

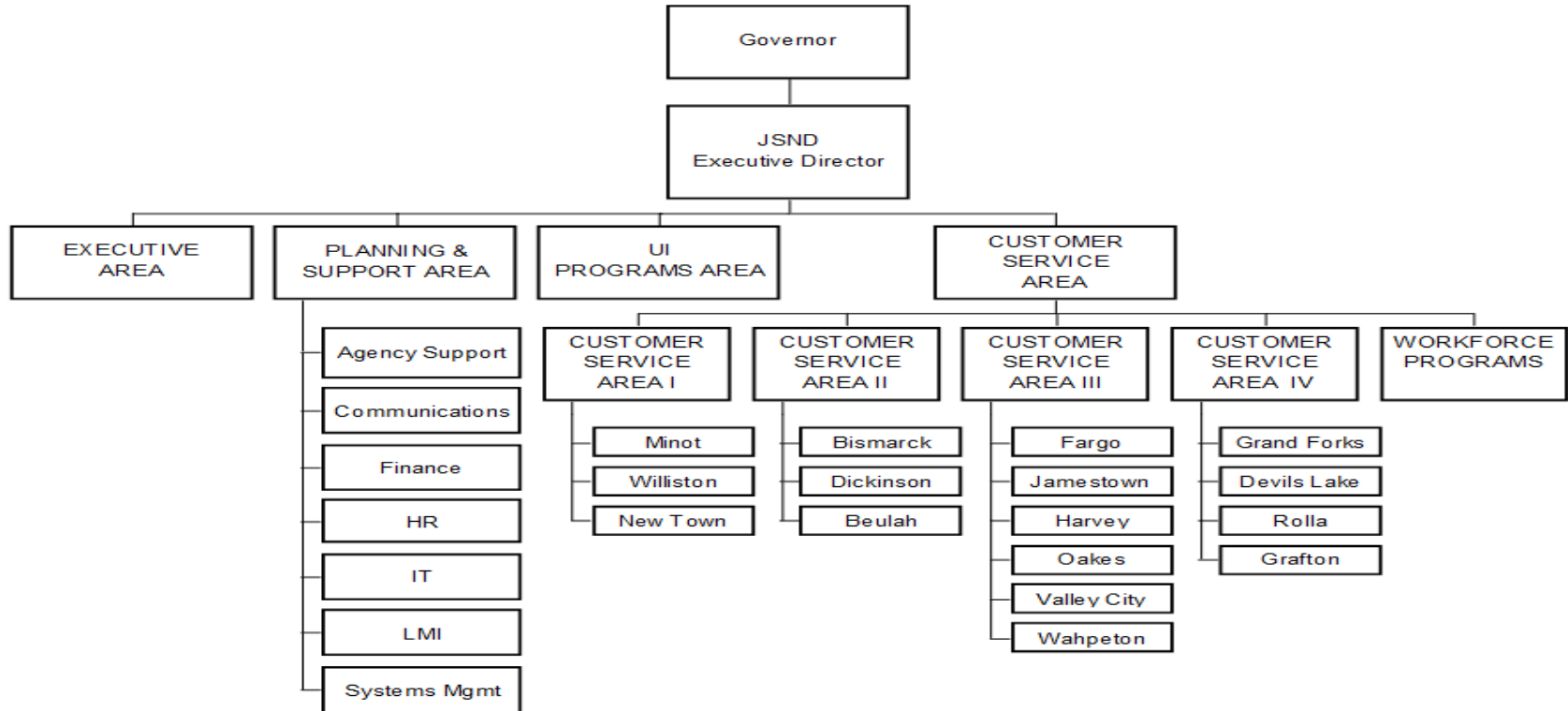
Job Service North Dakota

***Financial Report
For the Years Ending
June 30, 2014 and 2013***

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

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

JOB SERVICE NORTH DAKOTA



JOB SERVICE NORTH DAKOTA

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Accounting Standards Board

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Independent Auditors' Report



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Governor Jack Dalrymple
The Legislative Assembly

Cheri Giesen, Executive Director
Job Service North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, a department of the State of North Dakota as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Job Service North Dakota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Job Service North Dakota are intended to present the financial position, changes in net position, and cash flows of only that portion of the financial statement of the State of North Dakota that is attributable to the transactions of Job Service North Dakota. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2014 and 2013, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

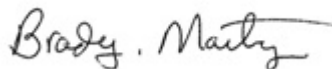
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Job Service North Dakota's basic financial statements. The combining and individual nonmajor fund financial statements and the Statement of Appropriations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of Job Service North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 17, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

June 30, 2014

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, 2014 with comparison to the fiscal year ended June 30, 2013.

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 \$200.44 million (net position). The increase of \$24.55 million (13.96%) over the prior fiscal year is due almost entirely to increases in the Business-Type Activity of the Unemployment Insurance Trust fund. \$18.95 million of this increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was impacted positively by statewide employer growth, increased statewide wages, a higher taxable wage base and collection of benefits paid from other states.
- ❑ As of the close of the current fiscal year, the Agency's Business-Type funds reported combined ending net position of \$190.14 million, an increase of \$23.49 million in comparison with the prior year. All of the assets of the business-type funds are fully restricted for specific purposes.
- ❑ The Agency's governmental funds reported net position of \$10.30 million, an increase of \$1.06 million over the prior year. Of the total, \$5.20 million of these assets are the net investment in capital assets, \$4.88 million are restricted for other purposes and \$0.22 million of net position are unrestricted.

Overview of the Financial Statements

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

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

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

Government-wide financial statements

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

The *statement of net position* presents information on all of the Agency's assets and liabilities with the difference between the two reported as *net position*. Comparative information is presented for June 30, 2014 and June 30, 2013. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Job Service North Dakota is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the year ending June 30, 2014 and June 30, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Unemployment Insurance contributions and earned but unused vacation and sick leave.)

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

Proprietary Fund

Job Service North Dakota maintains one type of proprietary fund. An *enterprise fund* is used to report the same function presented as a *business-type activity* in the government-wide financial statements. The Agency uses an enterprise fund to account for the Unemployment Insurance Trust fund and its tax collection and

benefit payment operations. The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Government-wide Financial Analysis

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The net position of Job Service North Dakota exceeded liabilities by \$200.44 million at the close of the Agency's fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 133,701	\$ 127,174	\$ 126,041	\$ 133,701	\$ 127,174	\$ 126,041
Operating grants and Contributions	28,010	24,562	27,669	3,772	3,786	3,392	31,782	28,348	31,061
Total revenues	\$ 28,010	\$ 24,562	\$ 27,669	\$ 137,473	\$ 130,960	\$ 129,433	\$ 165,483	\$ 155,522	\$ 157,102
Expenses:									
Economic Development & Assistance	\$ 27,496	\$ 24,938	\$ 27,198	\$ -	\$ -	\$ -	\$ 27,496	\$ 24,938	\$ 27,198
Interest on long-term debt	63	70	90	-	-	-	63	70	90
Unemployment Compensation Funds	-	-	-	113,988	118,377	89,237	113,988	118,377	89,237
Total expenses	\$ 27,559	\$ 25,008	\$ 27,288	\$ 113,988	\$ 118,377	\$ 89,237	\$ 141,547	\$ 143,385	\$ 116,525
Change in net position before transfers and special items	\$ 451	\$ (446)	\$ 381	\$ 23,485	\$ 12,583	\$ 40,196	\$ 23,936	\$ 12,137	\$ 40,577
Special Item - gain on disposal of fixed assets	-	117	-	-	-	-	-	117	-
Transfers	612	777	633	-	-	-	612	777	633
Change in net position	1,063	448	1,014	23,485	12,583	40,196	24,548	13,031	41,210
Net Position - Beginning of year	9,237	8,789	7,775	166,654	154,071	113,875	175,891	162,860	121,650
Net Position - End of year	\$ 10,300	\$ 9,237	\$ 8,789	\$ 190,139	\$ 166,654	\$ 154,071	\$ 200,439	\$ 175,891	\$ 162,860

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

	Governmental Activities			Business-Type Activities			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Current and other assets	\$ 10,408	\$ 8,208	\$ 7,182	\$ 198,276	\$ 174,577	\$ 159,706	\$ 208,684	\$ 182,785	\$ 166,888
Capital assets	6,935	7,299	8,001	-	-	-	6,935	7,299	8,001
Total assets	17,343	15,507	15,183	198,276	174,577	159,706	215,619	190,084	174,889
Noncurrent liabilities	2,946	3,424	3,701	-	-	-	2,946	3,424	3,701
Other liabilities	4,097	2,846	2,693	8,137	7,923	5,635	12,234	10,769	8,328
Total liabilities	7,043	6,270	6,394	8,137	7,923	5,635	15,180	14,193	12,029
Net Position:									
Invested in capital assets, net of related debt	5,196	5,084	5,499	-	-	-	5,196	5,084	5,499
Restricted	4,876	3,924	3,064	190,139	166,654	154,071	195,015	170,578	157,135
Unrestricted	228	229	226	-	-	-	228	229	226
Total net position	\$ 10,300	\$ 9,237	\$ 8,789	\$ 190,139	\$ 166,654	\$ 154,071	\$ 200,439	\$ 175,891	\$ 162,860

