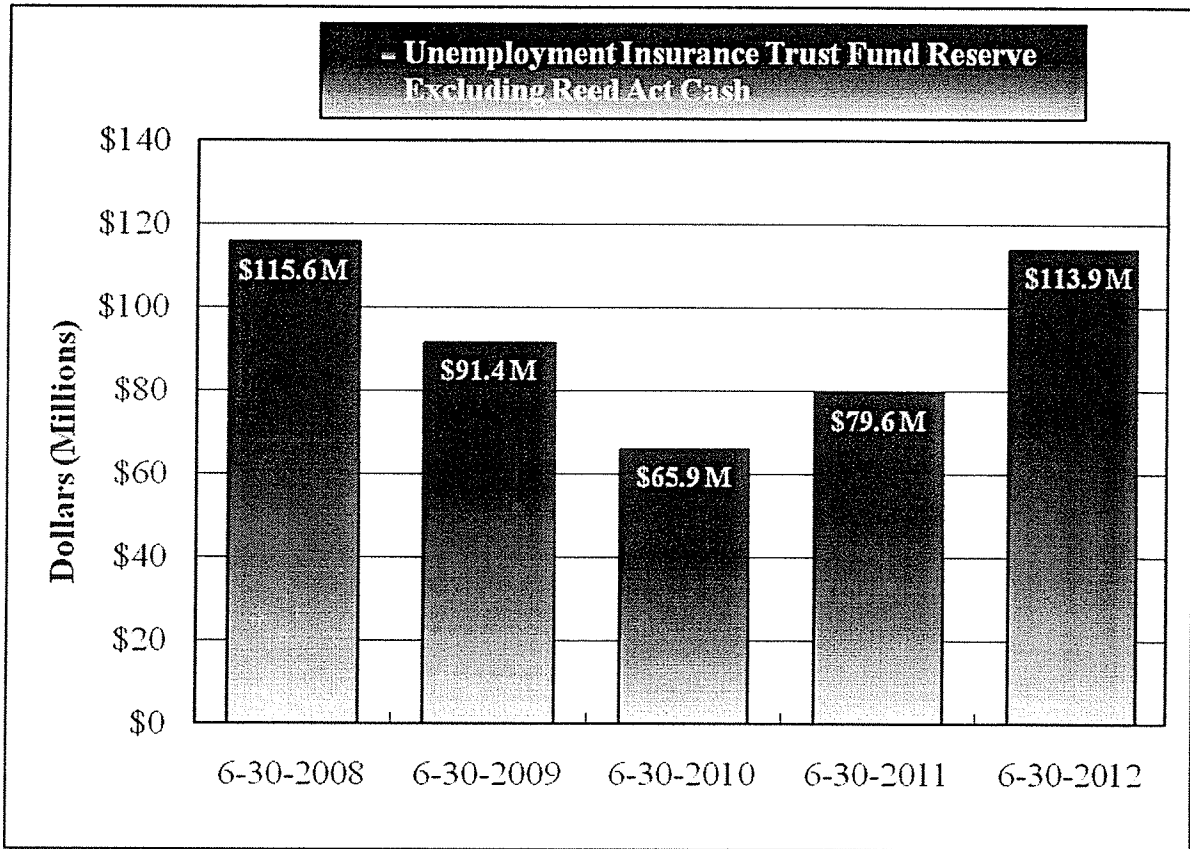
The 62nd (2011) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

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

This bill includes a base budget appropriation for Job Service North Dakota, an appropriation for \$1,500,000 of (ARRA)American Recovery and Reinvestment Act funds and \$12,400,000 of Reed Act funds for the Unemployment Insurance computer modernization program. The ARRA funds will supplement the existing programs Job Service North Dakota administers through the US Department of Labor.

**Unemployment Insurance Trust Fund Reserve:**

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has increased by \$34.3 Million, a forty three percent increase from a year ago. This increase is due to a higher taxable wage base, lower Unemployment Insurance claim payments and employer tax rate adjustments over the past year.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
6-30-2008	115,626,200	13,872,211	129,498,411
6-30-2009	91,381,171	13,988,825	105,369,996
6-30-2010	65,893,993	13,417,391	79,311,384
6-30-2011	79,649,947	13,092,354	92,742,301
6-30-2012	113,931,263	12,895,580	126,826,843



***Requests for Information***

This financial report is designed to provide the reader with a general overview of the Agency's finances and to provide input into the State of North Dakota Comprehensive Annual Financial Report. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director-Job Service North Dakota, P.O. Box 5507, Bismarck, North Dakota, 58506.

# **Basic Financial Statements**

**JOB SERVICE NORTH DAKOTA**

**Statements of Net Assets  
June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activity		Totals	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Cash and Cash equivalents	\$ 866,295	\$ 1,200,036	\$ 126,107,422	\$ 91,921,390	\$ 126,973,717	\$ 93,121,426
Investments	2,000,000	1,400,000	-	-	2,000,000	1,400,000
Receivables, net	447,388	288,440	32,803,091	26,324,201	33,250,479	26,612,641
Due From:						
Other Funds	121,209	55,262	21	1,616	121,230	56,878
Federal Government	1,858,477	1,879,880	1,592	57,789	1,860,069	1,937,669
Other State Agencies	265,044	330,605	794,344	746,310	265,044	330,605
Other States					794,344	746,310
Pension Assets	1,623,923	1,630,058	-	-	1,623,923	1,630,058
Capital Assets (net of accumulated depreciation):						
Land	1,266,291	1,266,291	-	-	1,266,291	1,266,291
Buildings, equipment, and other depreciable assets	6,504,157	6,352,194	-	-	6,504,157	6,352,194
Work in Progress	230,669	300,517	-	-	230,669	300,517
<b>TOTAL ASSETS</b>	<b>\$ 15,183,453</b>	<b>\$ 14,703,283</b>	<b>\$ 159,706,470</b>	<b>\$ 119,051,306</b>	<b>\$ 174,889,923</b>	<b>\$ 133,754,589</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 196,823	\$ 249,836	\$ 2,658,218	\$ 2,058,621	\$ 2,855,041	\$ 2,308,457
Interest Payable	7,193	15,681	-	-	7,193	15,681
Accrued Payroll	1,349,463	1,456,791	-	-	1,349,463	1,456,791
Due To:						
Other Funds	31,468	29,956	89,761	26,922	121,229	56,878
Other States			2,872,571	2,978,160	2,872,571	2,978,160
Other State Agencies	560,994	510,266	15,080	112,500	576,074	622,766
Net OPEB Obligation	547,691	346,433	-	-	547,691	346,433
Noncurrent liabilities:						
Due within one year	437,100	565,648	-	-	437,100	565,648
Due in more than one year	3,263,736	3,753,293	-	-	3,263,736	3,753,293
<b>TOTAL LIABILITIES</b>	<b>\$ 6,394,468</b>	<b>\$ 6,927,904</b>	<b>\$ 5,635,630</b>	<b>\$ 5,176,203</b>	<b>\$ 12,030,098</b>	<b>\$ 12,104,107</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 5,498,808	\$ 4,818,475	\$ -	\$ -	\$ 5,498,808	\$ 4,818,475
Restricted for:						
Unemployment Insurance Benefits	-	-	141,175,260	100,782,749	141,175,260	100,782,749
Unemployment Insurance Benefits and/or Other Purposes	-	-	12,895,580	13,092,354	12,895,580	13,092,354
Other Purposes	3,063,667	2,673,553	-	-	3,063,667	2,673,553
Unrestricted	226,510	283,351	-	-	226,510	283,351
<b>TOTAL NET ASSETS</b>	<b>\$ 8,788,985</b>	<b>\$ 7,775,379</b>	<b>\$ 154,070,840</b>	<b>\$ 113,875,103</b>	<b>\$ 162,859,825</b>	<b>\$ 121,650,482</b>

