Job Service North Dakota

Financial Report For the Year Ending June 30, 2015

Prepared by:
Job Service North Dakota
Finance Department

David G. Krebsbach
Finance Manager

JOB SERVICE NORTH DAKOTA

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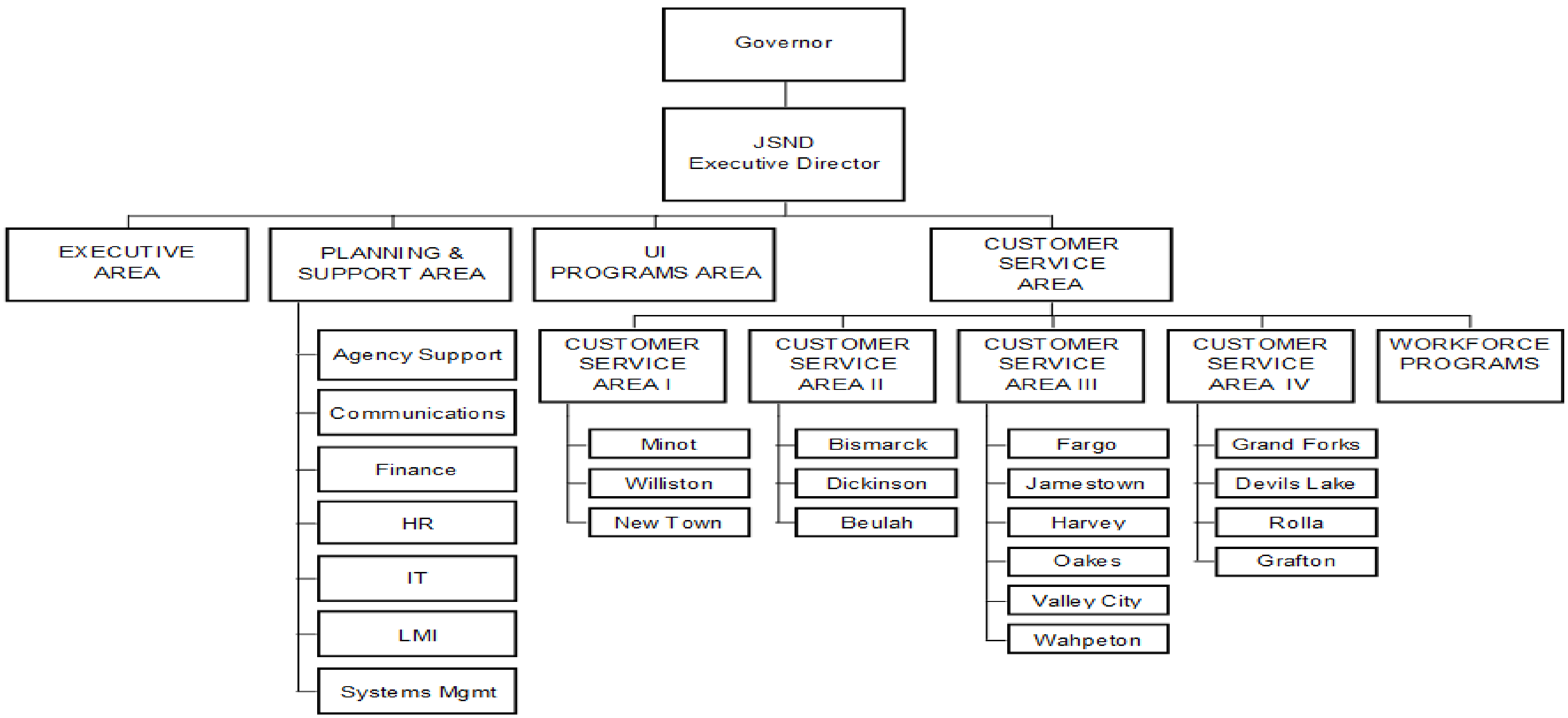
JOB SERVICE NORTH DAKOTA



Independent Auditors' Report

BRADY MARTZ
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 year ended June 30, 2015, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements of the Job Service North Dakota are intended to present the financial position, changes in net position, and 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, 2015, 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.

Also discussed in Note 1 to the financial statements, the Job Service North Dakota adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, the schedule of employer's share of net pension liability and the schedule of employer contributions - pension plans, schedule of employer's share of net pension liability - pension plans, schedule of changes to the net pension liability - pension plans, schedule of funding progress - OPEB, schedule of employer contributions - OPEB and notes to required supplementary schedules, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Job Service North Dakota's basic financial statements. The combining and individual nonmajor fund financial statements 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 October 23, 2015 on our consideration of Job Service North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control over financial reporting and compliance.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 23, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis June 30, 2015

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, 2015 with comparison to the fiscal year ended June 30, 2014.

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 $207.57 million (net position). The increase of $7.13 million (3.56%) over the prior fiscal year is due to an increase in the Governmental Activities of $20.51 million primarily related to implementation of GASB 68, offset by a decrease in the Business-Type Activity of the Unemployment Insurance Trust fund of $13.38 million. The Unemployment Insurance Trust Fund decrease is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was negatively impacted by increased payment of benefits to the unemployed and other states due to a slow down in economic activity related to the oil industry.
- As of the close of the current fiscal year, the Agency's Business-Type funds reported combined ending net position of $176.76 million, a decrease of $13.38 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 $30.81 million, an increase of $20.51 million over the prior year. Of the total, $5.03 million of these assets are the net investment in capital assets, $4.78 million are restricted for other purposes, $32.65 million are restricted for payment of pension benefits and ($11.65) million is unrestricted. The unrestricted net position change from the prior year is due to implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, which requires the agency to record the net pension liability or asset and the deferred pension outflows and inflows of resources.

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, 2015. 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, 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Unemployment Insurance contributions and earned but unused vacation and sick leave.)

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

The government-wide financial statements include only Job Service North Dakota itself; there are no component units reporting to the Agency. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements

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

<u>Governmental Funds</u>

Governmental funds are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide, as a separate schedule, a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*. These reconciliations can be found on pages 12 & 14 of this report.

Job Service North Dakota maintains 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 18 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary Fund

Job Service North Dakota maintains one type of proprietary fund. An *enterprise fund* is used to report the same function presented as a *business-type activity* in the government-wide financial statements. The Agency uses an enterprise fund to account for the Unemployment Insurance Trust fund and its tax collection and benefit payment operations. The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 15-17 of this report.