The Agency is primarily funded by federal grants from the Department of Labor. The largest portion of the Agency's net position reflects the business-type activity of the Unemployment Insurance Trust Fund. This net position will be discussed in further detail under the business-type activity section and the discussion of the proprietary fund. The net position of \$200.44 million as of June 30, 2014 and \$175.89 million as of June 30, 2013 include \$10.30 million and \$9.24 million in assets of the Governmental Activities, respectively, and \$190.14 million and \$166.65 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities

The net position as of June 30, 2014 and 2013, related to governmental activities, are \$10.30 million and \$9.24 million, respectively. The net position as of June 30, 2014 and 2013 include, \$5.20 million and \$5.08 million, respectively, as investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is outstanding. The Agency uses these capital assets to provide its services to the citizens of North Dakota. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$4.88 million is restricted for other purposes and \$0.22 million are classified as unrestricted net position. \$4.05 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 unemployment taxes and pay unemployment benefits. In addition, any federally authorized unemployment benefit program administered by the Agency uses this fund for the federal revenue and federal benefit expenses. The restricted net position of \$190.14 million and \$166.65 million at June 30, 2014 and June 30, 2013, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of \$177.73 million at June 30, 2014 and \$154.08 million at June 30, 2013 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 \$12.41 million at June 30, 2014 and \$12.57 million at June 30, 2013, represent the Department of Labor distribution of Reed Act resources into each state's trust fund that remains unexpended as of the end of the fiscal year. Federal law governs how the distribution may be expended. The distribution is available for the payment of Unemployment Insurance benefits to claimants and/or, if specifically appropriated by the Legislative Assembly, the administration of the state's Unemployment Insurance and Employment Service programs.

Financial Analysis of the Government's Funds

Governmental funds

Job Service North Dakota utilizes five individual governmental funds. The federal fund and federal advance interest repayment account are considered to be the agencies major funds. The federal advance interest repayment account met the criteria for inclusion in the financial report as a major fund during the year ended June 30, 2013. The three nonmajor governmental funds include the 362-Job Service Special Fund, 392-Insurance Recovery Fund, and the 001-General Fund (Workforce 20/20).

Federal Grants revenue is accrued in the federal fund to equal the federal Economic Development & Assistance expenditures accrued through the fiscal year end. The net position of the governmental activities increased 11.47% from 2013 to 2014. This increase, was due to penalty and interest revenues in the Federal Advance Interest Repayment Account fund and New Jobs program revenues in the Job Service Special Fund.

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

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

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

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

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

Proprietary fund

Job Service North Dakota maintains the Unemployment Insurance Trust Fund as its only proprietary fund. The primary revenue source for this fund is the collection of the state Unemployment tax. The nonoperating revenue for this fund is the interest earned on these collected taxes that is on deposit with the United State Treasury. The federal government reimburses this fund for any federal benefit expenditures that are paid through this fund and this revenue source is reported as Federal Benefit Reimbursements. June 30, 2014 charges for service revenue increased by \$6.53 million over the prior year mainly due to \$15.98 million increase in Unemployment Insurance contributions, offset by a decrease of \$9.57 million of Federal Benefit Reimbursements. The federal benefit reimbursement decrease is due to the extended unemployment benefit program ending and reduced federal benefit claims. The Unemployment Insurance contribution increase is due to a statewide employer growth, increased statewide wages, a higher taxable wage base and collection of benefits paid from other states.

Expenditures for this fund are primarily the unemployment benefits paid under the applicable state or federal benefit laws. State Unemployment Insurance Benefits expense increased by \$5.39 million, while Federal Unemployment Benefits expense decreased by \$9.57 million for the year ended June 30, 2014. The State Unemployment Insurance Benefit expense increase was due an increase in the benefit payment amount and payment of benefits to claimants in other states. The federal benefit expense decrease is due to the extended unemployment benefit program ending and reduced federal benefit claims. The net position of the proprietary fund increased 14.09% from the previous year as a result of these changes.

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets was \$6.94 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$7.30 million for the end of the previous year. This investment in the governmental activities includes land, buildings, and equipment with an acquisition cost of \$5,000 or more.

Additional information on the Agency's capital assets can be found in Note 5 of this report and in the section entitled *Capital Assets Used in the Operation of Governmental Funds* on pages 56-58.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2014 and June 30, 2013 were \$2.95 million and \$3.42 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, and compensated absences. Of the current year balance, \$.39 million is classified as due within one year on the Statement of Net Position. The remaining liability of \$2.56 million is classified as a long-term liability on the financial statements because it is due in more than one year.

Job Service North Dakota's Liabilities

June 30

(in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Current Liabilities:									
Accounts payable	\$ 1,335	\$ 383	\$ 197	\$ 2,837	\$ 2,611	\$ 2,658	\$ 4,172	\$ 2,994	\$ 2,855
Accrued Payroll	1,402	1,466	1,349	-	-	-	1,402	1,466	1,349
Interest payable	4	6	7	-	-	-	4	6	7
Other current liabilities	1,356	990	1,140	5,300	5,312	2,978	6,656	6,302	4,118
Noncurrent Liabilities:									
Due within one year	388	587	437	-	-	-	388	587	437
Due in more than one year	2,558	2,838	3,264	-	-	-	2,558	2,838	3,264
Total liabilities	\$ 7,043	\$ 6,270	\$ 6,394	\$ 8,137	\$ 7,923	\$ 5,636	\$ 15,180	\$ 14,193	\$ 12,030

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 \$52.36 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 \$12.41 million is due to activities and funding associated with the continuation of the agencies Unemployment Insurance IT system replacement project. This system replacement project is being completed jointly in a four-state consortium format. Expenditure of Reed Act funds during this biennium has been delayed due to the receipt of federal funds via a USDOL Supplemental Budget Request (SBR) award and the timing of vendor payment milestones. Lengthy contract negotiations resulted in an adjustment in the project deliverable receipt timeframes and subsequently pushed vendor payments out as well. This has caused the project to come in under budget this biennium. The Reed Act resources continue to be a necessary funding component and will be needed to accommodate building of the new computer system.

Economic Factors and Next Year's Budgets and Rates

Administrative Funding:

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

- ❑ Annual "flat" or declining funding of the Agency's primary administrative funding for WIA, Wagner Peyser and Unemployment Insurance. Sequestration, the automatic spending cuts provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985, if enacted again, will reduce future funding for the agency.
- ❑ Department of Labor (DOL) funding of our programs does not recognize or provide additional funding to cover state required expenditures, such as salary increases, fringe benefit increases, statewide indirect costs, etc. As costs increase and funding decreases the agency will have to continue to reduce staffing levels and operating costs. These reductions in funding may require a reallocation of resources within the state to ensure the agency is meeting the workforce demands of the state.
- ❑ DOL funding does not provide an adequate mechanism or resources for major investments in technology systems. Finding investment resources within the annual operating grants to replace existing aging technology systems and implement new technology for responsive customer service is difficult.

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

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

State of North Dakota Legislation:

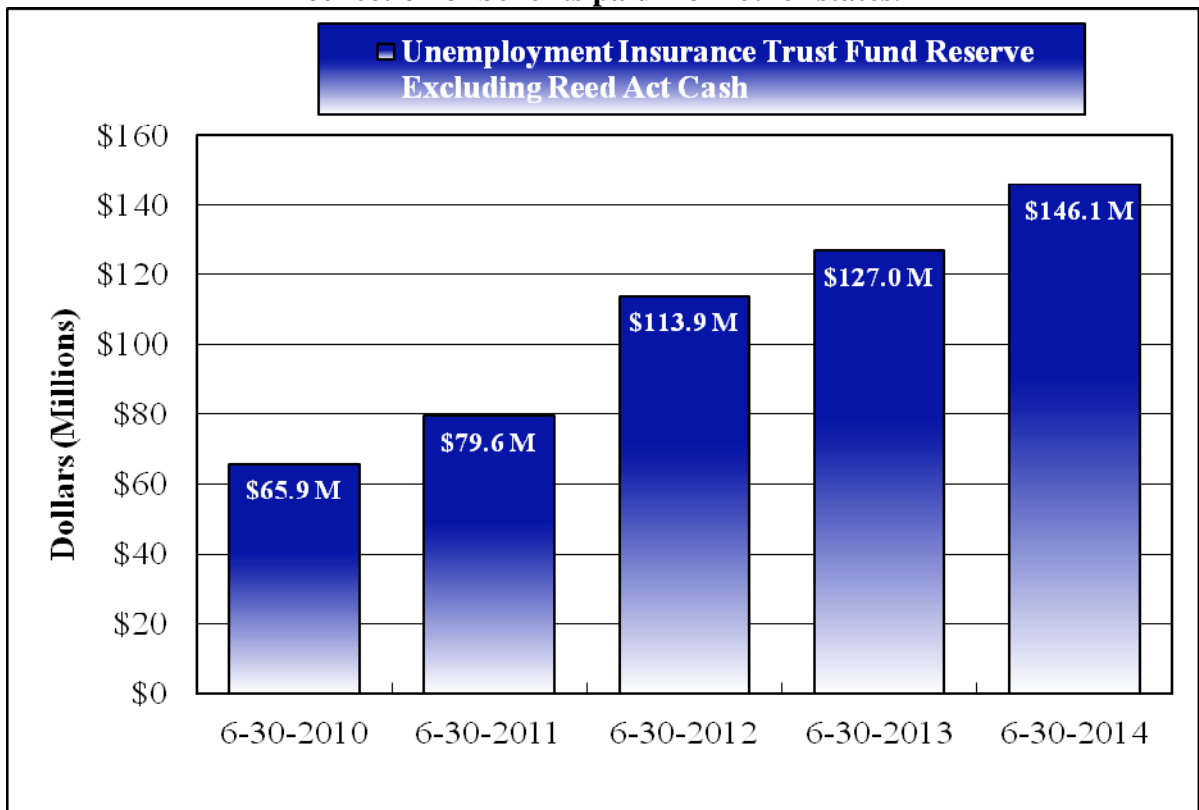
The 63rd (2013) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