**JOB SERVICE NORTH DAKOTA**

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

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>							
Governmental Activities:							
Economic Development & Assistance	\$ 27,190,495	\$ -	\$ 27,668,532	\$ 478,037	\$ -	\$ 478,037	
Interest on long-term debt	89,946	-	-	(89,946)	-	(89,946)	
<b>Total governmental activities</b>	<b>27,280,441</b>	<b>-</b>	<b>27,668,532</b>	<b>388,091</b>	<b>-</b>	<b>388,091</b>	
Business-type activities:							
Unemployment Compensation Funds	89,236,878	126,040,929	3,391,686	-	40,195,737	40,195,737	
<b>Total business-type activities</b>	<b>89,236,878</b>	<b>126,040,929</b>	<b>3,391,686</b>	<b>-</b>	<b>40,195,737</b>	<b>40,195,737</b>	
<b>Total primary government</b>	<b>\$ 116,517,319</b>	<b>\$ 126,040,929</b>	<b>\$ 31,060,218</b>	<b>388,091</b>	<b>40,195,737</b>	<b>40,583,828</b>	
Special Item - Loss on disposal of fixed assets				(7,239)	-	(7,239)	
Transfers				632,754	-	632,754	
Change in net assets				1,013,606	40,195,737	41,209,343	
<b>Net assets, June 30, 2011</b>				<b>7,775,379</b>	<b>113,875,103</b>	<b>121,650,482</b>	
<b>Net assets, June 30, 2012</b>				<b>\$ 8,788,985</b>	<b>\$ 154,070,840</b>	<b>\$ 162,859,825</b>	

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

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

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

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Balance Sheets**

**Governmental Funds  
June 30, 2012 and 2011**

	Federal Fund		Nonmajor Governmental Funds		Total
	2012	2011	2012	2011	
<b>ASSETS</b>					
Cash Deposits At The Bank of North Dakota					
Cash in State Treasury	\$ -	\$ -	\$ 363,932	\$ 622,950	\$ 622,950
Investments At The Bank of North Dakota	-	-	502,363	577,086	577,086
Accounts Receivable - Net:			2,000,000	1,400,000	1,400,000
Refunds	-	2,747	-	-	2,747
Accrued Interest	-	-	295	466	466
Penalty and/or Interest	-	-	447,092	285,226	285,226
Due From:					
Other Funds	9,152	26,922	112,056	28,340	121,208
Federal Government	1,858,477	1,879,880	-	-	1,858,477
Other State Agencies	240,973	234,916	24,071	95,689	1,879,880
Prepaid items	-	-	-	265,044	330,605
<b>TOTAL ASSETS</b>	<b>\$ 2,108,602</b>	<b>\$ 2,144,465</b>	<b>\$ 3,449,809</b>	<b>\$ 3,009,757</b>	<b>\$ 5,558,411</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:					
Accounts Payable	\$ 179,161	\$ 160,760	\$ 17,661	\$ 89,076	\$ 249,836
Accrued Payroll	1,340,781	1,444,306	8,682	12,485	1,456,791
Due To:					
Other Funds	28,005	29,796	-	160	31,468
Other State Agencies	560,655	509,603	339	663	510,266
Deferred Revenue	-	-	355,997	233,820	233,820
<b>TOTAL LIABILITIES</b>	<b>2,108,602</b>	<b>2,144,465</b>	<b>386,142</b>	<b>336,204</b>	<b>2,480,669</b>
Fund Balances:					
Restricted	-	-	2,451,859	2,074,662	2,074,662
Assigned	-	-	611,808	598,891	598,891
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>3,063,667</b>	<b>2,673,553</b>	<b>2,673,553</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,108,602</b>	<b>\$ 2,144,465</b>	<b>\$ 3,449,809</b>	<b>\$ 3,009,757</b>	<b>\$ 5,558,411</b>

**JOB SERVICE NORTH DAKOTA**

**Reconciliation of the Balance Sheets - Governmental Funds  
To the Statements of Net Assets  
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Total fund balances for governmental funds	\$ 3,063,667	\$ 2,673,553
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
The Pension Assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. (Note 6)	1,623,923	1,630,058
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	\$ 1,266,291	\$ 1,266,291
Buildings, equipment, and other depreciable assets	14,370,978	13,353,887
Work in progress	230,669	300,517
Accumulated depreciation	<u>(7,866,821)</u>	<u>(7,001,693)</u>
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds.	355,997	233,820
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)	(547,691)	(346,433)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)		
Compensated absences	<u>(1,198,527)</u>	<u>(1,218,414)</u>
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. This is the net effect of these balances on the statement. (Note 10)		
Capital Lease - Grand Forks Building	(111,815)	(366,459)
Capital Lease - Bismarck/Mandan Office	(1,761,500)	(1,916,500)
Capital Lease - IT Equipment	(628,993)	(817,568)
Accrued interest payable	<u>(7,193)</u>	<u>(15,681)</u>
Net assets of governmental activities	<u>\$ 8,788,985</u>	<u>\$ 7,775,379</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Funds**

**For the Fiscal Years Ended June 30, 2012 and 2011**

	Federal Fund		Nonmajor Governmental Funds		Total
	2012	2011	2012	2011	
<b>Revenues</b>					
Federal Grants	\$ 26,809,591	\$ 26,495,856	\$ -	\$ -	\$ 26,809,591
Interest Earnings	275	127	6,983	10,886	7,258
Penalty and/or Interest	-	-	791,534	487,997	791,534
Other Grants	-	-	60,149	56,738	60,149
<b>TOTAL REVENUES</b>	<b>26,809,866</b>	<b>26,495,983</b>	<b>858,666</b>	<b>555,621</b>	<b>27,668,532</b>
<b>Expenditures</b>					
Current:					
Economic Development & Assistance	25,698,451	26,050,388	1,101,306	1,294,256	26,799,757
Capital Outlays	1,106,295	1,570,802	-	-	1,106,295
<b>TOTAL EXPENDITURES</b>	<b>26,804,746</b>	<b>27,621,190</b>	<b>1,101,306</b>	<b>1,294,256</b>	<b>27,906,052</b>
Excess of Revenues Over (Under) Expenditures	5,120	(1,125,207)	(242,640)	(738,635)	(237,520)
<b>Other Finance Sources (Uses)</b>					
Transfers In	-	-	632,754	855,836	632,754
Capital Lease	(5,120)	1,050,207	-	-	(5,120)
<b>TOTAL OTHER FINANCE SOURCES</b>	<b>(5,120)</b>	<b>1,050,207</b>	<b>632,754</b>	<b>855,836</b>	<b>627,634</b>
Net change in Fund Balances	-	(75,000)	390,114	117,201	390,114
Fund Balances at June 30, prior year	-	75,000	2,673,553	2,556,352	2,673,553
<b>Fund Balances at June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,063,667</b>	<b>\$ 2,673,553</b>	<b>\$ 3,063,667</b>
					<b>\$ 2,673,553</b>

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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Net change in fund balances - total governmental funds	\$ 390,114	\$ 42,201
The Pension Assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. (Note 6)	(6,135)	(6,159)
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.	89,354	884,194
Gain(Loss) on disposal of fixed assets.	(7,239)	-
Debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. (Increase) Decrease in long-term debt and change in interest payable.	606,706	(562,823)
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds. Increase in deferred revenue	122,177	39,704
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. Decrease in compensated absences. Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	19,887	38,283
	<u>(201,258)</u>	<u>(62,290)</u>
Change in net assets of governmental activities	<u>\$ 1,013,606</u>	<u>\$ 373,110</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Net Assets  
Proprietary Fund  
June 30, 2012 and 2011**