Government-wide Financial Analysis

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The net position of Job Service North Dakota exceeded liabilities by $207.13 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 2015	Governmental Activities 2014	Business-Type Activities 2015	Business-Type Activities 2014	Total 2015	Total 2014
Revenues:						
Program revenues:						
Charges for services	$ -	$ -	$ 127,328	$ 133,701	$ 127,328	$ 133,701
Operating grants and contributions	25,547	28,010	4,214	3,772	29,761	31,782
Total revenues	$ 25,547	$ 28,010	$ 131,542	$ 137,473	$ 157,089	$ 165,483
Expenses:						
Economic development & assistance	$ 21,420	$ 27,496	$ -	$ -	$ 21,420	$ 27,496
Interest on long-term debt	57	64	-	-	57	64
Unemployment compensation funds	-	-	144,921	113,988	144,921	113,988
Total expenses	$ 21,477	$ 27,559	$ 144,921	$ 113,988	$ 166,398	$ 141,548
Change in net position before transfers and special items	$ 4,070	$ 451	$ (13,379)	$ 23,485	$ (9,309)	$ 23,935
Transfers	1,167	612	-	-	1,167	612
Prior period adjustment	15,275	-	-	-	15,275	-
Change in net position	20,512	1,063	(13,379)	23,485	7,133	24,547
Net Position - Beginning of year	10,300	9,238	190,139	166,654	200,439	175,892
Net Position - End of year	$ 30,812	$ 10,300	$ 176,760	$ 190,139	$ 207,572	$ 200,439

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

	Governmental Activities		Business-Type Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 41,388	$ 10,408	$ 189,038	$ 198,276	$ 230,426	$ 208,684
Capital assets	6,493	6,935	-	-	6,493	6,935
Total assets	47,881	17,343	189,038	198,276	236,919	215,619
Deferred outflows of resources	$ 1,428	$ -	$ -	$ -	$ 1,428	$ -
Noncurrent liabilities	2,643	2,946	-	-	2,643	2,946
Other liabilities	10,539	4,097	12,278	8,137	22,817	12,234
Total liabilities	13,182	7,043	12,278	8,137	25,460	15,180
Deferred inflows of resources	$ 5,315	$ -	$ -	$ -	$ 5,315	$ -
Net Position:						
Net investment in capital assets	5,027	5,196	-	-	5,027	5,196
Restricted	37,432	4,876	176,760	190,139	214,192	195,015
Unrestricted	(11,647)	228	-	-	(11,647)	228
Total net position	$ 30,812	$ 10,300	$ 176,760	$ 190,139	$ 207,573	$ 200,439

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 $207.57 million as of June 30, 2015 and $200.44 million as of June 30, 2014 include $30.81 million and $10.30 million in assets of the Governmental Activities, respectively, and $176.76 million and $190.14 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities
The net position as of June 30, 2015 and 2014, related to governmental activities, are $30.81 million and $10.30 million, respectively. The net position as of June 30, 2015 and 2014 include, $5.03 million and $5.20 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.

The restricted net position includes $4.78 million 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.

Of the remaining net position, $32.65 million is classified as restricted for Pension Assets and ($11.65) million are classified as unrestricted net position and is primarily due to booking the net pension assets, liabilities and deferred inflows and outflows of resources with implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.

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 $176.76 million and $190.14 million at June 30, 2015 and June 30, 2014, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of $164.35 million at June 30, 2015 and $177.73 million at June 30, 2014 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, 2015 and $12.41 million at June 30, 2014, 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 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 194.66% from 2014 to 2015. This increase, was primarily due to implementation of GASB 68, which requires booking the net pension assets, liabilities and deferred inflows and outflows of resources.

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

The 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, 2015 charges for service revenue decreased by $6.37 million over the prior year mainly due to a $5.35 million decrease in Federal Benefit Reimbursements and a decrease of $1.20 million of Unemployment Insurance contributions. The federal benefit reimbursement decrease is due to the extended unemployment benefit program ending and reduced federal benefit claims. The Unemployment Insurance contribution decrease is due to a slowdown in the energy sector in North Dakota, lower employment and a reduction in the average unemployment insurance tax rates to employers.

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 $36.42 million, while Federal Unemployment Benefits expense decreased by $5.35 million for the year ended June 30, 2015. The State Unemployment Insurance Benefit expense increase was due to an increase in unemployment claims due to the energy industry slowdown 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 decreased 7.04% 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 $6.49 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to $6.94 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 55-57.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2015 and June 30, 2014 were $11.10 million and $3.85 million, respectively, and includes the Agency's Other Post Employment Benefits of $1.07 million, the net Pension Liability of $7.39 million due to implementation of GASB 68, a capitalized lease for the Bismarck/Mandan customer service office, equipment capital leases, and compensated absences. Of the current year balance, $.39 million is classified as due within one year on the Statement of Net Position. The remaining liability of $2.25 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	
	2015	2014	2015	2014	2015	2014
Current liabilities:						
Accounts payable	$ 257	$ 1,335	$ 4,016	$ 2,837	$ 4,273	$ 4,172
Accrued payroll	1,457	1,402	-	-	1,457	1,402
Interest payable	4	4	-	-	4	4
Other current liabilities	365	448	8,262	5,300	8,626	5,749
Noncurrent liabilities:						
Net OPEB Obligation	1,066	907	-	-	1,066	907
Net Pension Liability	7,390	-	-	-	7,390	-
Due within one year	389	388	-	-	389	388
Due in more than one year	2,254	2,558	-	-	2,254	2,558
Total liabilities	$ 13,182	$ 7,043	$ 12,278	$ 8,137	$ 25,460	$ 15,180

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

Financial Analysis of Appropriated Budget

The Agency's biennial budget can be found on page 18. The agency had an overall favorable variance of $27.09 million due to reductions in federal funding of several of the agencies grant programs. 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. 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. 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 WIOA, Wagner Peyser and Unemployment Insurance. Sequestration, the automatic spending cuts provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985, if enacted again, will reduce future funding for the agency.