SB 2016, Job Service North Dakota Appropriations

This bill includes a base budget appropriation for Job Service North Dakota, an appropriation for \$496,496 of (ARRA) American Recovery and Reinvestment Act funds and \$12,407,000 of Reed Act funds for the Unemployment Insurance computer modernization program. The ARRA funds 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 \$19.1 Million, a fifteen percent increase from a year ago. This increase is due to statewide employer growth, increased statewide wages, a higher taxable wage base and collection of benefits paid from other states.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
6-30-2010	65,893,993	13,417,391	79,311,384
6-30-2011	79,649,947	13,092,354	92,742,301
6-30-2012	113,931,263	12,895,580	126,826,843
6-30-2013	126,955,034	12,570,609	139,525,643
6-30-2014	146,064,316	12,406,363	158,470,679

Requests for Information

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

Basic Financial Statements

JOB SERVICE NORTH DAKOTA

**Statements of Net Position
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activity		Totals	
	2014	2013	2014	2013	2014	2013
ASSETS						
Cash and Cash equivalents	\$ 915,402	\$ 781,544	\$ 157,672,253	\$ 138,726,253	\$ 158,587,655	\$ 139,507,797
Investments	3,700,000	3,000,000	-	-	3,700,000	3,000,000
Receivables, net	894,471	679,163	38,664,581	34,340,503	39,559,052	35,019,666
Due From:						
Other Funds	27,144	66,986	230	-	27,374	66,986
Federal Government	3,008,667	1,757,920	93,841	-	3,102,508	1,757,920
Other State Agencies	172,898	304,558	-	-	172,898	304,558
Other States	-	-	1,845,498	1,510,436	1,845,498	1,510,436
Prepaid Items	74,772	-	-	-	74,772	-
Pension Assets	1,614,175	1,617,811	-	-	1,614,175	1,617,811
Capital Assets (net of accumulated depreciation):						
Land	1,241,683	1,241,683	-	-	1,241,683	1,241,683
Buildings, equipment, and other depreciable assets	5,499,300	5,486,934	-	-	5,499,300	5,486,934
Work in Progress	194,200	570,611	-	-	194,200	570,611
TOTAL ASSETS	17,342,712	15,507,210	198,276,403	174,577,192	215,619,115	190,084,402
LIABILITIES						
Accounts Payable	1,334,977	382,804	2,836,613	2,611,463	4,171,590	2,994,267
Interest Payable	4,332	6,397	-	-	4,332	6,397
Accrued Payroll	1,401,669	1,466,456	-	-	1,401,669	1,466,456
Due To:						
Other Funds	27,374	38,710	-	28,276	27,374	66,986
Federal Government	-	-	170	391,809	170	391,809
Other States	-	-	4,410,276	4,802,001	4,410,276	4,802,001
Other State Agencies	420,862	206,111	890,255	89,660	1,311,117	295,771
Net OPEB Obligation	907,472	745,257	-	-	907,472	745,257
Noncurrent liabilities:						
Due within one year	387,755	586,678	-	-	387,755	586,678
Due in more than one year	2,558,113	2,837,235	-	-	2,558,113	2,837,235
TOTAL LIABILITIES	7,042,555	6,269,648	8,137,314	7,923,209	15,179,869	14,192,857
NET POSITION						
Net Investment in capital assets	5,195,871	5,083,549	-	-	5,195,871	5,083,549
Restricted for:						
Unemployment Insurance Benefits	-	-	177,732,726	154,083,374	177,732,726	154,083,374
Unemployment Insurance Benefits and/or Other Purposes	-	-	12,406,363	12,570,609	12,406,363	12,570,609
Other Purposes	4,876,571	3,924,340	-	-	4,876,571	3,924,340
Unrestricted	227,715	229,673	-	-	227,715	229,673
TOTAL NET POSITION	\$ 10,300,157	\$ 9,237,562	\$ 190,139,089	\$ 166,653,983	\$ 200,439,246	\$ 175,891,545

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Activities
For the Fiscal Year Ended June 30, 2014**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	\$ 27,495,776	\$ -	\$ 28,009,910	\$ 514,134	\$ -	\$ 514,134
Interest on long-term debt	63,568	-	-	(63,568)	-	(63,568)
Total governmental activities	27,559,344	-	28,009,910	450,566	-	450,566
Business-type activities:						
Unemployment Compensation Funds	113,988,509	133,701,408	3,772,207	-	23,485,106	23,485,106
Total business-type activities	113,988,509	133,701,408	3,772,207	-	23,485,106	23,485,106
Total primary government	\$ 141,547,853	\$ 133,701,408	\$ 31,782,117	450,566	23,485,106	23,935,672
		Transfers		612,029	-	612,029
		Change in Net Position		1,062,595	23,485,106	24,547,701
		Net Position June 30, 2013		9,237,562	166,653,983	175,891,545
		Net Position, June 30, 2014		\$ 10,300,157	\$ 190,139,089	\$ 200,439,246

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

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

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

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Balance Sheets
Governmental Funds
June 30, 2014 and 2013**

	Federal Fund		Federal Advance Interest Repayment Account		Nonmajor Governmental Funds		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<u>ASSETS</u>								
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ 224,737	\$ 200,668	\$ -	\$ -	\$ 224,737	\$ 200,668
Cash in State Treasury	-	-	-	-	690,665	580,876	690,665	580,876
Investments At The Bank of North Dakota	-	-	3,700,000	3,000,000	-	-	3,700,000	3,000,000
Accounts Receivable - Net:								
Refunds	-	-	-	-	35,182	-	35,182	-
Accrued Interest	-	-	496	131	-	-	496	131
Penalty and/or Interest	-	-	858,793	679,032	-	-	858,793	679,032
Due From:								
Other Funds	-	28,276	-	-	27,144	38,710	27,144	66,986
Federal Government	3,008,667	1,757,920	-	-	-	-	3,008,667	1,757,920
Other State Agencies	113,380	142,608	-	-	59,518	161,950	172,898	304,558
Prepaid items	74,772	-	-	-	-	-	74,772	-
TOTAL ASSETS	\$ 3,196,819	\$ 1,928,804	\$ 4,784,026	\$ 3,879,831	\$ 812,509	\$ 781,536	\$ 8,793,354	\$ 6,590,171
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts Payable	\$ 1,286,374	\$ 233,893	\$ -	\$ -	\$ 48,604	\$ 148,911	\$ 1,334,978	\$ 382,804
Accrued Payroll	1,388,729	1,450,942	-	-	12,940	15,515	1,401,669	1,466,457
Due To:								
Other Funds	27,224	38,453	150	257	-	-	27,374	38,710
Other State Agencies	419,720	205,516	-	-	1,142	595	420,862	206,111
Unpaid Penalty and Interest	-	-	731,900	571,749	-	-	731,900	571,749
TOTAL LIABILITIES	3,122,047	1,928,804	732,050	572,006	62,686	165,021	3,916,783	2,665,831
Fund Balances:								
Non-spendable	74,772	-	-	-	-	-	74,772	-
Restricted	-	-	4,051,976	3,307,825	-	-	4,051,976	3,307,825
Assigned	-	-	-	-	749,823	616,515	749,823	616,515
TOTAL FUND BALANCES	74,772	-	4,051,976	3,307,825	749,823	616,515	4,876,571	3,924,340
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,196,819	\$ 1,928,804	\$ 4,784,026	\$ 3,879,831	\$ 812,509	\$ 781,536	\$ 8,793,354	\$ 6,590,171

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Reconciliation of the Balance Sheets - Governmental Funds
To the Statements of Net Position
June 30, 2014 and 2013**

	2014	2013
Total fund balances for governmental funds	\$ 4,876,571	\$ 3,924,340
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The Pension Assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. (Note 6)	1,614,175	1,617,811
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	\$ 1,241,683	\$ 1,241,683
Buildings, equipment, and other depreciable assets	14,876,969	14,106,541
Work in progress	194,200	570,611
Accumulated depreciation	<u>(9,377,669)</u>	<u>(8,619,607)</u>
	6,935,183	7,299,228
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.	731,900	571,749
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)	(907,472)	(745,257)
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>(1,206,556)</u>	<u>(1,208,233)</u>
	(1,206,556)	(1,208,233)
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)
Capital Lease - Bismarck/Mandan Office	(1,451,500)	(1,606,500)
Capital Lease - IT Equipment	(245,002)	(438,222)
Capital Leases - Equipment	(42,810)	(59,142)
Accrued interest payable	<u>(4,332)</u>	<u>(6,397)</u>
	(1,743,644)	(2,222,076)
Net Position of Governmental Activities	<u>\$ 10,300,157</u>	<u>\$ 9,237,562</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, 2014 and 2013**