	<b>Unemployment Insurance</b>	
	<b>2012</b>	<b>2011</b>
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash Deposits At The Bank of North Dakota	\$ 144,700	\$ 60,492
Cash and Cash Equivalents in U.S. Treasury	125,962,722	91,860,898
Interest Receivable - Unemployment Insurance Trust Fund	864,121	881,403
Accounts Receivable - Net:		
Unemployment Insurance Contributions	30,721,467	24,421,914
Unemployment Insurance Overpayments - Benefits & Interest	1,217,503	1,020,884
Due From:		
Due from other Funds	21	1,616
Federal Government	1,592	57,789
Other States	794,344	746,310
<b>TOTAL ASSETS</b>	<b>159,706,470</b>	<b>119,051,306</b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Benefits Payable	1,207,036	1,292,465
Unemployment Insurance Overpayments - Contributions	1,451,182	766,156
Due To:		
Due to Other Funds	89,761	26,922
Other States	2,872,571	2,978,160
Other State Agencies	15,080	112,500
<b>TOTAL LIABILITIES</b>	<b>5,635,630</b>	<b>5,176,203</b>
<b><u>NET ASSETS</u></b>		
Restricted for:		
Unemployment Insurance Benefits	141,175,260	100,782,749
Unemployment Insurance Benefits and/or Other Purposes	12,895,580	13,092,354
<b>TOTAL NET ASSETS</b>	<b>\$ 154,070,840</b>	<b>\$ 113,875,103</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA****Statements of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>Unemployment Insurance</u>	
	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Unemployment Insurance Contributions	\$ 105,910,210	\$ 87,488,870
Federal Benefit Reimbursements	19,988,986	31,481,728
Unemployment Insurance Overpayments - Interest	141,733	104,212
<b>TOTAL OPERATING REVENUES</b>	<u>126,040,929</u>	<u>119,074,810</u>
<b>Operating Expenses:</b>		
Unemployment Insurance Benefits	69,068,558	76,666,356
Federal Unemployment Insurance Benefits	19,988,986	31,481,728
Economic Development & Assistance	179,334	334,338
<b>TOTAL OPERATING EXPENSES</b>	<u>89,236,878</u>	<u>108,482,422</u>
Operating Income(Loss)	<u>36,804,051</u>	<u>10,592,388</u>
<b>Nonoperating Revenues:</b>		
Interest Earnings	3,391,686	3,764,460
<b>TOTAL NONOPERATING REVENUES</b>	<u>3,391,686</u>	<u>3,764,460</u>
Change in Net Assets	40,195,737	14,356,848
<b>Total Net Assets at July 1, prior year</b>	<u>113,875,103</u>	<u>99,518,255</u>
<b>Total Net Assets at June 30</b>	<u>\$ 154,070,840</u>	<u>\$ 113,875,103</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Cash Flows  
Proprietary Fund  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<b>Unemployment Insurance</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from employers	\$ 98,060,932	\$ 83,934,749
Receipts from other states	3,374,186	3,307,124
Payments to other states	(12,953,698)	(11,332,198)
Payments to employers	(1,106,258)	(506,295)
Benefits Paid to claimants	(56,542,873)	(65,504,424)
Overpayment Interest from claimants	141,551	105,123
Economic Development and Assistance	(196,776)	(325,037)
<b>Net cash (used in)/provided by operating activities</b>	<b>30,777,064</b>	<b>9,679,042</b>
<b>Cash Flows from Investing Activities</b>		
Interest on investments	3,408,968	3,671,877
<b>Net cash provided by investing activities</b>	<b>3,408,968</b>	<b>3,671,877</b>
Net change in cash and cash equivalents	34,186,032	13,350,919
Cash and cash equivalents at June 30, prior year	91,921,390	78,570,471
<b>Cash and cash equivalents at June 30</b>	<b>\$ 126,107,422</b>	<b>\$ 91,921,390</b>
<b>Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:</b>		
Operating income(Loss)	\$ 36,804,051	\$ 10,592,388
Net changes in assets and liabilities:		
Contributions Receivable	(6,299,553)	(1,222,306)
Due from Other Funds	1,595	4,316
Due from Other States	(48,034)	171,000
Unemployment Insurance Overpayments - Benefits & Interest	(196,619)	(349,262)
Due from Federal Government	56,197	693
Benefits Payable	(85,429)	338,806
Unemployment Insurance Overpayments - Contributions	685,026	296,948
Due To: Other Funds	62,839	9,496
Due To: Other States	(105,589)	(103,035)
Due To: Other State Agencies	(97,420)	(60,002)
<b>Net cash (used in)/provided by operating activities</b>	<b>\$ 30,777,064</b>	<b>\$ 9,679,042</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

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

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2012	2013	
<b>Revenue:</b>						
<i>General Fund</i>	\$ 1,879,892	\$ 7,200	\$ 1,887,092	\$ 630,954	\$ -	\$ 1,256,138
<i>Federal Funds</i>	69,600,082	(2,500,000)	67,100,082	26,985,737	-	40,114,345
<i>Other Funds</i>	516,724	2,500,000	3,016,724	37,610	-	2,979,114
<b>Total Revenues</b>	<b>\$ 71,996,698</b>	<b>\$ 7,200</b>	<b>\$ 72,003,898</b>	<b>\$ 27,654,301</b>	<b>\$ -</b>	<b>\$ 44,349,597</b>

**Expenditures By Line Item:**

<i>Salaries and Wages</i>	\$ 35,270,584	\$ 7,200	\$ 35,277,784	\$ 16,301,691	\$ -	\$ 18,976,093
<i>Operating Expenses</i>	13,698,670	-	13,698,670	6,028,442	-	7,670,228
<i>Capital Assets</i>	20,000	-	20,000	-	-	20,000
<i>Grants Benefits &amp; Claims</i>	7,576,284	-	7,576,284	4,740,156	-	2,836,128
<i>Workforce 20/20</i>	1,531,160	-	1,531,160	443,128	-	1,088,032
<i>Reed Act - Unemployment</i>	12,400,000	-	12,400,000	-	-	12,400,000
<i>Federal Stimulus Funds - 2009</i>	1,500,000	-	1,500,000	140,884	-	1,359,116
<b>Total Expenditures</b>	<b>\$ 71,996,698</b>	<b>\$ 7,200</b>	<b>\$ 72,003,898</b>	<b>\$ 27,654,301</b>	<b>\$ -</b>	<b>\$ 44,349,597</b>

See accompanying notes to the Financial Statements

**Job Service North Dakota  
Notes to Financial Statements  
June 30, 2012 and 2011**

**NOTE 1 – Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

The following is a summary of the more significant policies:

**A. Reporting Entity**

In accordance with Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Agency. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, further defined reporting units as a legally separate, tax exempt affiliated organization that will meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Agency or its constituents, and
- The Agency or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources of that the Agency is entitled to, or can otherwise access, are significant to the Agency.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity. The Agency is included as part of the primary government in the state of North Dakota's reporting entity.

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

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

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

### **Fund Financial Statements**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

The Agency follows the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with GASB Statement No. 20, the Agency follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements for the activity reported in the government-wide statements and in the proprietary funds.

**Financial Statement Presentation**

The Agency reports the following major governmental fund:

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

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

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

The Agency reported the following major proprietary fund:

The North Dakota Unemployment Compensation Fund receives tax payments from employers for the state unemployment tax. It then provides unemployment benefits to eligible unemployed workers.



When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Budgetary Process**

The Agency operates through a biennial appropriation provided by the state legislature. The Agency prepares a biennial budget on the modified accrual basis, which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budget of the various agencies through passage of specific bills. The Governor has line item veto powers over legislation, subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The legislation also appropriated all federal funds received by the Agency in excess of those funds specifically appropriated in the legislation. Changes to the appropriation are subject to approval by the Emergency Commission. During the year, the Emergency Commission authorized receipt of federal moneys and other funds not appropriated by the General Assembly.

The state's budgeting system does not include revenues, thus, a budgetary comparison schedule cannot be prepared as required by accounting principles generally accepted in the United States of America. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the budgetary basis. Because these amounts differ from accounting principles generally accepted in the United States of America amounts, reconciliation between the budgetary and these amounts is presented in Note 12.

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

**E. Investments**

Certificates of deposits are valued at fair value.

**F. Prepaid Items**

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

**G. Capital Assets**

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

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

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

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

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

**H. Compensated Absences**

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

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

**I. Post Employment Benefits**

**Retiree Health Credit Benefit**

Regular employees hired under the Job Service North Dakota retirement plan prior to October 1, 1980, are eligible to participate in the retiree health care plan and receive the retiree health credit benefit. The retiree health credit benefit is a health insurance subsidy of \$4.50 per year of service thru June 30, 2009 that is provided each month for as long as the retiree is alive and this benefit continues upon death to the spouse as long as the spouse is drawing an annuity and participates in the North Dakota Public Employees Retirement System (NDPERS). This retiree health credit has been increased to \$5.00 per year of service effective July 1, 2009 by the North Dakota State Legislature. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2012.