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

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

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

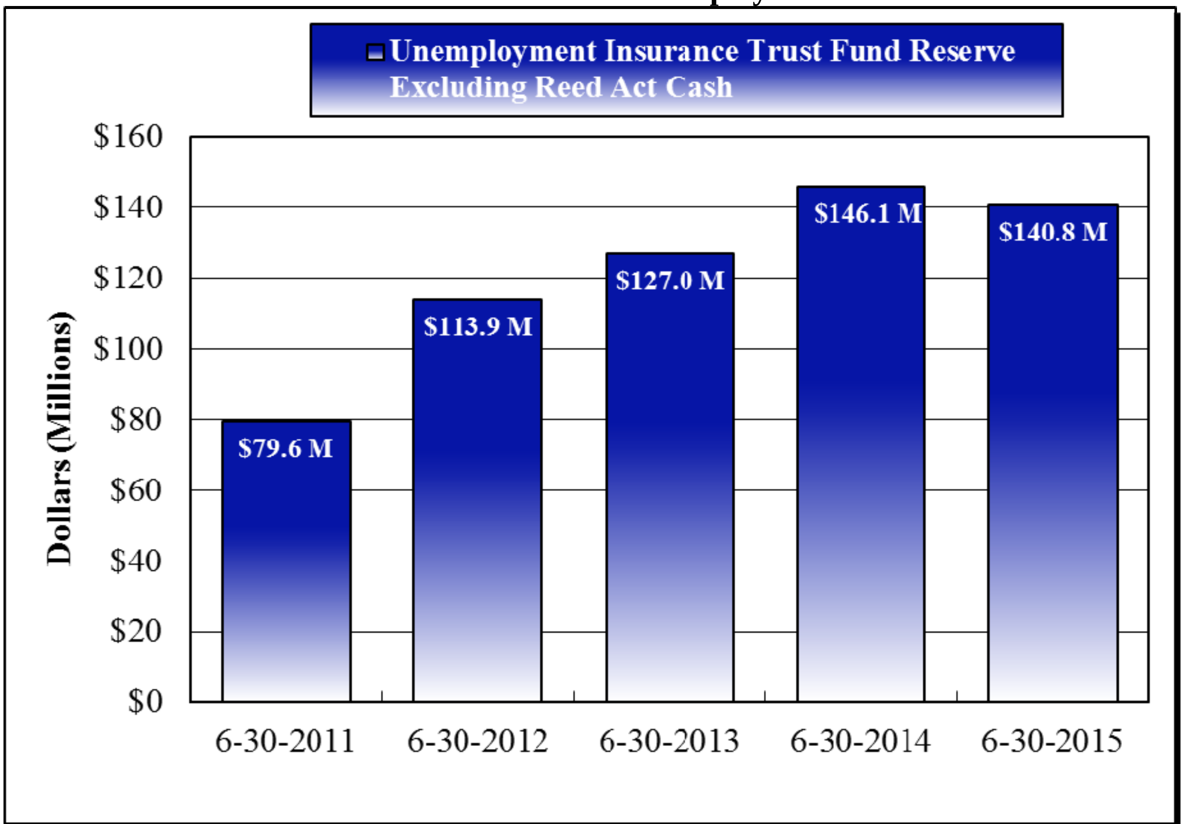
State of North Dakota Legislation:
The 64th (2015) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

HB 1016, Job Service North Dakota Appropriations

This bill includes a base budget appropriation for Job Service North Dakota, and an appropriation for $12,407,000 of Reed Act funds for the Unemployment Insurance computer modernization program.

Unemployment Insurance Trust Fund Reserve:

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has decreased by $5.3 Million, a three percent decrease from a year ago. This decrease is due to an increase in unemployment benefit claim payments and a decrease in the average unemployment insurance tax rates to employers.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
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
6-30-2015	140,829,944	12,406,363	153,236,307

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

Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash equivalents	$ 1,273,399	$ 152,482,311	$ 153,755,710
Investments	4,500,000	-	4,500,000
Receivables, net	842,766	32,447,115	33,289,881
Due From:			
Other Funds	94,772	61	94,833
Federal Government	1,769,780	86,301	1,856,081
Other State Agencies	182,074	-	182,074
Other States	-	4,022,170	4,022,170
Prepaid Items	74,772	-	74,772
Pension Assets	32,650,195	-	32,650,195
Capital Assets (net of accumulated depreciation):			
Land	1,241,683	-	1,241,683
Buildings, Equipment, and Other Depreciable Assets	4,939,845	-	4,939,845
Work in Progress	311,956	-	311,956
TOTAL ASSETS	47,881,242	189,037,958	236,919,200
DEFERRED OUTFLOWS OF RESOURSES			
Deferred Pension Outflows	1,427,951	-	1,427,951
LIABILITIES			
Accounts Payable	256,854	4,016,305	4,273,159
Interest Payable	4,031	-	4,031
Accrued Payroll	1,457,173	-	1,457,173
Due To:			
Other Funds	94,833	-	94,833
Federal Government	-	208	208
Other States	-	5,317,035	5,317,035
Other State Agencies	270,027	2,944,193	3,214,220
Net OPEB Obligation	1,066,404	-	1,066,404
Net Pension Liability	7,389,712	-	7,389,712
Noncurrent liabilities:			
Due within one year	389,080	-	389,080
Due in more than one year	2,254,329	-	2,254,329
TOTAL LIABILITIES	13,182,443	12,277,741	25,460,184
DEFERRED INFLOWS OF RESOURSES			
Deferred Pension Inflows	5,314,766	-	5,314,766
NET POSITION			
Net Investment in Capital Assets	5,027,389	-	5,027,389
Restricted for:			
Unemployment Insurance Benefits	-	164,353,854	164,353,854
Unemployment Insurance Benefits and/or Other Purposes	-	12,406,363	12,406,363
Federal Advance Intererest Repayment Account	4,782,059	-	4,782,059
Pension Assets	32,650,195	-	32,650,195
Unrestricted	(11,647,659)	-	(11,647,659)
TOTAL NET POSITION	$ 30,811,984	$ 176,760,217	$ 207,572,201

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Activities
For the Fiscal Year Ended June 30, 2015

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	$ 21,419,954	$ -	$ 25,547,397	$ 4,127,443	$ -	$ 4,127,443
Interest on long-term debt	57,340	-	-	(57,340)	-	(57,340)
Total governmental activities	21,477,294	-	25,547,397	4,070,103	-	4,070,103
Business-type activities:						
Unemployment Compensation Funds	144,920,974	127,328,232	4,213,870	-	(13,378,872)	(13,378,872)
Total business-type activities	144,920,974	127,328,232	4,213,870	-	(13,378,872)	(13,378,872)
Total primary government	$ 166,398,268	$ 127,328,232	$ 29,761,267	4,070,103	(13,378,872)	(9,308,769)
		Transfers		1,167,307	-	1,167,307
		Change in Net Position		5,237,410	(13,378,872)	(8,141,462)
		Net Position, July 1, 2014, as originally stated		10,300,157	190,139,089	200,439,246
		Prior Period Adjustment GASB 68 implementation		15,274,417	-	15,274,417
		Net Position, July 1, 2014, as restated		25,574,574	190,139,089	215,713,663
		Net Position, June 30, 2015		$ 30,811,984	$ 176,760,217	$ 207,572,201