	Federal Fund		Federal Advance Interest Repayment Account		Nonmajor Governmental Funds		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues								
Federal Grants	\$ 26,767,055	\$ 23,431,819	\$ -	\$ -	\$ -	\$ -	\$ 26,767,055	\$ 23,431,819
Interest Earnings	26	239	7,164	6,250	-	-	7,190	6,489
Penalty and/or Interest	-	-	1,059,412	1,079,861	-	-	1,059,412	1,079,861
Other Grants	-	-	-	-	176,253	44,462	176,253	44,462
TOTAL REVENUES	26,767,081	23,432,058	1,066,576	1,086,111	176,253	44,462	28,009,910	24,562,631
Expenditures								
Current:								
Economic Development & Assistance	26,298,292	23,251,946	322,425	230,145	654,974	818,444	27,275,691	24,300,535
Capital Outlays	394,017	422,864	-	-	-	-	394,017	422,864
TOTAL EXPENDITURES	26,692,309	23,674,810	322,425	230,145	654,974	818,444	27,669,708	24,723,399
Excess of Revenues Over (Under) Expenditures	<u>74,772</u>	<u>(242,752)</u>	<u>744,151</u>	<u>855,966</u>	<u>(478,721)</u>	<u>(773,982)</u>	<u>340,202</u>	<u>(160,768)</u>
Other Finance Sources (Uses)								
Sale of land and building	-	178,521	-	-	-	1,767	-	180,288
Transfers In	-	-	-	-	612,029	776,922	612,029	776,922
Capital Lease	-	64,231	-	-	-	-	-	64,231
TOTAL OTHER FINANCE SOURCES	-	242,752	-	-	612,029	778,689	612,029	1,021,441
Net change in Fund Balances	74,772	-	744,151	855,966	133,308	4,707	952,231	860,673
Fund Balances at June 30, prior year	-	-	3,307,825	2,451,859	616,515	611,808	3,924,340	3,063,667
Fund Balances at June 30	\$ 74,772	\$ -	\$ 4,051,976	\$ 3,307,825	\$ 749,823	\$ 616,515	\$ 4,876,571	\$ 3,924,340

See accompanying notes to the Financial Statements.

**Reconciliation of the Statements of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds to the Statements of Activities
For the Fiscal Years Ended June 30, 2014 and 2013**

	2014	2013
Net change in fund balances - total governmental funds	\$ 952,231	\$ 860,673
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)	(3,636)	(6,112)
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.	(364,044)	(598,019)
Gain(Loss) on disposal of fixed assets net of sale proceeds.	-	(103,870)
Debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position. (Increase) Decrease in long-term debt and change in interest payable.	478,432	287,426
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds. Increase in Unpaid Penalty and Interest	160,148	215,752
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Position and have been eliminated from the Statement of Activities. Increase (Decrease) in compensated absences. Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	1,679	(9,707)
	(162,215)	(197,566)
Changes in net position of governmental activities	\$ 1,062,595	\$ 448,577

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA**Statements of Net Position
Proprietary Fund
June 30, 2014 and 2013**

	<u>Unemployment Insurance</u>	
	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash Deposits At The Bank of North Dakota	\$ 135,402	\$ 90,890
Cash and Cash Equivalents in U.S. Treasury	157,536,851	138,635,363
Interest Receivable - Unemployment Insurance Trust Fund	933,828	890,280
Accounts Receivable - Net:		
Unemployment Insurance Contributions	36,450,364	32,224,290
Unemployment Insurance Overpayments - Benefits & Interest	1,280,389	1,225,933
Due From:		
Due from other Funds	230	-
Federal Government	93,841	-
Other States	1,845,498	1,510,436
TOTAL ASSETS	198,276,403	174,577,192
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Benefits Payable	675,808	524,618
Unemployment Insurance Overpayments - Contributions	2,160,805	2,086,845
Due To:		
Due to Other Funds	-	28,276
Federal Government	170	391,809
Other States	4,410,276	4,802,001
Other State Agencies	890,255	89,660
TOTAL LIABILITIES	8,137,314	7,923,209
<u>NET POSITION</u>		
Restricted for:		
Unemployment Insurance Benefits	177,732,726	154,083,374
Unemployment Insurance Benefits and/or Other Purposes	12,406,363	12,570,609
TOTAL NET POSITION	\$ 190,139,089	\$ 166,653,983

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA**Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Years Ended June 30, 2014 and 2013**

	<u>Unemployment Insurance</u>	
	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Unemployment Insurance Contributions	\$ 126,630,819	\$ 110,651,146
Federal Benefit Reimbursements	6,792,756	16,359,534
Unemployment Insurance Overpayments - Interest	277,833	163,641
TOTAL OPERATING REVENUES	<u>133,701,408</u>	<u>127,174,321</u>
Operating Expenses:		
Unemployment Insurance Benefits	107,059,782	101,673,444
Federal Unemployment Insurance Benefits	6,792,756	16,359,534
Economic Development & Assistance	135,971	344,094
TOTAL OPERATING EXPENSES	<u>113,988,509</u>	<u>118,377,072</u>
Operating Income(Loss)	<u>19,712,899</u>	<u>8,797,249</u>
Nonoperating Revenues:		
Interest Earnings	3,772,207	3,785,894
TOTAL NONOPERATING REVENUES	<u>3,772,207</u>	<u>3,785,894</u>
Change in Net Position	23,485,106	12,583,143
Total Net Position at July 1, prior year	<u>166,653,983</u>	<u>154,070,840</u>
Total Net Position at June 30	<u>\$ 190,139,089</u>	<u>\$ 166,653,983</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, 2014 and 2013**

	Unemployment Insurance	
	2014	2013
Cash Flows from Operating Activities		
Receipts from employers	\$ 117,142,434	\$ 106,733,459
Receipts from other states	7,518,373	5,226,587
Payments to other states	(18,684,928)	(16,805,598)
Payments to employers	(2,515,481)	(2,961,056)
Benefits Paid to claimants	(88,350,991)	(83,168,775)
Overpayment Interest from claimants	272,182	159,450
Economic Development and Assistance	(164,248)	(324,971)
Net cash (used in)/provided by operating activities	15,217,341	8,859,096
Cash Flows from Investing Activities		
Interest on investments	3,728,659	3,759,735
Net cash provided by investing activities	3,728,659	3,759,735
Net change in cash and cash equivalents	18,946,000	12,618,831
Cash and cash equivalents at June 30, prior year	138,726,253	126,107,422
Cash and cash equivalents at June 30	\$ 157,672,253	\$ 138,726,253
Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:		
Operating income(Loss)	\$ 19,712,899	\$ 8,797,249
Net changes in assets and liabilities:		
Contributions Receivable	(4,226,074)	(1,502,823)
Due from Other Funds	(230)	21
Due from Other States	(335,062)	(716,092)
Unemployment Insurance Overpayments - Benefits & Interest	(54,456)	(8,430)
Due from Federal Government	(485,480)	1,592
Benefits Payable	151,190	(682,418)
Unemployment Insurance Overpayments - Contributions	73,960	635,663
Due To: Other Funds	(28,276)	(61,485)
Due To: Other States	(391,725)	1,929,430
Due To: Other State Agencies	800,595	74,580
Due To: Federal Government	-	391,809
Net cash (used in)/provided by operating activities	\$ 15,217,341	\$ 8,859,096

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Appropriations
For the Fiscal Year Ended June 30, 2014**

	Approved Budget 2013-2015 Biennium	Appropriation Adjustments 2013-2015 Biennium	Adjusted Budget 2013-2015 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2014	2015	
Revenue:						
<i>General Fund</i>	\$ 2,033,755	\$ 11,585	\$ 2,045,340	\$ 612,029	\$ -	\$ 1,433,311
<i>Federal Funds</i>	77,206,471	-	77,206,471	26,828,279	-	50,378,192
<i>Other Funds</i>	591,057	-	591,057	42,946	-	548,111
Total Revenues	\$ 79,831,283	\$ 11,585	\$ 79,842,868	\$ 27,483,254	\$ -	\$ 52,359,614

Expenditures By Line Item:

<i>Salaries and Wages</i>	\$ 36,227,798	\$ 116,585	\$ 36,344,383	\$ 16,584,249	\$ -	\$ 19,760,134
<i>Accrued Leave Payments</i>	1,479,868	-	1,479,868	90,084	-	1,389,784
<i>Operating Expenses</i>	18,807,700	(105,000)	18,702,700	8,108,715	-	10,593,985
<i>Capital Assets</i>	20,000	-	20,000	1,944	-	18,056
<i>Grants Benefits & Claims</i>	8,850,497	-	8,850,497	2,213,869	-	6,636,628
<i>Workforce 20/20</i>	1,541,924	-	1,541,924	348,422	-	1,193,502
<i>Reed Act - Unemployment</i>	12,407,000	-	12,407,000	-	-	12,407,000
<i>Federal Stimulus Funds - 2009</i>	496,496	-	496,496	135,971	-	360,525
Total Expenditures	\$ 79,831,283	\$ 11,585	\$ 79,842,868	\$ 27,483,254	\$ -	\$ 52,359,614

See accompanying notes to the Financial Statements

**Job Service North Dakota
Notes to Financial Statements
June 30, 2014 and 2013**

NOTE 1 – Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Financial Statement Presentation

The Agency reports the following major governmental funds:

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

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

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

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

The Agency reported the following major proprietary fund:

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

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

D. Budgetary Process

The Agency operates through a biennial appropriation provided by the state legislature. The Agency prepares a biennial budget on the modified accrual basis, which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budget of the various agencies through passage of specific bills. The Governor has line item veto powers over legislation, subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The legislation also appropriated all federal funds received by the Agency in excess of those funds specifically appropriated in the legislation. Changes to the appropriation are subject to approval by the Emergency Commission.