**Met Life Insurance Benefit**

Job Service North Dakota pays 100% of the policy premium upon retirement for employees with an existing Met Life policy that was in effect on December 1, 1999, when the plan was discontinued for new employees. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2012.

**J. Pension Assets**

Pension assets consist of pension assets in excess of the net pension obligation. See note 6 for schedule of annual pension costs and net pension obligation.

**K. Accounting Estimates**

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

**NOTE 2 – Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

	<u>2012</u>	<u>2011</u>
Capital Outlays	\$ 1,106,295	\$ 1,570,802
Depreciation Expense	<u>(1,016,941)</u>	<u>(686,608)</u>
Net adjustment to decrease (increase) <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 89,354</u>	<u>\$ 884,194</u>

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

	<u>2012</u>	<u>2011</u>
Debt Issued	\$ (111,815)	\$ (2,744,042)
Principal repayments:		
General obligation debt	593,098	483,760
Debt refinanced	116,935	1,693,835
Change in Interest Payable	<u>8,488</u>	<u>3,624</u>
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 606,706</u>	<u>\$ (562,823)</u>

**NOTE 3 – Deposits and Investments**

**A. Deposits**

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

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

The Agency had the following deposits:

June 30, 2012

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

June 30, 2011

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

*Custodial and Concentration Credit Risk*

For deposits, this is the risk that in the event of the failure of a depository financial institution, the Agency will not be able to recover the deposits. Deposits at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10). Deposits in the State Treasury are deposits at the Bank of North Dakota under the name and control of the North Dakota State Treasurer.

**B. Investments**

According to North Dakota Century Code 6-09-07, the Agency is required to bank at the state-owned and operated Bank of North Dakota for investments. The investment policy of the agency is to invest excess cash in Certificates of Deposit at the Bank of North Dakota.

Investments represent certificates of deposit at the Bank of North Dakota with an original maturity in excess of three months.

The Agency had the following investments:

**June 30, 2012**

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

**June 30, 2011**

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

*Custodial and Concentration Credit Risk*

For investments, this is the risk that in the event of the failure of a party to the investment transaction, the Agency will not be able to recover the investments. Certificates of Deposit at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

**NOTE 4 – Receivables**

The Agency accrues as *Unemployment Insurance Contributions* receivable, the amount due from employers in the state for their tax contribution to the Unemployment Insurance Trust fund as of June 2012 and 2011. 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, 2012**

	<u>Unemployment Insurance Contributions</u>	<u>Penalty and/or Interest</u>	<u>Unemployment Insurance Overpayments- Benefits &amp; Interest</u>	<u>Interest</u>	<u>State Refunds</u>	<u>Total</u>
Total Receivable	\$ 32,468,295	\$ 1,656,831	\$ 5,274,730	\$ 864,416	\$ 1	\$ 40,264,273
Less: Allowance for Doubtful Accounts	1,746,828	1,209,739	4,057,227	-	-	7,013,794
Net Receivable	<u>\$ 30,721,467</u>	<u>\$ 447,092</u>	<u>\$ 1,217,503</u>	<u>\$ 864,416</u>	<u>\$ 1</u>	<u>\$ 33,250,479</u>

**Receivables as of June 30, 2011**

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits &amp; Interest</i>	<i>Interest</i>	<i>State Refunds</i>	<i>Total</i>
Total Receivable	\$ 26,217,329	\$ 1,426,519	\$ 4,122,414	\$ 881,869	\$ 2,747	\$ 32,650,878
Less:						
Allowance for Doubtful Accounts	1,795,414	1,141,293	3,101,530	-	-	6,038,237
Net Receivable	<u>\$ 24,421,915</u>	<u>\$ 285,226</u>	<u>\$ 1,020,884</u>	<u>\$ 881,869</u>	<u>\$ 2,747</u>	<u>\$ 26,612,641</u>

All receivables have been recorded as revenue on the government-wide and proprietary statements. On the governmental fund statements, a portion of the Penalty and/or Interest has been recorded as deferred revenue. Deferred revenue was \$355,997 and \$233,820 as of June 30, 2012 and 2011, respectively, and represents an amount expected to be received after one year. The residual amounts of \$91,095 and \$51,406 on June 30, 2012 and 2011, respectively, were recorded as revenue and were expected to be received within one year.

**NOTE 5 – Capital Assets**

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

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

Federal resources have funded all equipment. Intangible Asset additions for the year ended June 30, 2012 include \$1,166,143 for an (IVR) Interactive Voice Response system used by employers and Unemployment Insurance claimants. Intangible Asset and Equipment deletions were \$159,052 and \$1,730,197 for 2012 and 2011, respectively. The 2011 Equipment deletions include \$1,730,197 of Mainframe computer system that Job Service North Dakota used for its unemployment insurance program. This Equipment was replaced with the purchase of a new Mainframe computer system. The Equipment purchase utilized a five year capital lease with a total equipment value of \$957,542 and accumulated amortization is \$531,968 as of June 30, 2012.

Buildings include a capitalized lease of the Grand Forks office building with a value of \$1,676,260 and accumulated amortization of \$600,497 and a capitalized lease of the Bismarck / Mandan office building with a value of \$2,187,530 and accumulated amortization of \$340,428. Additional information on the capital leases including future minimum lease payments is included in note 10 to the financial statements.

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

**NOTE 6 – Employee Retirement Plans**

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

**A. Retirement Plan for Employees of Job Service North Dakota**

**1. Plan Description**

The Retirement Plan for Employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the Agency. The covered payrolls for employees under this plan for the years ended June 30, 2012 and 2011 were \$1,190,763 and \$1,370,330 respectively. Total payroll for all employees was \$11,180,937 and \$11,488,028, respectively. Information included herein is based on the most current actuarial valuation report (as of July 1, 2012).

As of that date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	212
Terminated employees entitled to benefits but not yet receiving them	3
Current vested employees	<u>19</u>
TOTAL	<u><u>234</u></u>

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before he/she died and elected the Contingent Annuitant Option with 55% of his/her retirement benefit continued to his/her spouse of 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefits will cease.

If a participant becomes totally disabled, he/she will be eligible for a monthly disability benefit that shall be equal to the greater of, 40% of the participant's average annual earnings or the accrued benefit determined as their date of disability.



Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- o 1.5% times years of credited service up to 5 plus
- o 1.75% times years of credited service between 6 and 10 plus
- o 2.0% times years of credited service in excess of 10.

During the current period, rates applicable to retirement wages were:

<u>Period</u>	<u>Employee Contribution (Paid by Employee)</u>	<u>Employee Contribution (Paid by Employer in lieu of salary increase)</u>	<u>Employer Annual Required Contribution</u>
7/1/08 - 6/30/09	3%	4%	0%
7/1/09 - 6/30/10	3%	4%	0%
7/1/10 - 6/30/11	3%	4%	0%
7/1/11 - 6/30/12	3%	4%	0%

\* The employer contribution rate is based on the annual actuarial valuation of the plan.

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

The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, PO Box 1657, Bismarck, North Dakota, 58502-1657.

## **2. Contributions Required and Made**

The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contributions are determined using an entry age actuarial funding method. The funding policy of the plan also provides for employee contributions at 7% of covered payroll. The employer contributes 4% of the employee's contribution, leaving a net employee contribution of 3%.