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Balance Sheet
Governmental Funds
June 30, 2015

	Federal Fund	Federal Advance Interest Repayment Account	Nonmajor Governmental Funds	Total
ASSETS				
Cash Deposits At The Bank of North Dakota	$ -	$ 224,049	$ -	$ 224,049
Cash in State Treasury	-	-	1,049,350	1,049,350
Investments At The Bank of North Dakota	-	4,500,000	-	4,500,000
Accounts Receivable - Net:				
Refunds	-	-	-	-
Accrued Interest	-	247	-	247
Penalty and/or Interest	-	842,519	-	842,519
Due From:				
Other Funds	-	-	94,772	94,772
Federal Government	1,769,780	-	-	1,769,780
Other State Agencies	124,612	-	57,462	182,074
Prepaid items	74,772	-	-	74,772
TOTAL ASSETS	$ 1,969,164	$ 5,566,815	$ 1,201,584	$ 8,737,563
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 153,897	$ -	$ 102,957	$ 256,854
Accrued Payroll	1,439,142	-	18,031	1,457,173
Due To:				
Other Funds	32,650	62,122	61	94,833
Other State Agencies	268,703	-	1,324	270,027
Unpaid Penalty and Interest	-	722,634	-	722,634
TOTAL LIABILITIES	1,894,392	784,756	122,373	2,801,521
Fund Balances:				
Non-spendable	74,772	-	-	74,772
Restricted	-	4,782,059	-	4,782,059
Assigned	-	-	1,079,211	1,079,211
TOTAL FUND BALANCES	74,772	4,782,059	1,079,211	5,936,042
TOTAL LIABILITIES AND FUND BALANCES	$ 1,969,164	$ 5,566,815	$ 1,201,584	$ 8,737,563

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds		$5,936,042
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)		32,650,195
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	$ 1,241,683	
Buildings, equipment, and other depreciable assets	14,991,549	
Work in progress	311,956	
Accumulated depreciation	(10,051,704)	6,493,484
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.		722,634
Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.		1,427,951
Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.		(5,314,766)
The Net Pension liability relating to retirement plans		(7,389,712)
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)		(1,066,404)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)		
Compensated absences	(1,177,314)	(1,177,314)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. This is the net effect of these balances on the statement. (Note 10)		
Capital Lease - Bismarck/Mandan Office	(1,286,500)	
Capital Lease - IT Equipment	(148,099)	
Capital Leases - Equipment	(31,496)	
Accrued interest payable	(4,031)	(1,470,126)
Net Position of Governmental Activities		$ 30,811,984

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Federal Fund	Federal Advance Interest Repayment Account	Nonmajor Governmental Funds	Total
Revenues				
Federal Grants	$ 24,094,538	$ -	$ -	$ 24,094,538
Interest Earnings	10	7,634	-	7,644
Penalty and/or Interest	-	1,095,447	-	1,095,447
Other Grants	-	-	349,768	349,768
TOTAL REVENUES	24,094,548	1,103,081	349,768	25,547,397
Expenditures				
Current:				
Economic Development & Assistance	23,870,016	372,998	1,187,687	25,430,701
Capital Outlays	224,532	-	-	224,532
TOTAL EXPENDITURES	24,094,548	372,998	1,187,687	25,655,233
Excess of Revenues Over (Under) Expenditures	-	730,083	(837,919)	(107,836)
Other Finance Sources (Uses)				
Transfers In	-	-	1,167,307	1,167,307
Capital Lease	-	-	-	-
TOTAL OTHER FINANCE SOURCES	-	-	1,167,307	1,167,307
Net change in Fund Balances	-	730,083	329,388	1,059,471
Fund Balances at July 1, 2014	74,772	4,051,976	749,823	4,876,571
Fund Balances at June 30, 2015	$ 74,772	$ 4,782,059	$ 1,079,211	$ 5,936,042

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds	$ 1,059,471
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)	4,485,076
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.	(441,699)
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.	273,518
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.	
Increase(decrease) in Unpaid Penalty and Interest	(9,266)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Position and have been eliminated from the Statement of Activities.	
Decrease in compensated absences.	29,242
Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	(158,932)
Changes in net position of governmental activities	$ 5,237,410

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Net Position
Proprietary Fund
June 30, 2015

		Unemployment Insurance
ASSETS		
Current Assets:		
Cash Deposits At The Bank of North Dakota	$	197,663
Cash and Cash Equivalents in U.S. Treasury		152,284,648
Interest Receivable - Unemployment Insurance Trust Fund		951,659
Accounts Receivable - Net:		
Unemployment Insurance Contributions		30,034,799
Unemployment Insurance Overpayments - Benefits & Interest		1,460,657
Due From:		
Due from other Funds		61
Federal Government		86,301
Other States		4,022,170
TOTAL ASSETS		189,037,958
LIABILITIES		
Current Liabilities:		
Benefits Payable		1,384,955
Unemployment Insurance Overpayments - Contributions		2,631,350
Due To:		
Federal Government		208
Other States		5,317,035
Other State Agencies		2,944,193
TOTAL LIABILITIES		12,277,741
NET POSITION		
Restricted for:		
Unemployment Insurance Benefits		164,353,854
Unemployment Insurance Benefits and/or Other Purposes		12,406,363
TOTAL NET POSITION	$	176,760,217

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Unemployment Insurance
Operating Revenues:	
Unemployment Insurance Contributions	$ 125,432,042
Federal Benefit Reimbursements	1,440,716
Unemployment Insurance Overpayments - Interest	455,474
TOTAL OPERATING REVENUES	127,328,232
Operating Expenses:	
Unemployment Insurance Benefits	143,480,258
Federal Unemployment Insurance Benefits	1,440,716
TOTAL OPERATING EXPENSES	144,920,974
Operating Income(Loss)	(17,592,742)
Nonoperating Revenues:	
Interest Earnings	4,213,870
TOTAL NONOPERATING REVENUES	4,213,870
Change in Net Position	(13,378,872)
Total Net Position at July 1, 2014	190,139,089
Total Net Position at June 30, 2015	$ 176,760,217