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

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

E. Investments

Certificates of deposits are valued at fair value.

F. Prepaid Items

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

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

I. Post Employment Benefits

Retiree Health Credit Benefit

Regular employees hired under the Job Service North Dakota retirement plan prior to October 1, 1980, are eligible to participate in the retiree health care plan and receive the retiree health credit benefit. The retiree health credit benefit is a health insurance subsidy of \$4.50 per year of service thru June 30, 2009 that is provided each month for as long as the retiree is alive and this benefit continues upon death to the spouse as long as the spouse is drawing an annuity and participates in the North Dakota Public Employees Retirement System (NDPERS). This retiree health credit has been increased to \$5.00 per year of service effective July 1, 2009 by the North Dakota State Legislature. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2014.

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, 2014.

J. Pension Assets

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

K. Accounting Estimates

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

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

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

	<u>2014</u>	<u>2013</u>
Capital Outlays	\$ 394,017	\$ 422,864
Depreciation Expense	<u>(758,061)</u>	<u>(1,020,883)</u>
Net adjustment to decrease (increase) <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (364,044)</u>	<u>\$ (598,019)</u>

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

	<u>2014</u>	<u>2013</u>
Debt Issued	\$ -	\$ (64,231)
Principal repayments:		
General obligation debt	476,367	350,861
Change in Interest Payable	<u>2,065</u>	<u>796</u>
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 478,432</u>	<u>\$ 287,426</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, 2014

	<u>Fair Value</u>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 360,139
Cash in State Treasury recorded as Cash and Cash Equivalents	690,665
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	145,130,488
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>12,406,363</u>
Totals	<u>\$ 158,587,655</u>

June 30, 2013

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

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, 2014

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 3,700,000</u>	<u>\$ 3,700,000</u>

June 30, 2013

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

Custodial and Concentration Credit Risk

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

NOTE 4 – Receivables

The Agency accrues as *Unemployment Insurance Contributions* receivable, the amount due from employers in the state for their tax contribution to the Unemployment Insurance Trust fund as of June 2014 and 2013. 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, 2014

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits & Interest</i>	<i>Interest</i>	<i>State Refunds</i>	<i>Total</i>
Total Receivable	\$ 38,803,458	\$ 2,495,618	\$ 6,747,622	\$ 934,325	\$ 35,182	\$ 49,016,204
Less:						
Allowance for Doubtful Accounts	2,353,094	1,636,825	5,467,233	-	-	9,457,152
Net Receivable	<u>\$ 36,450,364</u>	<u>\$ 858,793</u>	<u>\$ 1,280,389</u>	<u>\$ 934,325</u>	<u>\$ 35,182</u>	<u>\$ 39,559,052</u>

Receivables as of June 30, 2013

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

All receivables have been recorded as revenue on the government-wide and proprietary statements. On the governmental fund statements, a portion of the Penalty and/or Interest has been recorded as Unpaid Penalty and Interest. Unpaid Penalty and Interest was \$731,900 and \$571,749 as of June 30, 2014 and 2013, respectively, and represents an amount expected to be received after one year. The residual amounts of \$126,893 and \$107,283 on June 30, 2014 and 2013, respectively, were recorded as revenue and were expected to be received within one year.

NOTE 5 – Capital Assets

Governmental Activities	Beginning Balance June 30, 2013	Additions	Deletions	Ending Balance June 30, 2014
Capital Assets, not being depreciated:				
Land	\$ 1,241,683	\$ -	\$ -	\$ 1,241,683
Work in Progress - UI Modernization	570,611	388,133	764,544	194,200
Total capital assets, not being depreciated	<u>1,812,294</u>	<u>388,133</u>	<u>764,544</u>	<u>1,435,883</u>
Capital Assets, being depreciated:				
Buildings	8,800,604	-	-	8,800,604
Equipment	1,537,683	5,883	-	1,543,566
Intangible Assets	3,768,254	764,544	-	4,532,798
Total Capital Assets, being depreciated	<u>14,106,541</u>	<u>770,427</u>	<u>-</u>	<u>14,876,968</u>
Less accumulated depreciation for:				
Buildings	4,671,833	184,938	-	4,856,771
Equipment	1,322,539	124,758	-	1,447,297
Intangible Assets	2,625,235	448,365	-	3,073,600
Total accumulated depreciation	<u>8,619,607</u>	<u>758,061</u>	<u>-</u>	<u>9,377,668</u>
Total capital assets, being depreciated, net	<u>5,486,934</u>	<u>12,366</u>	<u>-</u>	<u>5,499,300</u>
Governmental activity capital assets, net	<u>\$ 7,299,228</u>	<u>\$ 400,499</u>	<u>\$ 764,544</u>	<u>\$ 6,935,183</u>

Governmental Activities	Beginning Balance June 30, 2012	Additions	Deletions	Ending Balance June 30, 2013
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ 24,608	\$ 1,241,683
Work in Progress - UI Modernization	230,669	339,942	-	570,611
Total capital assets, not being depreciated	<u>1,496,960</u>	<u>339,942</u>	<u>24,608</u>	<u>1,812,294</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	221,460	8,800,604
Equipment	1,454,761	82,922	-	1,537,683
Intangible Assets	3,894,153	-	125,899	3,768,254
Total Capital Assets, being depreciated	<u>14,370,978</u>	<u>82,922</u>	<u>347,359</u>	<u>14,106,541</u>
Less accumulated depreciation for:				
Buildings	4,654,031	201,337	183,535	4,671,833
Equipment	992,826	329,713	-	1,322,539
Intangible Assets	2,219,964	489,833	84,562	2,625,235
Total accumulated depreciation	<u>7,866,821</u>	<u>1,020,883</u>	<u>268,097</u>	<u>8,619,607</u>
Total capital assets, being depreciated, net	<u>6,504,157</u>	<u>(937,961)</u>	<u>79,262</u>	<u>5,486,934</u>
Governmental activity capital assets, net	<u>\$ 8,001,117</u>	<u>\$ (598,019)</u>	<u>\$ 103,870</u>	<u>\$ 7,299,228</u>

Federal resources have funded all equipment. Costs for a workforce data warehouse in the amount of \$290,024 and \$339,942 are included in the Work in Progress additions for the year ended June 30, 2014 and June 30, 2013, respectively. This data warehouse was put into production in February 2014 and is capitalized in the amount of \$680,545, which is included in Intangible Asset additions and Work in Progress deletions for the year ended June 30, 2014. This workforce data warehouse

will be linked to the (NDSLDS) North Dakota Statewide Longitudinal Data System to maximize the usefulness of information to stakeholders and partners of North Dakota education, training, employment and service systems. In addition, Work in Progress was reduced and intangible assets increased by \$83,999 for capitalization of the Unemployment Insurance Tax Purge project. Additions to Work in Progress during 2014 include \$98,109 for the Unemployment Insurance Benefit Purge project. Land and Buildings deletions for June 30, 2013 are due to the sale of the Jamestown office building.

Buildings include a capitalized lease of the Grand Forks office building with a value of \$1,676,260 and accumulated amortization of \$669,454 and a capitalized lease of the Bismarck / Mandan office building with a value of \$2,187,530 and accumulated amortization of \$411,538. 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, 2014 and 2013 were \$796,391 and \$1,031,057 respectively. Total payroll for all employees was \$11,296,267 and \$11,289,619, respectively. Information included herein is based on the most current actuarial valuation report (as of July 1, 2014).

As of that date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	213
Terminated employees entitled to benefits but not yet receiving them	1
Current vested employees	<u>13</u>
TOTAL	<u><u>227</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.

Responsibility for administration of the benefit programs is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General;

one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Investments – The Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans' performance objectives, benefit projections, and capital market expectations when determining the asset allocation.

The State Investment Board is responsible for managing the System's investments in accordance with the investment policy. The following was the System's asset allocation policy as of June 30, 2014 and 2013:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities	31.0%
International equity	9.0%
Domestic fixed income	55.0%
International fixed income	<u>5.0%</u>
Total	100%

Rate of return. For the years ended June 30, 2014 and 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.46% and 12.06 %. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Annuity 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:

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

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

Period	Employee Contribution (Paid by Employee)	Employee Contribution (Paid by Employer in lieu of salary increase)	Employer Annual Required Contribution
7/1/10 - 6/30/11	3%	4%	0%
7/1/11 - 6/30/12	3%	4%	0%
7/1/12 - 6/30/13	3%	4%	0%
7/1/13 - 6/30/14	3%	4%	0%

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

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

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

2. **Contributions Required and Made**

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

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

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

	2014	2013
Annual required contributions	\$ -	\$ -
Interest on net pension obligation	129,425	121,794
Adjustment to annual required contributions	133,061	127,906
Annual pension costs	3,636	6,112
Contributions made	-	-
Increase in net pension obligation	3,636	6,112
Net pension obligations, beginning of year	(1,617,811)	(1,623,923)
(Assets in excess of) net pension obligations, end of year	<u>\$ (1,614,175)</u>	<u>\$ (1,617,811)</u>

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

June 30	Costs (APC)	Contributed	Obligation
2006	3,742	0%	(1,661,084)
2007	6,252	0%	(1,654,832)
2008	6,229	0%	(1,648,603)
2009	6,205	0%	(1,642,398)
2010	6,181	0%	(1,636,217)
2011	6,159	0%	(1,630,058)
2012	6,135	0%	(1,623,923)
2013	6,112	0%	(1,617,811)
2014	3,636	0%	(1,614,175)

3. Net Pension Liability of the Plan

The components of the net pension liability of the plan at June 30, 2014 and 2013, was as follows:

	2014	2013
Total pension liability	\$ 65,046,433	\$ 66,052,801
Plan fiduciary net position	97,696,628	90,378,957
Net pension liability (asset)	\$ (32,650,195)	\$ (24,326,156)
Plan fiduciary net position as a percentage of the total pension liability	150.20%	136.83%

The plan provisions used in the measurement of the net pension liability are the same as those used in the JSND Actuarial Valuation and Reviews as of July 1, 2014 and 2013.

4. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increase (Payroll Growth)	5.00% per annum
Investment Rate of Return	8.00%, net of investment expense, including inflation
Cost of Living Adjustment	5.00%

5. Mortality rates were based on the following:

For active members, inactive members and healthy retirees, mortality rates were based on the 1994 Group Annuity Mortality Table. For disabled retirees, mortality rates were based on 1983 Railroad Retirement Board Disabled Mortality Table. These tables reasonably reflect the mortality experience of the Plan as of the measurement date. No provision was made for future mortality improvement after the measurement date. These assumptions are prescribed by the Board.

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

expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	31.00%
International equities	9.00%
Domestic fixed income	55.00%
International fixed income	5.00%
	<u>100.00%</u>

6. Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and 2013. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Reports. It is assumed no future contribution will be made. The pension plan's net positions was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and 2013.

7. Sensitivity of Net Pension Liability

The following presents the net pension liability of the Plans as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

1% Decrease (7.00%)	\$(26,305,241)
Current Discount (8.00%)	(32,650,195)
1% Increase (9.00%)	(38,110,962)

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 2014 and 2013 are included in the state of North Dakota's Comprehensive Annual Financial Report for the years ended June 30, 2014 and 2013. 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, 2014 and 2013 were \$1,231,552 and \$1,100,836, 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, 2014. The actuary determined the obligation the agency has to record as of June 30, 2014 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, 2014, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	151	184
Terminated employees entitled to benefits but not yet receiving them	1	0
Current vested employees	13	29
TOTAL	<u>165</u>	<u>213</u>

C. Contributions Required and Made

The funding policy of the plans thru June 30, 2014 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, 2014
	Entry
Actuarial Cost Method	Age actuarial cost method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

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

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

	Retiree Health Benefits Fund	Met Life Insurance Benefit	Total
Annual required contributions	\$ 380,021	\$ 125,431	\$ 505,452
Interest on OPEB obligation	19,042	14,495	33,537
Adjustment to annual required contributions	<u>(38,542)</u>	<u>(29,341)</u>	<u>(67,883)</u>
Annual OPEB costs	360,521	110,585	471,106
Contributions made	<u>256,911</u>	<u>51,980</u>	<u>308,891</u>
Increase in net OPEB obligation	103,610	58,605	162,215
Net OPEB obligations, beginning of year	<u>423,140</u>	<u>322,117</u>	<u>745,257</u>
Net OPEB obligations, end of year	<u>\$ 526,750</u>	<u>\$ 380,722</u>	<u>\$ 907,472</u>

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

<u>June 30</u>	<u>Annual Retiree Health Benefits OPEB Costs</u>	<u>Annual Met Life Insurance OPEB Costs</u>	<u>Annual Retiree Health Benefit Cost Contributed</u>	<u>Annual Met Life Insurance Cost Contributed</u>	<u>OPEB Obligation</u>	<u>Annual OPEB Cost Contributed</u>
2008	282,723	93,786	222,801	52,078	101,630	73.0%
2009	282,723	93,786	212,698	51,055	112,756	70.1%
2010	249,460	103,806	232,784	50,725	69,757	80.3%
2011	249,460	103,806	240,307	50,669	62,290	82.4%
2012	378,622	116,911	243,420	50,855	201,258	59.4%
2013	378,622	116,911	247,112	51,442	196,979	60.2%
2014	360,521	110,585	256,911	51,980	162,215	65.6%

Funded Status and Funding Progress – As of June 30, 2014 the most recent actuarial valuation date, the plans were unfunded. The actuarial accrued liability for benefits was \$5,531,753, and the actuarial value of assets was \$ 0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,531,753. The covered payroll was (annual payroll of active employees covered by the plans) was \$1,805,304 and the ratio of the UAAL to the covered payroll was 306.41 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, 2014, 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 \$2,742,777 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded. \$2,237,036 of these commitments are to the WyCAN Consortium to build a Unemployment Insurance computer system.

NOTE 9 – Lease Commitments

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for operating leases for the years ended June 30, 2014 and 2013 were approximately \$453,291 and \$452,961, respectively.

Future minimum operating lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 309,086
2016	236,592
2017	<u>113,649</u>
Total	<u>\$ 659,327</u>

No lease commitments extend beyond June 2017.

NOTE 10 – Noncurrent Liabilities

A. Compensated Absences

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

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

The reported liability for compensated absences as of June 30, 2014 and 2013 was \$1,206,556 and \$1,208,233 respectively.

B. Capital Leases

All capital leases are accounted for within the Governmental Funds. Future minimum lease payments under capital leases and the present value of the net minimum lease payments are as follows on June 30, 2014:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>
2015	\$ 335,839
2016	330,582
2017	275,036
2018	214,325
2019	213,775
2020-2024	<u>660,925</u>
Total Minimum Lease Payments	2,030,482
Less: Amount Representing Interest	<u>291,170</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,739,312</u>

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net position at June 30, 2014, is as follows:

	<u>Governmental Activities</u>
Grand Forks Building	\$1,676,260
Bismarck/Mandan Building	2,187,530
Information Technology Equipment	957,542
Equipment	64,231
Less: Accumulated Depreciation	<u>(2,052,723)</u>
Total	<u>\$2,832,840</u>

C. Changes in Noncurrent Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
	June 30, 2013			June 30, 2014	
Other Long-term Liabilities:					
Compensated Absences	\$ 1,208,235	\$ 921,883	\$ 923,562	\$ 1,206,556	\$ 108,952
Capital Leases	2,215,679	-	476,367	1,739,312	278,803
Total other liabilities	<u>3,423,914</u>	<u>921,883</u>	<u>1,399,929</u>	<u>2,945,868</u>	<u>387,755</u>
Total Long-Term Liabilities	<u>\$ 3,423,914</u>	<u>\$ 921,883</u>	<u>\$ 1,399,929</u>	<u>\$ 2,945,868</u>	<u>\$ 387,755</u>

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

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. Capital Lease additions include a mail inserter and two copier leases totaling \$64,231 that was entered into in the year ended June 30, 2013. During June of 2014 the Information Technology capital lease was amended to extend the lease terms thru December 2016 to accommodate the expected completion of the Unemployment Insurance WyCAN computer modernization project.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2014

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 27,144	\$ -
Federal Advance Interest Repayment Account	-	150
Federal Funds	-	27,224
Total	\$ 27,144	\$ 27,374

<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	230	-
Total	\$ 230	\$ -

June 30, 2013

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

<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	-	28,276
Total	\$ -	\$ 28,276

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><u>\$ 27,483,254</u></u>
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	27,495,776
Governmental Activities - Interest on long-term debt	63,568
Business-type Activities - UC Funds	<u>113,988,509</u>
Subtotal	<u>141,547,853</u>
Less:	
Business-type Activities - UC Funds	113,988,509
FAIRA	322,425
Pension Assets at June 30,2013	1,617,811
Addition to Noncurrent Liabilities-Compensated Absences	921,883
Depreciation Expense	758,061
Interest Payable at June 30, 2014	4,332
Net change in Unpaid Penalty and Interest	(160,148)
OPEB Expense at June 30, 2014	<u>162,215</u>
Subtotal	<u>117,615,088</u>
Plus:	
Appropriated expenses in Proprietary Fund	135,971
Net Capital Asset Additions	394,017
Reduction to Noncurrent Liabilities-Capital Lease	476,367
Reduction to Noncurrent Liabilities-Compensated Absences	923,562
Pension Assets at June 30,2014	1,614,175
Interest Payable at June 30, 2013	<u>6,397</u>
Subtotal	<u>3,550,489</u>
Adjusted GAAP Expenditures	<u><u>\$ 27,483,254</u></u>

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

NOTE 13 – Related Parties

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

June 30, 2014

		Nonmajor Governmental	Proprietary
	<u>Federal Fund</u>	<u>Funds</u>	<u>Fund</u>
A. <u>Due From Other State Agencies</u>			
Department of Human Services	\$ 113,380	\$ -	\$ -
General Fund	-	59,518	-
Total	<u>\$ 113,380</u>	<u>\$ 59,518</u>	<u>\$ -</u>
B. <u>Due To Other State Agencies</u>			
Office of Management and Budget	\$ 1,227	\$ 396	\$ -
ND State College of Science	1,635	-	-
Skills & Technology Training Center	26,720	-	-
Valley City State University	1,500	-	-
Office of Administrative Hearings	132	-	-
Workforce Safety and Insurance	283	-	-
Information Technology Department	100,892	-	-
Office of the State Treasurer	271,286	-	-
Office of the Attorney General	10,430	-	-
Department of Transportation	5,036	746	-
Department of Commerce	579	-	-
Bank of North Dakota	-	-	890,255
Total	<u>\$ 419,720</u>	<u>\$ 1,142</u>	<u>\$ 890,255</u>

C. <u>Transfers</u>	<u>Transfer In</u>
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 612,029
Total	<u>\$ 612,029</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.