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

Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by the Segal Company:

Valuation Date	7/1/2012
Actuarial Cost Method	Aggregate Cost*
Amortization Method	Level Dollar Closed
Remaining Amortization Period	15 years
Asset Valuation Method	5-year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return	7.5%
Projected Salary Increase	5%
Includes Inflation at	5%
Post Retirement Cost-of-living Adjustment	5%

\* As of July 1, 2012, the actuarial value of assets exceed the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

The following schedule represents the annual pension costs and net pension obligation for the year ended June 30:

	2012	2011
Annual required contributions	\$ -	\$ -
Interest on net pension obligation	122,254	122,716
Adjustment to annual required contributions	128,389	128,875
Annual pension costs	6,135	6,159
Contributions made	-	-
Increase in net pension obligation	6,135	6,159
Net pension obligations, beginning of year	(1,630,058)	(1,636,217)
(Assets in excess of) net pension obligations, end of year	<u>\$ (1,623,923)</u>	<u>\$ (1,630,058)</u>

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

June 30	Pension Costs (APC)	of APC Contributed	Pension Obligation
2005	3,750	0%	(1,664,826)
2006	3,742	0%	(1,661,084)
2007	6,252	0%	(1,654,832)
2008	6,229	0%	(1,648,603)
2009	6,205	0%	(1,642,398)
2010	6,181	0%	(1,636,217)
2011	6,159	0%	(1,630,058)
2012	6,135	0%	(1,623,923)

**B. PERS Defined Benefit Plan**

Permanent employees of the agency (as defined by NDCC Chapter 54-42) who don't participate in the retirement plan of Job Service participate in PERS, which is an agency of the state of North Dakota financial reporting entity and included in the state of North Dakota's Comprehensive Annual Financial Report. PERS is a cost-sharing multiple-employer defined benefit public employee retirement system. The financial statements and required supplementary information of PERS for fiscal years 2012 and 2011 are included in the state of North Dakota's Comprehensive Annual Financial Report for the years ended June 30, 2012 and 2011. PERS also issues separate audited financial statements that may be obtained by writing to North Dakota Public Employees Retirement System, 400 E Broadway, Suite 505, Bismarck, North Dakota 58501 or calling 1-800-803-7377.

The financial statements of PERS are prepared using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with terms of PERS. The Agency is required to contribute to PERS at an actuarially determined rate for permanent employees. The Agency's contributions to PERS for the years ended June 30, 2012 and 2011 were \$966,886 and \$935,100, respectively, equal to the required contribution for each year.

**NOTE 7 – Other Postretirement Benefits**

As of July 1, 2007, Job Service North Dakota adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions. Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2012. The actuary determined the obligation the agency has to record as of June 30, 2012 is the difference between the Annual Required Contribution (ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year. Requests to obtain or review the actuary report should be addressed to the Finance Manager –PO Box 5507 Bismarck, North Dakota, 58506-5507.

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

**1. Plan Description**

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under the state health plan based upon their years of credited service. In accordance with NDCC 54-52.1-03.2, Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota

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

**B. Met Life Insurance Benefit**

**1. Plan Description**

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

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

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

	<u>Retiree Health Benefits Fund</u>	<u>Met Life Insurance Benefit</u>
Retirees and beneficiaries currently receiving benefits	200	182
Terminated employees entitled to benefits but not yet receiving them	1	0
Current vested employees	<u>20</u>	<u>36</u>
TOTAL	<u>221</u>	<u>218</u>

**C. Contributions Required and Made**

The funding policy of the plans thru June 30, 2012 is a pay-as-you-go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by Bryan, Pendleton, Swats & McAllister, LLC:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry
Amortization Method	Age actuarial cost 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:

	<b>Retiree Health Benefits Fund</b>	<b>Met Life Insurance Benefit</b>	<b>Total</b>
Annual required contributions	\$ 385,689	\$ 124,634	\$ 510,323
Interest on OPEB obligation	6,900	7,540	14,440
Adjustment to annual required contributions	<u>(13,967)</u>	<u>(15,263)</u>	<u>(29,230)</u>
Annual OPEB costs	378,622	116,911	495,533
Contributions made	<u>243,420</u>	<u>50,855</u>	<u>294,275</u>
Increase in net OPEB obligation	135,202	66,056	201,258
Net OPEB obligations, beginning of year	<u>156,428</u>	<u>190,005</u>	<u>346,433</u>
Net OPEB obligations, end of year	<u>\$ 291,630</u>	<u>\$ 256,061</u>	<u>\$ 547,691</u>

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

<b>June 30</b>	<b>Health Benefits OPEB Costs</b>	<b>Life Insurance OPEB Costs</b>	<b>Health Benefit Cost Contributed</b>	<b>Life Insurance Cost Contributed</b>	<b>OPEB Obligation</b>	<b>OPEB Cost Contributed</b>
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%

*Funded Status and Funding Progress* – As of June 30, 2012 the most recent actuarial valuation date, the plans were unfunded. The actuarial accrued liability for benefits was \$5,572,574, and the actuarial value of assets was \$ 0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,572,574. The covered payroll was (annual payroll of active employees covered by the plans) was \$2,299,949 and the ratio of the UAAL to the covered payroll was 242.29 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, 2012, as the standard was implemented in fiscal year 2008. Multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is displayed.

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

**NOTE 8 – Contingencies and Commitments**

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

The Agency has commitments to pay \$2,361,385 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded. \$2,000,000 of these commitments are to the WyCAN Consortium to build a Unemployment Insurance computer system.

**NOTE 9 – Lease Commitments**

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for capital and operating leases for the years ended June 30, 2012 and 2011 were approximately \$456,892 and \$553,958, respectively.

Future minimum operating lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2013	\$ 246,792
2014	145,541
2015	118,582
2016	28,265
Total	<u>\$ 539,180</u>

No lease commitments extend beyond June 2016.

**NOTE 10 – Noncurrent Liabilities**

**A. Compensated Absences**

Agency employees can earn annual leave at the rate of 12 days per year for the first three years of employment up to a maximum of 24 days per year after 18 years of employment. There is no requirement that annual leave be taken, but the maximum permissible accumulation, as of December 31, that may be carried over to the following year is 30 days. At termination, employees are paid for any accumulated annual leave. This reported liability includes the employer's share of social security and Medicare taxes.

Agency employees can earn sick leave at the rate of 12 days per year with no limitations as to the maximum accumulation that may be carried over to the following year. Passage of Senate Bill 2324 by the 52nd Legislative Assembly of the state of North Dakota allows for the partial payment of unused sick leave upon termination of employment. At termination, employees with at least ten (10) continuous years of eligible state employment are paid a lump sum payment for one-tenth (1/10th) of their unused accumulated sick leave. This reported liability includes the employer's share of social security and Medicare taxes.

The reported liability for compensated absences as of June 30, 2012 and 2011 was \$1,198,527 and \$1,218,414 respectively.

**B. Capital Lease**

Future minimum lease payments under the capital lease for the Grand Forks and Bismarck / Mandan Office Buildings and the present value of the net minimum lease payments are as follows on June 30, 2012:

<u>Year ending June 30:</u>	<u>Grand Forks Building</u>	<u>Bismarck / Mandan Building</u>	<u>Total</u>
2013	\$ 4,584	\$ 212,863	\$ 217,447
2014	114,052	209,762	323,814
2015	-	216,563	216,563
2016	-	213,056	213,056
2017	-	214,075	214,075
2018-2022	-	1,073,325	1,073,325
2023	-	15,700	15,700
Total Minimum Lease Payments	118,636	2,155,344	2,273,980
Less: Amount Representing Interest	6,821	393,844	400,665
Present Value of Future Minimum Lease Payments	<u>\$ 111,815</u>	<u>\$ 1,761,500</u>	<u>\$ 1,873,315</u>

Future minimum lease payments under the capital lease for the Information Technology equipment and the present value of the net minimum lease payments are as follows on June 30, 2012:

<u>Year ending June 30:</u>	<u>Information Technology Equipment</u>
2013	197,920
2014	197,972
2015	197,972
2016	49,454
Total Minimum Lease Payments	643,317
Less: Amount Representing Interest	14,324
Present Value of Future Minimum Lease Payments	\$ 628,993

Gross costs and accumulated depreciation of capital leases as of June 30, 2012 is as follows:

	<u>Gross Cost of Asset</u>	<u>Accumulated Depreciation</u>
Grand Forks Building	\$1,676,260	\$ 600,497
Bismarck/Mandan Building	2,187,530	340,428
Information Technology Equipment	957,542	531,968

**C. Changes in Noncurrent Liabilities**

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

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

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. The capital lease for the Grand Forks building was refinanced in the year ended June 30, 2012. The net amount of the refinanced debt, \$116,935 and the new debt, \$111,815, for the Grand Forks building is included in the reductions. The capital lease for the Bismarck/Mandan building was refinanced in the year ended June 30, 2011. The net amount of the refinanced debt, \$1,693,835, and the new debt, \$1,786,500, for the Bismarck/Mandan building is included in the additions. Capital Lease additions include a new IT Equipment lease of \$957,542 that was entered into in the year ended June 30, 2011. The agency



had a short term loan with borrowings of \$2,333,970 thru Bank of North Dakota during the year-ended June 30, 2012. The loan was utilized to pay benefits for Disaster Unemployment Assistance and was paid in full by federal funds received for the Disaster Unemployment Assistance program.