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Unemployment Insurance
Cash Flows from Operating Activities	
Receipts from employers	$ 123,100,228
Receipts from other states	9,276,723
Payments to other states	(18,195,480)
Payments to employers	(2,235,209)
Benefits Paid to claimants	(121,787,048)
Overpayment Interest from claimants	454,804
Net cash (used in)/provided by operating activities	(9,385,982)
Cash Flows from Investing Activities	
Interest on investments	4,196,040
Net cash provided by investing activities	4,196,040
Net change in cash and cash equivalents	(5,189,942)
Cash and cash equivalents at July 1, 2014	157,672,253
Cash and cash equivalents at June 30, 2015	$ 152,482,311
Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:	
Operating income(Loss)	$ (17,592,742)
Net changes in assets and liabilities:	
Contributions Receivable	6,415,565
Due from Other Funds	169
Due from Other States	(2,176,672)
Unemployment Insurance Overpayments - Benefits & Interest	(180,269)
Due from Federal Government	7,540
Benefits Payable	709,147
Unemployment Insurance Overpayments - Contributions	470,545
Due To: Other States	906,759
Due To: Other State Agencies	2,053,938
Due To: Federal Government	38
Net cash (used in)/provided by operating activities	$ (9,385,982)

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Appropriations
For the Fiscal Year Ended June 30, 2015

	Approved Budget 2013-2015 Biennium	*Appropriation Adjustments 2013-2015 Biennium*	*Adjusted Budget 2013-2015 Biennium*	*Actual Expenditures*		*Variance Favorable (Unfavorable)*
				2014	*2015*	
Revenue:						
General Fund	$ 2,033,755	$ 21,241	$ 2,054,996	$ 612,029	$ 1,167,307	$ 275,660
Federal Funds	77,206,471	1	77,206,472	26,828,279	24,094,548	26,283,645
Other Funds	591,057	-	591,057	42,946	20,380	527,731
Total Revenues	$ 79,831,283	$ 21,242	$ 79,852,525	$ 27,483,254	$ 25,282,235	$ 27,087,036
Expenditures By Line Item:						
Salaries and Wages	$ 36,227,798	$ 126,242	$ 36,354,040	$ 16,584,249	$ 16,913,595	$ 2,856,196
Accrued Leave Payments	1,479,868	-	1,479,868	90,084	145,686	1,244,098
Operating Expenses	18,807,700	(105,000)	18,702,700	8,108,715	5,689,944	4,904,041
Capital Assets	20,000	-	20,000	1,944	1,903	16,153
Grants Benefits & Claims	8,850,497	-	8,850,497	2,214,384	1,619,589	5,016,524
Workforce 20/20	1,541,924	-	1,541,924	347,907	911,518	282,499
Reed Act - Unemployment	12,407,000	-	12,407,000	-	-	12,407,000
Federal Stimulus Funds - 2009	496,496	-	496,496	135,971	-	360,525
Total Expenditures	$ 79,831,283	$ 21,242	$ 79,852,525	$ 27,483,254	$ 25,282,235	$ 27,087,036

See accompanying notes to the Financial Statements

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted, committed and assigned resources, in this order, then unrestricted resources as they are needed. See note 15 Restricted Net Position on pages 42 and 43 for detailed information of the agencies fund balances utilizing GASB 54 classifications.

The following is a summary of the more significant polices:

A. <u>Reporting Entity</u>

In accordance with 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, <u>and</u>
- The Agency or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, <u>and</u>
- 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. <u>Government-Wide and Fund Financial Statements</u>

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Financial Statement Presentation

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

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

E. Investments

Certificates of deposits are 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
Infrastructure	15 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. Pensions

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

K. Accounting Estimates

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

L. Prior Period Adjustments

GASB 68, *Accounting and Financial Reporting for Pensions* has been implemented for the year ending June 30, 2015. Job Service North Dakota has recorded a prior period adjustment in the Statement of Activities to reflect the net pension (liability) asset and deferred outflows.

June 30, 2015

	Job Service North Dakota Retirement Plan	ND Public Employees Retirement System	Prior Period Adjustment
Prior Period Adjustment to net position to record net pension (liability) asset	$ 24,326,156	$ (8,546,879)	$ 15,779,277
Prior Period Adjustment to remove previous net pension asset recorded	(1,614,175)	-	(1,614,175)
Prior Period Adjustment to move prior year actual employer contributions to deferred outflows	31,856	1,077,459	1,109,315
	$ 22,743,837	$ (7,469,420)	$ 15,274,417

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:

	2015
Capital Outlays	$ 246,425
Depreciation Expense	(688,124)
Net adjustment to decrease (increase) *net changes in fund balances -- total governmental funds* to arrive at *change in net position of governmental activities*	$ (441,699)

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:

		2015
Debt Issued	$	(7,387)
Principal repayments:		
General obligation debt		280,604
Change in Interest Payable		301
Net adjustment to decrease *net changes in fund balances -- total governmental funds* to arrive at *change in net position of governmental activities*	$	273,518

NOTE 3 – <u>Deposits and Investments</u>

A. <u>Deposits</u>

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

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

June 30, 2015

			Fair Value
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents		$	421,712
Cash in State Treasury recorded as Cash and Cash Equivalents			1,049,350
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents			139,878,285
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents			12,406,363
	Totals	$	153,755,710

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, 2015

	Fair Value	Less than one Year
Certificates of Deposit at the Bank of North Dakota recorded as Investments	$ 4,500,000	$ 4,500,000

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 2015. 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, 2015

	Unemployment Insurance Contributions	*Penalty and/or Interest*	*Unemployment Insurance Overpayments-Benefits & Interest*	*Interest*	*State Refunds*	*Total*
Total Receivable	$ 33,425,919	$ 3,118,469	$ 7,526,420	$ 951,906	$ -	$ 45,022,714
Less: Allowance for Doubtful Accounts	3,391,120	2,275,950	6,065,763	-	-	11,732,833
Net Receivable	$ 30,034,799	$ 842,519	$ 1,460,657	$ 951,906	$ -	$ 33,289,881

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 $722,634 as of June 30, 2015, and represents an amount expected to be received after one year. The residual amounts of $119,885 on June 30, 2015, were recorded as revenue and were expected to be received within one year.