June 30, 2013

	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>			
Public Employees Retirement System	-		-
Department of Human Services	\$ 142,608	\$ -	\$ -
General Fund	-	161,950	-
Total	<u>\$ 142,608</u>	<u>\$ 161,950</u>	<u>\$ -</u>

B. <u>Due To Other State Agencies</u>			
Office of Management and Budget	\$ 874	\$ -	\$ -
Bismarck State College	8,747	-	-
Dakota College at Bottineau	2,017	-	-
North Dakota State University	1,362	-	-
ND State College of Science	3,911	-	-
Skill & Technology Training Ctr. Fargo	13,370	-	-
Valley City State University	619	-	-
Information Technology Department	79,655	-	-
Office of the State Treasurer	79,518	-	-
Office of the Attorney General	10,594	-	-
Department of Transportation	4,849	595	-
Bank of North Dakota	-	-	89,660
Total	<u>\$ 205,516</u>	<u>\$ 595</u>	<u>\$ 89,660</u>

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

D. Capital Leases

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

NOTE 14 – Risk Management

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

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

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

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

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

NOTE 15 – Restricted Net Position

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

The amounts of \$177,732,726 on June 30, 2014 and \$154,083,374 on June 30, 2013 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 \$12,406,363 on June 30, 2014 and \$12,570,609 on June 30, 2013 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.

An amount of \$4,876,571 on June 30, 2014 and \$3,924,340 on June 30, 2013 represents the fund balances of the governmental funds restricted for Other Purposes. The June 30, 2014 governmental fund balances includes Non-spendable fund balance of \$74,772 in the Federal Fund representing prepaid expenses. The Federal Advance Interest Repayment Account fund balance is restricted by enabling legislation. The policy of Job Service North Dakota is to require planning team authorization of all actions related to assigned fund balances. The Job Service North Dakota Planning Team members are the Executive Director and all Area Directors.

The GASB 54 fund balance classifications are presented below:

Fund Balances as of June 30, 2014				
	Non-spendable	Restricted	Assigned	Total
Fund Balances:				
Job Service Special Fund New Jobs Program	\$ -	\$ -	\$ 749,823	749,823
Federal Advance Interest Repayment Account	-	4,051,976	-	4,051,976
Federal Fund	74,772	-	-	74,772
Total	\$ 74,772	\$ 4,051,976	\$ 749,823	\$ 4,876,571

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

NOTE 16 – GASB Pronouncements

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 statement 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.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

Required Supplementary Information

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	842,601	1,011,115	1,162,731	1,265,787	1,487,175	1,612,533	1,843,140	1,922,664	2,226,912	2,459,508
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Retirement Plan for Employees of Job Service North Dakota
Required Supplemental Information
Schedule of Changes to the Net Pension Liability and Related Ratios
For the Ten Years Ended June 30**

Total pension liability (asset)	
Service cost	\$ 87,668
Interest	5,107,459
Change of benefit terms	-
Differences between expected and actual experience	(1,607,033)
Changes of assumptions	-
Benefit payments, including refund of employee contributions	(4,594,462)
Net change in total pension liability (asset)	<u>(1,006,368)</u>
Total pension liability (asset) - beginning	<u>66,052,801</u>
Total pension liability (asset) - ending (a)	<u><u>\$ 65,046,433</u></u>
Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	55,748
Net investment income	11,887,840
Benefit payments, including refund of employee contributions	(4,594,462)
Administrative expense	(31,455)
Net change in plan fiduciary net position	<u>7,317,671</u>
Plan fiduciary net position - beginning	<u>90,378,957</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 97,696,628</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (32,650,195)</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	150.20%
Covered employee payroll	\$ 842,601
Plan net pension liability (asset) as a percentage of covered employee payroll	-3874.93%

Complete data for this schedule is not available prior to 2014.

JOB SERVICE NORTH DAKOTA**Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress OPEB
For the Year Ended June 30, 2014**

Year Ended June 30	Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	2008	0	\$5,746,170	\$5,746,170	0.0%	\$3,411,634	168.43%
2009	2008	0	5,746,170	5,746,170	0.0%	3,064,817	187.49%
2010	2010	0	5,482,757	5,482,757	0.0%	3,199,800	171.35%
2011	2010	0	5,482,757	5,482,757	0.0%	2,609,254	210.13%
2012	2012	0	5,572,574	5,572,574	0.0%	2,299,949	242.29%
2013	2012	0	5,572,574	5,572,574	0.0%	2,111,709	263.89%
2014	2014	0	5,531,753	5,531,753	0.0%	1,805,340	306.41%

JOB SERVICE NORTH DAKOTA**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions OPEB
For the Year Ended June 30, 2014**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$376,509	73%
2009	376,509	70%
2010	356,517	80%
2011	356,517	82%
2012	510,323	57%
2013	510,323	58%
2014	505,452	61%

**Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2014 and 2013**

NOTE 1 – Description of Schedule of Funding Progress

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

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

NOTE 2 – Actuarial Assumptions and Methods

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

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

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

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

Significant actuarial assumptions employed by the actuaries for funding purposes as of June 30, 2014, 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

These tables reasonably reflect the mortality experience of the Plan as of the measurement date. No provision was made for future mortality improvement after the measurement date. These assumptions are prescribed by the Board.

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.
Inflation Rate:	3.50%
Marriage Assumption:	<i>Pension Plan:</i> 85% of all active and inactive vested participants are assumed to be married. <i>OPEB Plans:</i> 70% of participants are assumed to be married with husbands being 3 years older than spouses.
Age of spouse:	<i>Pension Plan:</i> Females are assumed to be four years younger than males. <i>OPEB Plans:</i> Females are assumed to be three years younger than males
Rate of return:	<i>Pension Plan</i> - 8.0%. The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation. <i>OPEB Benefit Plans</i> – 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:	<i>Pension Plan:</i> The plan's assets are reported without smoothing. <i>OPEB Plans:</i> As of June 30, 2014 and June 30, 2013, there is \$0 in valuation assets available to offset the liabilities of the plans.
Actuarial cost method:	<i>Pension Plan:</i> Entry age actuarial cost method. Under this method, each employee's service cost is determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefits payable. <i>OPEB Benefit Plans:</i> The Entry Age actuarial cost method was used in the valuation.
Other assumptions:	Same as those used in the July 1, 2014 and 2013, actuarial funding valuations.

Combining and Individual Fund Statements and Schedules

JOB SERVICE NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	<u>Special Revenue</u>			
	<u>001</u> General Fund	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash in State Treasury	\$ -	\$ 690,665	\$ -	\$ 690,665
Accounts Receivable - Net:				
Refunds	-	35,182	-	35,182
Due From:				
Other Funds	-	27,144	-	27,144
Other State Agencies	59,518	-	-	59,518
TOTAL ASSETS	\$ 59,518	\$ 752,991	\$ -	\$ 812,509
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 48,604	\$ -	\$ -	\$ 48,604
Accrued Payroll	10,914	2,026	-	12,940
Due To:				
Other State Agencies	-	1,142	-	1,142
TOTAL LIABILITIES	59,518	3,168	-	62,686
Fund Balances:				
Assigned	-	749,823	-	749,823
TOTAL FUND BALANCES	-	749,823	-	749,823
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,518	\$ 752,991	\$ -	\$ 812,509

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	<u>Special Revenue</u>			
	<u>001</u> General Fund	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash in State Treasury	\$ -	\$ 580,876	\$ -	\$ 580,876
Due From:				
Other Funds	-	38,710	-	38,710
Other State Agencies	161,950	-	-	161,950
TOTAL ASSETS	<u>\$ 161,950</u>	<u>\$ 619,586</u>	<u>\$ -</u>	<u>\$ 781,536</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 148,906	\$ 5	\$ -	\$ 148,911
Accrued Payroll	13,044	2,471	-	15,515
Due To:				
Other State Agencies	-	595	-	595
TOTAL LIABILITIES	<u>161,950</u>	<u>3,071</u>	<u>-</u>	<u>165,021</u>
Fund Balances:				
Assigned	-	616,515	-	616,515
TOTAL FUND BALANCES	-	616,515	-	616,515
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 161,950</u>	<u>\$ 619,586</u>	<u>\$ -</u>	<u>\$ 781,536</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, 2014**

	Special Revenue			Total Nonmajor Governmental Funds
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	
Revenues				
Other Grants	\$ -	\$ 176,253	\$ -	\$ 176,253
TOTAL REVENUES	-	176,253	-	176,253
Expenditures				
Current:				
Economic Development & Assistance	612,029	42,945	-	654,974
TOTAL EXPENDITURES	612,029	42,945	-	654,974
Excess of Revenues Over (Under) Expenditures	(612,029)	133,308	-	(478,721)
Other Finance Sources				
Transfers In	612,029	-	-	612,029
TOTAL OTHER FINANCE SOURCES	612,029	-	-	612,029
Net change in Fund Balances	-	133,308	-	133,308
Fund Balances at June 30, 2013	-	616,515	-	616,515
Fund Balances at June 30, 2014	\$ -	\$ 749,823	\$ -	\$ 749,823

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013**

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

See accompanying notes to the Financial Statements.