**NOTE 11 – Interfund Receivables / Payables**

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

**June 30, 2012**

<b><u>Governmental Funds</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
Job Service Special Fund	\$ 112,056	\$ -
Federal Advance Interest Repayment Account	-	3,463
Federal Funds	9,152	28,005
<b>Total</b>	<b><u>\$ 121,208</u></b>	<b><u>\$ 31,468</u></b>
<b><u>Proprietary Fund</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
Unemployment Insurance	21	89,761
<b>Total</b>	<b><u>\$ 21</u></b>	<b><u>\$ 89,761</u></b>

**June 30, 2011**

<b><u>Governmental Funds</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
Job Service Special Fund	\$ 28,340	\$ -
Federal Advance Interest Repayment Account	-	160
Federal Funds	26,922	29,796
<b>Total</b>	<b><u>\$ 55,262</u></b>	<b><u>\$ 29,956</u></b>
<b><u>Proprietary Fund</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
Unemployment Insurance	1,616	26,922
<b>Total</b>	<b><u>\$ 1,616</u></b>	<b><u>\$ 26,922</u></b>

**NOTE 12 – Statement of Appropriation Reconciliation**

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

Budget Based Expenditures as per page 19:	<u>\$ 27,654,301</u>
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	27,190,495
Governmental Activities - Interest on long-term debt	89,946
Business-type Activities - UC Funds	<u>89,236,878</u>
<b>Subtotal</b>	<u>116,517,319</u>
Less:	
Business-type Activities - UC Funds	89,236,878
FAIRA	421,320
Pension Assets at June 30,2011	1,630,058
Addition to Noncurrent Liabilities-Compensated Absences	892,886
Depreciation Expense	1,016,941
Interest Payable at June 30, 2012	7,193
Net change in Deferred Revenue	(122,177)
OPEB Expense at June 30, 2011	201,258
Insurance Recovery Expenditures	<u>14,886</u>
<b>Subtotal</b>	<u>93,299,243</u>
Plus:	
Appropriated expenses in Proprietary Fund	179,334
Net Capital Asset Additions	1,106,295
Reduction to Noncurrent Liabilities-Capital Lease	593,098
Reduction to Noncurrent Liabilities-Bonds Capital Leases	5,120
Reduction to Noncurrent Liabilities-Compensated Absences	912,774
Pension Assets at June 30,2012	1,623,923
Interest Payable at June 30, 2011	<u>15,681</u>
<b>Subtotal</b>	<u>4,436,225</u>
Adjusted GAAP Expenditures	<u>\$ 27,654,301</u>

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

**NOTE 13 – Related Parties**

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

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

	<u>Transfer In</u>
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 630,954
North Dakota Insurance Department	1,800
<b>Total</b>	<u>\$ 632,754</u>

**D. Capital Leases**

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

<u>June 30, 2011</u>			
	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
<b>A. <u>Due From Other State Agencies</u></b>			
Department of Human Services	\$ 234,916	\$ -	\$ -
General Fund	-	95,689	-
<b>Total</b>	<u>\$ 234,916</u>	<u>\$ 95,689</u>	<u>\$ -</u>
<b>B. <u>Due To Other State Agencies</u></b>			
Office of Management and Budget	\$ 706	\$ 504	\$ -
ND Department of Corrections	6,672	-	-
Information Technology Department	118,032	-	-
Office of the State Treasurer	342,279	-	-
Office of the Attorney General	6,458	-	-
ND Public Employee Retirement System	420	-	-
Department of Commerce	31,333	-	-
Department of Transportation	3,703	159	-
Bank of North Dakota	-	-	112,500
<b>Total</b>	<u>\$ 509,603</u>	<u>\$ 663</u>	<u>\$ 112,500</u>
<b>C. <u>Transfers</u></b>			
	<u>Transfer In</u>		
<u>Nonmajor Governmental Funds</u>			
General Fund Appropriation	\$ 771,121		
North Dakota Insurance Department	84,715		
<b>Total</b>	<u>\$ 855,836</u>		

**D. Capital Leases**

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

**NOTE 14 – Risk Management**

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

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

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund.

The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$100,000 for its employees. The State Bonding Fund charges the agency a premium for this coverage.

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

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

**NOTE 15 – Restricted Net Assets**

The section entitled “Restricted for:” on the Statement of Net Assets consists of the following resources:

The amounts of \$141,175,260 on June 30, 2012 and \$100,782,749 on June 30, 2011 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund. These resources may only be expended for unemployment benefits or as allowed by federal law, as described in the next paragraph.

An amount of \$12,895,580 on June 30, 2012 and \$13,092,354 on June 30, 2011 represents the Department of Labor distribution of Reed Act resources into each state’s trust fund in March of 2002 and April of 2009. Federal law governs how the distribution may be expended. The 2002 distribution is available for the payment of Unemployment Insurance benefits to claimants and, if appropriated, the administration of the state’s Unemployment Insurance and Employment Service programs. The 2009 distribution is only available for the administration of the Unemployment Insurance and Employment Service programs.

Restricted for Other Purposes is \$3,063,667 on June 30, 2012 and \$2,673,553 on June 30, 2011 that represents the fund balances of the governmental funds. The Federal Advance Interest Repayment Account fund balance is restricted by enabling legislation. The policy of Job Service North Dakota is to require planning team authorization of all actions related to assigned fund balances. The Job Service North Dakota Planning Team members are the Executive Director and all Area Directors. The GASB 54 fund balance classifications are presented below:

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

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

**NOTE 16 – GASB Pronouncements**

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

GASB Statement No. 61, The Financial Reporting Entity: Omnibus will be effective for financial statement periods beginning after June 15, 2012 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the requirements of Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position will be effective for financial statements for periods beginning after December 15, 2011 with early application encouraged. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53 is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

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

**Required Supplementary  
Information**



**JOB SERVICE NORTH DAKOTA**
**Retirement Plan for Employees of Job Service North Dakota**  
**Required Supplementary Information**  
**Schedule of Funding Progress Pension Trust Fund**  
**For the Ten Years Ended June 30, 2012**

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) FIL Method *	Unfunded AAL (UAAL) FIL Method	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2003	\$65,962,215	N/A	0	N/A	\$2,872,344	0.00%
2004	67,505,163	N/A	0	N/A	2,459,508	0.00%
2005	69,294,225	N/A	0	N/A	2,226,912	0.00%
2006	70,628,705	N/A	0	N/A	1,922,664	0.00%
2007	75,749,846	N/A	0	N/A	1,843,140	0.00%
2008	77,020,934	N/A	0	N/A	1,612,533	0.00%
2009	74,472,806	N/A	0	N/A	1,487,175	0.00%
2010	73,458,863	N/A	0	N/A	1,265,787	0.00%
2011	74,190,381	N/A	0	N/A	1,162,731	0.00%
2012	75,117,973	N/A	0	N/A	1,011,115	0.00%

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

**JOB SERVICE NORTH DAKOTA**
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress OPEB**  
**For the Year Ended June 30, 2012**

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%

**JOB SERVICE NORTH DAKOTA**

---

**Retirement Plan for Employees of Job Service North Dakota  
Required Supplementary Information  
Schedule of Employer Contributions Pension Trust Fund  
For the Eight Years Ended June 30, 2012**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	0	100%
2006	0	100%
2007	0	100%
2008	0	100%
2009	0	100%
2010	0	100%
2011	0	100%
2012	0	100%

**JOB SERVICE NORTH DAKOTA**

---

**Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions OPEB  
For the Year Ended June 30, 2012**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$376,509	73%
2009	376,509	70%
2010	356,517	80%
2011	356,517	82%
2012	510,323	57%

**Job Service North Dakota  
Notes to Required Supplementary Schedules  
June 30, 2012 and 2011**

**NOTE 1 – Description of Schedule of Funding Progress**

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

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

**NOTE 2 – Actuarial Assumptions and Methods**

*Pension Funding Method:* Aggregate Cost Actuarial Cost Method of valuation is used in determining benefit liabilities and normal cost. The normal contribution under this method is the normal cost plus the payment required to amortize the unfunded actuarial liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the unfunded actuarial liability, and dividing that amount into payments that are a level percent of pay over the future working lifetime of all participants.