NOTE 5 – __Capital Assets__

Governmental Activities	Beginning Balance July 1, 2014	Additions	Deletions	Ending Balance June 30, 2015
Capital Assets, not being depreciated:				
Land	$ 1,241,683	$ -	$ -	$ 1,241,683
Work in Progess - UI Modernization	194,200	117,756	-	311,956
Total capital assets, not being depreciated	1,435,883	117,756	-	1,553,639
Capital Assets, being depreciated:				
Buildings	8,800,604	-	-	8,800,604
Infrastructure	-	23,206	-	23,206
Equipment	1,543,566	79,052	-	1,622,618
Intangible Assets	4,532,798	26,411	14,089	4,545,120
Total Capital Assets, being depreciated	14,876,968	128,669	14,089	14,991,548
Less accumulated depreciation for:				
Buildings	4,856,771	173,534	-	5,030,305
Infrastructure	-	1,289	-	1,289
Equipment	1,447,297	21,877	-	1,469,174
Intangible Assets	3,073,600	491,424	14,089	3,550,935
Total accumulated depreciation	9,377,668	688,124	14,089	10,051,703
Total capital assets, being depreciated, net	5,499,300	(559,455)	-	4,939,845
Governmental activity capital assets, net	$ 6,935,183	$ (441,699)	$ -	$ 6,493,484

Federal resources have funded all equipment. Additions to Work in Progress during 2015 include $117,756 for the Unemployment Insurance Benefit Purge project. 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).

General Information about the Pension Plans

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 3% and employer contribution rates are 11.12% of covered compensation.

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

At June 30, 2015, the Employer reported a liability of $7,389,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the Employer's proportion was 1.164245 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of $1,148,338. At June 30, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 239,585	$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(1,442,502)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date (see below)	1,159,714	0
Total	$ 1,399,299	$ (1,442,502)

$1,159,714 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

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

Year ended June 30:	
2016	($309,650)
2017	(309,650)
2018	(309,650)
2019	(309,650)
2020	35,683
Thereafter	0

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years.. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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 Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 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.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	$11,397,119	$7,389,712	$4,038,967

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

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

The Retirement Plan for Employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the Agency. Information herein is based on the most current actuarial valuation report (as of July 1, 2014).

Pension Benefits

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

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

- o 2.0% times years of credited service in excess of 10.

Effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index. However, no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.

Information included herein is based on the most current actuarial valuation report (as of July 1, 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	13
TOTAL	227

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.

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

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

Member and Employer Contributions

Member and employer contributions paid to the Plan Administrator are set by statute and are established as a percent of covered compensation. Member contribution rates are 3% and employer contribution rates are 4% of covered compensation.

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

At June 30, 2015, the Employer reported an asset of $32,650,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2015, the Employer recognized pension expense of $(4,423,123). At June 30, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 0	$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(3,872,264)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date (see below)	28,652	0
Total	$ 28,652	$ (3,872,264)

$28,652 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measure date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	($968,066)
2017	(968,066)
2018	(968,066)
2019	(968,066)
2020	0
Thereafter	0

***Actuarial assumptions*.** The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	5.00% per annum
Investment rate of return	8.00%, net of investment expense, including inflation
Cost-of-living adjustments	5.00%

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	9%	7.00%
Domestic Fixed Income	55%	1.17%
International Fixed Income	5%	0.90%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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 Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 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.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	$(26,305,241)	$(32,650,195)	$(38,110,962)

Pension plan fiduciary net position. The components of the net pension liability of the plan at June 30, 2015 is as follows:

Schedule of Changes to the Net Pension Liability and Related Ratios

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)		(1,006,368)
Total pension liability (asset) - beginning		66,052,801
Total pension liability (asset) - ending (a)	$	65,046,433
Plan fiduciary net position		
Contributions - employer	$	-
Contributions - employee		55,748
Service credit repurchase		-
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		7,317,671
Plan fiduciary net position - beginning		90,378,957
Plan fiduciary net position - ending (b)	$	97,696,628
Net pension liability (asset) - ending (a) - (b)	$	(32,650,195)
Plan fiduciary net position as a percentage of the total pension liability (asset)		150.20%
Actual covered employee payroll	$	752,999
Plan net pension liability (asset) as a percentage of covered employee payroll		(4336.02)%

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

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

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

North Dakota Defined Contribution Retirement Plan

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

Death and disability benefits are set by statute. Upon the death of a participating employee or former participating employee, the vested balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the Agency is eligible to receive a distribution of the vested balance. To qualify under this section, the employee must meet the criteria established by the plan for being totally disabled.

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

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

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

Contributions are set by state stature and are a percentage of salaries and wages. Employee contributions are 7% and employer contributions are established at 7.12%. The Agency paid for 3% of the employee contribution percentage during the fiscal year ended June 30, 2015. Employer contributions totaled $36,262 for the year ending June 30, 2015.

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.

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

B. Met Life Insurance Benefit

1. Plan Description

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

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

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 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	165	213

C. Contributions Required and Made

The funding policy of the plans thru June 30, 2015 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
Actuarial Cost Method	Entry Age actuarial cost method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

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

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

	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	(38,542)	(29,341)	(67,883)
Annual OPEB costs	360,521	110,585	471,106
Contributions made	260,155	52,019	312,174
Increase in net OPEB obligation	100,366	58,566	158,932
Net OPEB obligations, beginning of year	526,750	380,722	907,472
Net OPEB obligations, end of year	$ 627,116	$ 439,288	$ 1,066,404

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

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

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 $1,659,528 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, 2015, 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 $1,959,421 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded. $1,309,445 of these commitments are to contractors to build a new Unemployment Insurance computer system.

NOTE 9 – Lease Commitments

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for operating leases for the year ended June 30, 2015 were approximately $379,272.

Future minimum operating lease commitments are:

Year ending June 30:	Amount
2016	$ 336,443
2017	180,944
2018	1,380
Total	$ 518,767

No lease commitments extend beyond June 2018.

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, 2015 was $1,177,314.

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, 2015:

Year ending June 30:	Governmental Activities
2016	$ 332,503
2017	276,956
2018	216,245
2019	213,775
2020	217,525
2021-2023	443,400
Total Minimum Lease Payments	1,700,404
Less: Amount Representing Interest	234,309
Present Value of Future Minimum Lease Payments	$ 1,466,095

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, 2015 is as follows:

	Governmental Activities
Grand Forks Buliding	$ 1,676,260
Bismarck/Mandan Building	2,187,530
Information Technology Equipment	957,542
Equipment	71,618
Less: Accumulated Depreciation	(2,135,274)
Total	$ 2,757,676

C. Changes in Noncurrent Liabilities

Governmental Activities	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	$ 1,206,556	$ 912,882	$ 942,124	$ 1,177,314	$ 108,548
Capital Leases	1,739,312	7,387	280,604	1,466,095	280,532
Total other liabilities	2,945,868	920,269	1,222,728	2,643,409	389,080
Total Long-Term Liabilities	$ 2,945,868	$ 920,269	$ 1,222,728	$ 2,643,409	$ 389,080