**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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 1,241,683	\$ 1,241,683
Buildings	8,800,604	8,800,604
Machinery and equipment	1,543,566	1,537,683
Intangible Assets	4,532,798	3,768,254
Work in Progress	194,200	570,611
<i>Total governmental funds capital assets</i>	<u>\$ 16,312,851</u>	<u>\$ 15,918,835</u>
 <i>Investments in governmental funds capital assets by source:</i>		
Special revenue funds	<u>\$ 16,312,851</u>	<u>\$ 15,918,835</u>

JOB SERVICE NORTH DAKOTA

**Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2014 and 2013**

<u>June 30, 2014</u>						
<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Intangible Assets</u>	<u>Work in Progress</u>	<u>Total</u>
<i>General government:</i>						
Economic development and assistance	\$ 1,241,683	\$ 8,800,604	\$ 1,543,566	\$ 4,532,798	\$ 194,200	\$ 16,312,851
Total general government	<u>1,241,683</u>	<u>8,800,604</u>	<u>1,543,566</u>	<u>4,532,798</u>	<u>194,200</u>	<u>16,312,851</u>
Total governmental funds capital assets	<u><u>\$ 1,241,683</u></u>	<u><u>\$ 8,800,604</u></u>	<u><u>\$ 1,543,566</u></u>	<u><u>\$ 4,532,798</u></u>	<u><u>\$ 194,200</u></u>	<u><u>\$ 16,312,851</u></u>

<u>June 30, 2013</u>						
<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Intangible Assets</u>	<u>Work in Progress</u>	<u>Total</u>
<i>General government:</i>						
Economic development and assistance	\$ 1,241,683	\$ 8,800,604	\$ 1,537,683	\$ 3,768,254	\$ 570,611	\$ 15,918,835
Total general government	<u>1,241,683</u>	<u>8,800,604</u>	<u>1,537,683</u>	<u>3,768,254</u>	<u>570,611</u>	<u>15,918,835</u>
Total governmental funds capital assets	<u><u>\$ 1,241,683</u></u>	<u><u>\$ 8,800,604</u></u>	<u><u>\$ 1,537,683</u></u>	<u><u>\$ 3,768,254</u></u>	<u><u>\$ 570,611</u></u>	<u><u>\$ 15,918,835</u></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, 2014 and 2013**

June 30, 2014				
Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General government:				
Economic development and assistance	\$ 15,918,835	\$ 1,214,567	\$ 820,551	\$ 16,312,851
Total general government	15,918,835	1,214,567	820,551	16,312,851
Total governmental funds capital assets	\$ 15,918,835	\$ 1,214,567	\$ 820,551	\$ 16,312,851

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

Schedule of Expenditures of Federal Awards

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
<u>U.S. Department of Labor</u>		
<u>Labor Force Statistics</u>	17.002	
Cooperative Agreement LM-24268-14-75-J-38		\$ 430,809
Cooperative Agreement LM-23111-13-75-J-38		145,069
		ST <u>575,878</u>
<u>Temporary Labor Certification for Foreign Workers</u>	17.273	
Alien Labor Certification FY 2014		31,223
Alien Labor Certification FY 2013		62,608
		ST <u>93,831</u>
<u>Unemployment Insurance</u>	17.225	
UI Administration FY 2014		2,756,760
UI Administration FY 2013		4,428,194
UI IT Consortium FY 2009		2,000,000
UI FAC Administration FY 2012 - ARRA		(498)
DUA 2011 Flood FY 2011		(3,791)
DUA 2009 Flood FY 2009		(55)
UI SBR WyCAN FY13		1,130,638
UI Special Administration- ARRA		135,971
UI EUC STATE ADMINISTRATION - FFY 14		290
UI EUC STATE ADMINISTRATION - FFY 13		141,986
UI EUC STATE ADMINISTRATION - FFY 12		13,865
RES - EUC (Reemployment Services)		14,807
UI SBR - Integrity - FFY		382,650
UI SBR - WyCAN Consortium - FFY 11		1,102,102
Federal Unemployment Insurance Benefits		6,816,370
Federal Unemployment Insurance Benefits-FAC-ARRA		(23,614)
State Unemployment Insurance Benefits funded by State Taxes		107,059,782
		ST <u>125,955,457</u>
<u>Trade Adjustment Assistance-Workers</u>	17.245	
TAA Training FY 2014		11,831
TAA Training FY 2013		16,075
TAA Training FY 2012		121,465
TAA Training FY 2011		134,818
ATAA FY 2014		14,479
ATAA FY 2013		10,086
TRA Benefits FY 2014		2,242
TRA Benefits FY 2013		430
		ST <u>311,426</u>
<u>Employment Service</u>	17.207 (2)	
Wagner-Peyser PY 2013		3,565,554
Wagner-Peyser PY 2012		1,842,804
Wagner-Peyser PY 2010		273
Workforce Information Grant PY 2013		214,970
Workforce Information Grant PY 2012		19,672
WOTC Automation Grant		60,000
WOTC FY 2014		46,879
WOTC FY 2013		21,515
		ST <u>5,771,667</u>

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
Disabled Veterans Outreach Program	17.801 (2)	
DVOP FY 2014		356,770
DVOP FY 2013		171,338
		528,108
		ST
Local Veterans' Employment Representative Program	17.804 (2)	
LVER FY 2014		25,121
LVER FY 2013		55,206
		80,327
		ST
Subtotal of 17.207, 17.801, 17.804		6,380,102
Passed Through Governor of North Dakota Workforce Investment Act Adult Program	17.258 (3)	
Grant Number AA-24105-13-55		766,896
Grant Number AA-22948-12-55		1,477,768
Grant Number AA-21408-11-55		15,132
		2,259,796
		ST
Workforce Investment Act Youth Activities	17.259 (3)	
Grant Number AA-24105-13-55		629,169
Grant Number AA-22948-12-55		1,412,101
Grant Number AA-21408-11-55		57,637
		2,098,907
		ST
Workforce Investment Act Dislocated Workers	17.278 (3)	
Grant Number AA-24105-13-55		269,362
Grant Number AA-22948-12-55		167,531
Grant Number AA-21408-11-55		26,263
		463,156
		ST
Subtotal of 17.258-17.260, 17.278		4,821,859
WDQI Pilots, Demonstrations and Research Project	17.261	
Grant Number MI-21183-10-60		297,402
		297,402
Workforce Investment Act Incentive Grant Passed Through ND Department of Education:	17.267	
WIA PY2010 Section 503 -Performance Incentive Grant		(437)
		(437)
Workforce Investment Act Dislocated Worker National Reserve - Demonstration Grant	17.280	
		851,992
		851,992
TOTAL U.S. DEPARTMENT OF LABOR		\$ 139,287,510

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
<u>U.S. Department of Agriculture</u>		
<u>Passed Through ND Department of Human Services:</u>		
<u>State Admin. Matching Grants for Food Stamp Program</u>	10.561	
Food Stamp Employment & Training (Contract Number 410-08217)		\$ 24,230
Food Stamp Employment & Training (Contract Number 410-08692)		73,554
		ST <u>97,784</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		\$ <u><u>97,784</u></u>
<u>U.S. Department of Health and Human Services:</u>		
<u>Passed Through ND Department of Human Services:</u>		
<u>Temporary Assistance for Needy Families</u>	93.558	
Job Opportunities and Basic Skills Program (Contract 405-08445)		\$ 887,795
Parental Employment Pilot Project (Contract 410-08692)		482,616
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		\$ <u><u>1,370,411</u></u>
<u>Unassigned federal costs</u>		<u>(115)</u>
TOTAL OTHER FEDERAL ASSISTANCE		(115)
TOTAL FEDERAL ASSISTANCE ⁽⁴⁾		\$ <u><u>140,755,590</u></u>

(1) Modified accrual basis.

(2) Employment Service Cluster

(3) Workforce Investment Act Cluster

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

Internal Control and Compliance Section



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

Governor Jack Dalrymple
The Legislative Assembly

Cheri Giesen, Executive Director
Job Service North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

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

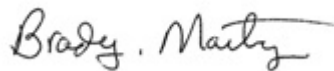
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 17, 2014



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

Cheri Giesen, Executive Director
Job Service North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Job Service North Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Job Service North Dakota's major federal programs for the year ended June 30, 2014. Job Service North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Job Service North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Job Service North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Job Service North Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

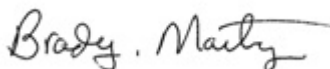
Report on Internal Control Over Compliance

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

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

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

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



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 17, 2014

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ 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:

Unmodified

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

_____ yes x no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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17.225	Unemployment Insurance
17.245	Trace Adjustment Assistance - Workers

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

\$3,000,000

Auditee qualified as a low-risk auditee?

_____ yes x no

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2014**

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, 2014**

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, 2014 audit of Job Service North Dakota are as follows:

Audit Report Communications:

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

Unmodified

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

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

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

No

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

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

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

No.

Audit Committee Communications:

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

None.

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

Job Service North Dakota estimates the amount of unemployment taxes, penalties, and interest that will be receivable and uncollectible. Management estimates the taxes, penalties, and interest at year end by determining the amount of collections from July 1, 2014 to August 15, 2014. The auditor's conclusion is based on the past history of collections and subsequent payment of the receivables after year end.

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

3. Identify any significant audit adjustments.

None.

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

None.

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

None.

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

None.

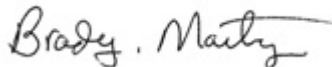
7. Identify any management consultations with other accountants about auditing and accounting matters.

None.

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

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

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



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 17, 2014