To calculate pension plan contribution requirements, assumptions are made about all of the future events that could affect the amount and timing of benefits to be paid and assets to be accumulated. Under the Aggregate Cost Actuarial Cost Method used, the normal cost will remain level as a percentage of covered payroll if the assumptions closely approximate experience. Each year actual experience is measured against the assumptions, and to the extent that there were differences in that year, the contribution requirement is adjusted. If the assumptions are changed, contribution requirements are adjusted to take into account a change in experience in all future years.

Under the Aggregate Cost Actuarial Cost Method, the net gain or loss is translated into a decrease or increase in the normal cost percentage, since the unfunded actuarial accrued liability has been frozen. The unfunded employer frozen initial liability was frozen at October 1, 1983. Effective July 1, 1999, the “scheduled contribution” will be zero as long as the plan’s actuarial value of assets exceeds the actuarial present value of projected benefits.

Asset Valuation Method: To determine what portion of the cost of future benefits has already been funded, a value has to be placed on current assets. The asset valuation method might be considered the funding method used for benefits already paid for. For the actuarial valuation, assets are determined using a 20% write-up method. Effective July 1, 2001, the actuarial value of assets was reinitialized to the market value of assets.

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

Significant actuarial assumptions employed by the actuaries for funding purposes as of June 30, 2012, the date of the latest actuarial studies:

**Mortality tables:**

Healthy: Pension Plan - 1994 Group Annuity Mortality Table.  
 OPEB Plans - 1994 Group Annuity Mortality Table with 1 year setback  
 Disabled: Pension Plan - 1983 Railroad Retirement Board Disabled Life Mortality Table  
 OPEB Plans - Combined table based on age

**Disability Incidence:** Sample rates shown below.

**Withdrawal rates:** Sample rates shown below.

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

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

**Retirement age:**

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

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

<u>Retirement Age</u>	<u>Rates of Retirement</u>
55-59	4.0%
60	6.0%
61	12.0%
62	25.0%
63-64	20.0%
65	30.0%
66-69	20.0%
70	100.0%

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

**Salary scale:** 5% per year.

**Post-retirement Cost of Living Adjustment (COLA):** 5% per year.

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

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

**Rate of return:** *Pension Plan* - 7.5% per year compounded annually, net of investment fees and administrative expenses.  
*OPEB Benefit Plans* – 4.5% per year compounded annually, net of investment fees and administrative expenses.

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

**Actuarial value of assets:** *Pension Plan:* Assets are valued as the sum of the actuarial value of assets at the beginning of the year plus net new money (the sum of contributions, dividends and interest, less the sum of administrative expenses, investment fees and benefit payments), plus 20% of the difference between the market value and that sum. The actuarial value of assets will not be less than 80% or more than 120% of market value. Effective July 1, 2001, the actuarial value of assets was reinitialized to the market value of assets.

*OPEB Plans:* As of June 30, 2012 and June 30, 2011, there is \$0 in valuation assets available to offset the liabilities of the plans.

**Actuarial cost method:** *Pension Plan:* Aggregate Cost Actuarial Cost Method, with entry age defined as employee's age at hire.

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

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

**JOB SERVICE NORTH DAKOTA**

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

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

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011**

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

See accompanying notes to the Financial Statements.



**JOB SERVICE NORTH DAKOTA**

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

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

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2011**

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

See accompanying notes to the Financial Statements.

# **Capital Assets Used in the Operation of Governmental Funds**

**JOB SERVICE NORTH DAKOTA**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules By Source  
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 1,266,291	\$ 1,266,291
Buildings	9,022,064	9,022,064
Machinery and equipment	1,454,761	1,580,306
Intangible Assets	3,894,153	2,751,517
Work in Progress	230,669	300,517
<i>Total governmental funds capital assets</i>	<u>\$ 15,867,938</u>	<u>\$ 14,920,695</u>
 <i>Investments in governmental funds capital assets by source:</i>		
Special revenue funds	<u>\$ 15,867,938</u>	<u>\$ 14,920,695</u>

**JOB SERVICE NORTH DAKOTA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule By Function and Activity  
June 30, 2012 and 2011**

	June 30, 2012					
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<b>General government:</b>						
Economic development and assistance	\$ 1,266,291	\$ 9,022,064	\$ 1,454,761	\$ 3,894,153	\$ 230,669	\$ 15,867,938
Total general government	<u>1,266,291</u>	<u>9,022,064</u>	<u>1,454,761</u>	<u>3,894,153</u>	<u>230,669</u>	<u>15,867,938</u>
<b>Total governmental funds capital assets</b>						
	<u>\$ 1,266,291</u>	<u>\$ 9,022,064</u>	<u>\$ 1,454,761</u>	<u>\$ 3,894,153</u>	<u>\$ 230,669</u>	<u>\$ 15,867,938</u>

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

**Job Service North Dakota**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes By Function and Activity  
For the Fiscal Years Ended June 30, 2012 and 2011**

		June 30, 2012			
Function and Activity		Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
<i>General government:</i>					
Economic development and assistance		\$ 14,920,695	\$ 2,375,522	\$ 1,428,279	\$ 15,867,938
Total general government		14,920,695	2,375,522	1,428,279	15,867,938
<b>Total governmental funds capital assets</b>		<b>\$ 14,920,695</b>	<b>\$ 2,375,522</b>	<b>\$ 1,428,279</b>	<b>\$ 15,867,938</b>
		June 30, 2011			
Function and Activity		Governmental Funds Capital Assets July 1, 2010	Additions	Deductions	Governmental Funds Capital Assets June 30, 2011
<i>General government:</i>					
Economic development and assistance		\$ 15,080,090	\$ 2,083,200	\$ 2,242,595	\$ 14,920,695
Total general government		15,080,090	2,083,200	2,242,595	14,920,695
<b>Total governmental funds capital assets</b>		<b>\$ 15,080,090</b>	<b>\$ 2,083,200</b>	<b>\$ 2,242,595</b>	<b>\$ 14,920,695</b>

**Schedule of Expenditures of  
Federal Awards**

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> <sup>(1)</sup>
<b><u>U.S. Department of Labor</u></b>		
<b><u>Labor Force Statistics</u></b>	<b>17.002</b>	
Cooperative Agreement LM-20360-11-75-J-38		\$ 137,531
Cooperative Agreement LM-21529-12-75-J-38		468,501
		<b>ST 606,032</b>
<b><u>Temporary Labor Certification for Foreign Workers</u></b>	<b>17.273</b>	
Alien Labor Certification FY 2012		43,208
Alien Labor Certification FY 2011		41,977
		<b>ST 85,185</b>
<b><u>Unemployment Insurance</u></b>	<b>17.225</b>	
UI Administration FY 2012		2,467,220
UI Administration FY 2011		4,731,553
UI Administration FY 2010		40,216
DUA 2009 Flood FY 2009		(2,902)
DUA 2011 Flood FY 2011		2,558,931
REA Services FY 2012		58,171
REA Services FY 2011		465,964
REA Services FY 2010		145,358
UI Special Administration- ARRA		179,334
UI EUC STATE ADMINISTRATION - FFY 10 - ARRA		180,569
UI EUC STATE ADMINISTRATION - FFY 11		58,077
RES - EUC (Reemployment Services)		20,866
UI SBR - SBR SIDES - FFY 11		42,356
UI SBR - WyCAN Consortium - FFY 11		298,344
UI SBR - Integrity NDNH - FFY 11		19,191
UI SBR - SSS - State Specific - FFY11		97,785
UI SBR-IT Consortium		1,444,720
Federal Unemployment Insurance Benefits		20,159,061
Federal Unemployment Insurance Benefits-FAC-ARRA		(170,075)
State Unemployment Insurance Benefits funded by State Taxes		69,068,558
		<b>ST 101,863,297</b>
<b><u>Trade Adjustment Assistance-Workers</u></b>	<b>17.245</b>	
TAA Training FY 2012		30,732
TAA Training FY 2011		253,846
TAA Training FY 2010		154,812
TAA Training FY 2009		178,612
ATAA FY 2012		120,583
ATAA FY 2011		65,210
TRA Benefits FY 2012		506,972
TRA Benefits FY 2011		90,467
		<b>ST 1,401,234</b>
<b><u>Transition Assistance Program</u></b>	<b>17.807</b>	
Transition Assistance Program FY 2012		14,473
Transition Assistance Program FY 2011		10,832
		<b>ST 25,305</b>
<b><u>Employment Service</u></b>	<b>17.207 (2)</b>	
Wagner-Peyser PY 2011		3,224,918
Wagner-Peyser PY 2010		2,040,977
Wagner-Peyser PY 2009		52,227
Workforce Information Grant PY 2011		179,930
Workforce Information Grant PY 2010		78,020
WOTC FY 2012		40,917
WOTC FY 2011		20,097
		<b>ST 5,637,086</b>