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

During 2015, an address printer was added as a capital lease.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2015

Governmental Funds	**Due From**	**Due To**
Job Service Special Fund	$ 94,772	$ 61
Federal Advance Interest Repayment Account		62,122
Federal Funds	-	32,650
Total	$ 94,772	$ 94,833

Proprietary Fund	**Due From**	**Due To**
Unemployment Insurance	61	-
Total	$ 61	$ -

*NOTE 12 – **Statement of Appropriation Reconciliation***

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

Budget Based Expenditures as per page 18:	$ 25,282,235
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	21,419,954
Governmental Activities - Interest on long-term debt	57,340
Business-type Activities - UC Funds	144,920,974
Subtotal	166,398,268
Less:	
Business-type Activities - UC Funds	144,920,974
FAIRA	372,998
Pension Assets at June 30, 2014	1,614,175
Pension Liability at June 30, 2015	7,389,712
Deferred inflows - Pensions	5,314,766
Prior Period Adjustment - GASB 68 implementation	15,274,417
Addition to Noncurrent Liabilities-Compensated Absences	912,882
Addition to Capital Lease	7,387
Depreciation Expense	688,124
Interest Payable at June 30, 2015	4,031
Net change in Unpaid Penalty and Interest	9,266
OPEB Expense at June 30, 2015	158,932
Subtotal	176,667,664
Plus:	
Net Capital Asset Additions	246,425
Reduction to Noncurrent Liabilities-Capital Lease	280,604
Reduction to Noncurrent Liabilities-Compensated Absences	942,124
Pension Assets at June 30,2015	32,650,195
Deferred outflows - Pensions	1,427,951
Interest Payable at June 30, 2014	4,332
Subtotal	35,551,631
Adjusted GAAP Expenditures	$ 25,282,235

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, 2015

	Federal Fund	Nonmajor Governmental Funds	Proprietary Fund
A. *Due From Other State Agencies*			
Department of Human Services	$ 124,612	$ -	$ -
General Fund	-	57,462	-
Total	$ 124,612	$ 57,462	$ -
B. *Due To Other State Agencies*			
Office of Management and Budget	$ 335	$ -	$ -
ND State College of Science	3,474	-	-
Lake Region State College	7,227	-	-
Bismarck State College	3,726	-	-
Dakota College at Bottineau	1,552	-	-
North Dakota State University	1,384	-	-
Information Technology Department	76,118	-	-
Office of the State Treasurer	160,027	-	-
Office of the Attorney General	10,324	-	-
Department of Transportation	4,536	1,324	-
Bank of North Dakota	-		2,944,193
Total	$ 268,703	$ 1,324	$ 2,944,193

C. *Transfers*

	Transfer In
Nonmajor Governmental Funds	
General Fund Appropriation	$ 1,167,307
Total	$ 1,167,307

D. Capital Leases

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

Year ending June 30:	
2016	$ 213,056
2017	214,075
2018	214,325
2019	213,775
2020	217,525
2021-2023	443,400
Less: amount representing interest	(229,656)
Present value of future minimum lease payments	$ 1,286,500

NOTE 14 – Risk Management

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

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

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

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

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

NOTE 15 –Net Position and Fund Balance

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

The amount of $164,353,854 on June 30, 2015 represents 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, 2015 represents the Department of Labor distribution of Reed Act resources into each state's trust fund in March of 2002. Federal law governs how the distribution may be expended. The 2002 distribution is available for the payment of Unemployment Insurance benefits to claimants and, if appropriated, the administration of the state's Unemployment Insurance and Employment Service programs.

An amount of $4,782,059 on June 30, 2015 represents the Federal Advance Interest Repayment Account fund balance of $4,782,059 as restricted by enabling legislation. These resources may only be expended for building bond principal and interest payments, major facility projects and office building lease payments.

An amount of $32,650,195 on June 30, 2015 represents the Pension Assets of the Job Service North Dakota Retirement Plan. These resources are restricted to payment of retirement benefits to Job Service North Dakota Retirement plan participants.

The GASB 54 fund balance classifications are presented below:

	Fund Balances as of June 30, 2015			
	Non-spendable	**Restricted**	**Assigned**	**Total**
Fund Balances:				
Job Service Special Fund New Jobs Program	$ -	$ -	$ 1,079,211	1,079,211
Federal Advance Interest Repayment Account	-	4,782,059	-	4,782,059
Federal Fund	74,772	-	-	74,772
Total	$ 74,772	$ 4,782,059	$ 1,079,211	$ 5,936,042

NOTE 16 – <u>GASB Pronouncements</u>

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

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*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 752,999	$ 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
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily determined contribution	$ 698,284	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	(698,284)	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 9,807,357	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	7.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Employer's proportion of the net pension liability (asset)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	(32,650,195)	-	-	-	-	-	-	-	-	-
Employer's covered-employee payroll	752,999	-	-	-	-	-	-	-	-	-
Plan fiduciary net position	97,696,628	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(4336.02)%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	150.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Employer's proportion of the net pension liability (asset)	1.164245%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	$7,389,712	-	-	-	-	-	-	-	-	-
Employer's covered-employee payroll	$9,807,357	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

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

For the Ten Years Ended June 30*	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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)	(1,006,368)									
Total pension liability (asset) - beginning	66,052,801									
Total pension liability (asset) - ending (a)	$ 65,046,433									
Plan fiduciary net position										
Contributions - employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions - employee	55,748									
Service credit repurchase	-									
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	7,317,671									
Plan fiduciary net position - beginning	90,378,957									
Plan fiduciary net position - ending (b)	$ 97,696,628									
Net pension liability (asset) - ending (a) - (b)	$ (32,650,195)									

*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress OPEB
For the Year Ended June 30, 2015

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

JOB SERVICE NORTH DAKOTA

Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions OPEB
For the Year Ended June 30, 2015

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

Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2015

NOTE 1 – __Description of Schedule of Funding Progress__

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

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

NOTE 2 – __Actuarial Assumptions and Methods__

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

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

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

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

Significant actuarial assumptions employed by the actuaries for funding purposes as of July 1, 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

Disability Incidence: Sample rates shown below.

OPEB Withdrawal rates: Sample rates shown below.

	Mortality		***Disability***	
	Male	**Female**	***Incidence***	***Withdrawal***
20	0.48	0.28	0.00	54.40
35	0.85	0.45	1.30	47.00
50	2.33	1.31	2.90	24.70
60	7.09	3.86	5.90	0.90

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

Pension Plan Withdrawal rates: Sample rates shown below.