**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures <sup>(1)</sup></u>
<b>Disabled Veterans Outreach Program</b>	<b>17.801 (2)</b>	
DVOP FY 2012		366,227
DVOP FY 2011		92,941
		459,168
		ST
<b>Local Veterans' Employment Representative Program</b>	<b>17.804 (2)</b>	
LVER FY 2012		47,439
LVER FY 2011		107,643
		155,082
		ST
<b>Subtotal of 17.207, 17.801, 17.804</b>		<b>6,251,336</b>
<b>Passed Through Governor of North Dakota Workforce Investment Act Adult Program</b>	<b>17.258 (3)</b>	
Grant Number AA-21408-11-55		981,210
Grant Number AA-20206-10-55		550,607
Grant Number AA-18654-09-55		21,351
Grant Number AA-17134-08-55		65,560
		1,618,728
		ST
<b>Workforce Investment Act Youth Activities</b>	<b>17.259 (3)</b>	
Grant Number AA-22948-12-55		3,171
Grant Number AA-21408-11-55		891,037
Grant Number AA-20206-10-55		681,605
Grant Number AA-18654-09-55		22,556
Grant Number AA-17134-08-55		66,977
		1,665,346
		ST
<b>Workforce Investment Act Dislocated Workers</b>	<b>17.260 (3)</b>	
Grant Number AA-18654-09-55		8,713
Grant Number AA-17134-08-55		37,218
		45,931
		ST
<b>Workforce Investment Act Dislocated Workers</b>	<b>17.278 (3)</b>	
Grant Number AA-21408-11-55		347,368
Grant Number AA-20206-10-55		172,215
		519,583
		ST
<b>Subtotal of 17.258-17.260, 17.278</b>		<b>3,849,588</b>
<b>Workforce Quality Data Initiative</b>	<b>17.261</b>	
Grant Number MI-21183-10-60		92,100
		92,100
<b>Workforce Investment Act Incentive Grant Passed Through ND Department of Education:</b>	<b>17.267</b>	
WIA PY2010 Performance Incentive Grant		195,644
		195,644
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		<b>\$ 114,369,721</b>

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> <sup>(1)</sup>
<b><u>U.S. Department of Agriculture</u></b>		
<b><i>Passed Through ND Department of Human Services:</i></b>		
<b><i>State Admin. Matching Grants for Food Stamp Program</i></b>	<b>10.561</b>	
Food Stamp Employment & Training (Contract Number 410-08217)		\$ 14,500
Food Stamp Employment & Training (Contract Number 410-08692)		71,518
		<u>86,018</u>
		ST
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>\$ 86,018</b>
<b><u>U.S. Department of Energy</u></b>		
<b><i>Passed Through ND Department of Commerce:</i></b>		
Energy Efficiency Building Improvement Program - ARRA	<b>81.041</b>	365,364
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>		<b>\$ 365,364</b>
<b><u>U.S. Department of Health and Human Services:</u></b>		
<b><i>Passed Through ND Department of Human Services:</i></b>		
<b><i>Temporary Assistance for Needy Families</i></b>	<b>93.558</b>	
Job Opportunities and Basic Skills Program (Contract 405-07846)		\$ 25,833
(Contract 405-08445)		724,148
Parental Employment Pilot Project (Contract 410-08692)		466,950
Parental Employment Pilot Project (Contract 405-07818)		(2,451)
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>\$ 1,214,480</b>
<b><i>Unassigned federal costs</i></b>		<b>\$ 11,161</b>
<b>TOTAL OTHER FEDERAL ASSISTANCE</b>		<b>\$ 11,161</b>
<b>TOTAL FEDERAL ASSISTANCE</b> <sup>(4)</sup>		<b>\$ 116,046,744</b>

( 1 ) Modified accrual basis.

( 2 ) Cluster #1

( 3 ) Cluster #2

( 4 ) The total federal assistance reported on this schedule consists of the total Federal Fund expenditures plus the Other Financing Uses on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 19) and the Federal Unemployment Insurance Benefits plus the Economic Development & Assistance and the State funded Unemployment Insurance Benefits as identified on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 22).

# **Internal Control and Compliance Section**



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

Governor Jack Dalrymple  
The Legislative Assembly

Maren L. Daley, Executive Director  
Job Service North Dakota

We have audited 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, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Job Service North Dakota, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Job Service North Dakota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Job Service North Dakota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Job Service North Dakota's internal control over financial reporting.

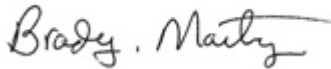
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Governor, Legislative Audit and Fiscal Review Committee, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.**

October 26, 2012



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Governor Jack Dalrymple  
The Legislative Assembly

Maren L. Daley, Executive Director  
Job Service North Dakota

Compliance

We have audited Job Service North Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Job Service North Dakota's major federal programs for the year ended June 30, 2012. Job Service North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Job Service North Dakota's management. Our responsibility is to express an opinion on Job Service North Dakota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Job Service North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Job Service North Dakota's compliance with those requirements.

In our opinion, Job Service North Dakota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

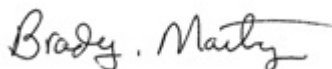
## Internal Control over Compliance

Management of Job Service North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Job Service North Dakota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Job Service North Dakota's internal control over compliance.

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

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

This report is intended solely for the information and use of the Governor, Legislative Audit and Fiscal Review Committee, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.**

October 26, 2012

**JOB SERVICE NORTH DAKOTA  
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

**Section I - Summary of Auditor's Results**

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
---	--------------------

Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u>  x  </u> no
---	-----------	-----------------

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

17.225	Unemployment Insurance
--------	------------------------

Employment Service Cluster:

17.207	Employment Service / Wagner-Peyser Funded Activities
17.801	Disabled Veterans' Outreach Program
17.804	Local Veteran's Employment Representative Program

WIA Cluster:

17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.260	Workforce Investment Act Dislocated Workers
17.278	Workforce Investment Act Dislocated Workers

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$3,481,402</u>
--	--------------------

Auditee qualified as a low-risk auditee?	_____ yes	<u>  x  </u> no
--	-----------	-----------------



**JOB SERVICE NORTH DAKOTA  
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS - CONTINUED  
JUNE 30, 2012**

**Section II - Financial Statement Findings**

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

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

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

**INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE  
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE  
YEAR ENDED JUNE 30, 2012**

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, 2012 audit of Job Service North Dakota are as follows:

**Audit Report Communications:**

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

Unqualified

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

Yes.

3. Was internal control adequate and functioning effectively?

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?

Yes, finding #11-1 for a material audit adjustment was corrected during the fiscal year ending 6/30/12.

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, 2012 to August 15, 2012. The auditor's conclusion is based on the past history of collections and subsequent payment of the receivables after year end.

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

3. Identify any significant audit adjustments.

None.

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

None.

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

None.

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

None.

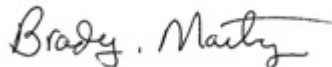
7. Identify any management consultations with other accountants about auditing and accounting matters.

None.

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

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

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



**BRADY, MARTZ & ASSOCIATES, P.C.**

October 26, 2012