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

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

Retirement age:

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

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

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

Retirement *Age*	**Rates of Retirement**
55-59	4.0%
60	6.0%
61	12.0%
62	25.0%
63-64	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: *Pension Plan*: 85% of all active and inactive vested participants are assumed to be married.
OPEB Plans: 70% of participants are assumed to be married with husbands being 3 years older than spouses.

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

Rate of return: *Pension Plan* **-** 8.0%. 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.
OPEB Benefit Plans – 4.5% per year compounded annually, net of investment fees and administrative expenses.

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

Actuarial value of assets: *Pension Plan*: The plan's assets are reported without smoothing.
OPEB Plans: As of June 30, 2015 and June 30, 2014, there is $0 in valuation assets available to offset the liabilities of the plans.

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

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

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

Combining and Individual Fund Statements and Schedules

JOB SERVICE NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue			
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash in State Treasury	$ -	$ 1,049,350	$ -	$ 1,049,350
Due From:				
Other Funds	-	94,772	-	94,772
Other State Agencies	57,462	-	-	57,462
TOTAL ASSETS	$ 57,462	$ 1,144,122	$ -	$ 1,201,584
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 41,235	$ 61,722	$ -	$ 102,957
Accrued Payroll	16,088	1,943	-	18,031
Due To:				
Other Funds		61		61
Other State Agencies	139	1,185	-	1,324
TOTAL LIABILITIES	57,462	64,911	-	122,373
Fund Balances:				
Assigned	-	1,079,211	-	1,079,211
TOTAL FUND BALANCES	-	1,079,211	-	1,079,211
TOTAL LIABILITIES AND FUND BALANCES	$ 57,462	$ 1,144,122	$ -	$ 1,201,584

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, 2015

		Special Revenue		
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Total Nonmajor Governmental Funds
Revenues				
Other Grants	$ -	$ 349,768	$ -	$ 349,768
TOTAL REVENUES	-	349,768	-	349,768
Expenditures				
Current:				
Economic Development & Assistance	1,167,307	20,380	-	1,187,687
TOTAL EXPENDITURES	1,167,307	20,380	-	1,187,687
Excess of Revenues				
Over (Under) Expenditures	(1,167,307)	329,388	-	(837,919)
Other Finance Sources				
Transfers In	1,167,307	-	-	1,167,307
TOTAL OTHER FINANCE SOURCES	1,167,307	-	-	1,167,307
Net change in Fund Balances	-	329,388	-	329,388
Fund Balances at June 30, 2014	-	749,823	-	749,823
Fund Balances at June 30, 2015	$ -	$ 1,079,211	$ -	$ 1,079,211

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 Schedule By Source
June 30, 2015 and 2014

	2015	2014
Governmental funds capital assets:		
Land	$ 1,241,683	$ 1,241,683
Buildings	8,800,604	8,800,604
Infrastructure	23,206	-
Machinery and equipment	1,622,618	1,543,566
Intangible Assets	4,545,120	4,532,798
Work in Progress	311,956	194,200
Total governmental funds capital assets	$ 16,545,187	$ 16,312,851
Investments in governmental funds capital assets by source:		
Special revenue funds	$ 16,545,187	$ 16,312,851

JOB SERVICE NORTH DAKOTA

Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2015 and 2014

	June 30, 2015						
Function and Activity	**Land**	**Buildings**	**Infrastructure**	**Equipment**	**Intangible Assets**	**Work in Progress**	**Total**
General government:							
Economic development and assistance	$ 1,241,683	$ 8,800,604	$ 23,206	$ 1,622,618	$ 4,545,120	$ 311,956	$ 16,545,187
Total general government	1,241,683	8,800,604	23,206	1,622,618	4,545,120	311,956	16,545,187
Total governmental funds capital assets	$ 1,241,683	$ 8,800,604	$ 23,206	$ 1,622,618	$ 4,545,120	$ 311,956	$ 16,545,187

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

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, 2015 and 2014

Function and Activity	Governmental Funds Capital Assets July 1, 2014	Additions	Deductions	Governmental Funds Capital Assets June 30, 2015
	June 30, 2015			
General government:				
Economic development and assistance	$ 16,312,851	$ 246,425	$ 14,089	$ 16,545,187
Total general government	16,312,851	246,425	14,089	16,545,187
Total governmental funds capital assets	$ 16,312,851	$ 246,425	$ 14,089	$ 16,545,187

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
	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

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures (1)
U.S. Department of Labor			
Labor Force Statistics	***17.002***		
Cooperative Agreement LM-25617-15-75-J-38			$ 426,786
Cooperative Agreement LM-24268-14-75-J-38			144,948
		ST	571,734
Temporary Labor Certification for Foreign Workers	***17.273***		
Alien Labor Certification FY 2014			65,402
Alien Labor Certification FY 2015			52,195
		ST	117,597
Unemployment Insurance	***17.225***		
UI Administration FY 2014			4,406,527
UI Administration FY 2015			3,746,422
DUA 2011 Flood FY 2011			(5,355)
UI SBR WyCAN FY13			1,282,533
UI SBR WyCAN FY14			44,821
UI EUC STATE ADMINISTRATION - FFY 14			6,097
UI EUC STATE ADMINISTRATION - FFY 13			(1,510)
UI SBR - Integrity - FFY			(16,479)
UI SBR - WyCAN Consortium - FFY 11			813,671
Federal Unemployment Insurance Benefits			1,456,990
Federal Unemployment Insurance Benefits-FAC-ARRA			(16,274)
State Unemployment Insurance Benefits funded by State Taxes			143,480,258
		ST	155,197,701
Trade Adjustment Assistance-Workers	***17.245***		
TAA Training FY 2014			43,388
TAA Training FY 2013			6,905
TAA Training FY 2012			28,999
ATAA FY 2014			5,150
ATAA FY 2015			3,737
TRA Benefits FY 2014			2,990
TRA Benefits FY 2015			2,990
		ST	94,159
Employment Service	***17.207 (2)***		
Wagner-Peyser PY 2013			1,494,538
Wagner-Peyser PY 2014			3,964,196
Workforce Information Grant PY 2014			16,169
Workforce Information Grant PY 2013			188,231
Workforce Information Grant PY 2012			22,960
WOTC FY 2014			19,121
WOTC FY 2015			55,326
		ST	5,760,541
Disabled Veterans Outreach Program	***17.801 (2)***		
DVOP FY 2014			326,826
DVOP FY 2015			291,057
		ST	617,883

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures (1)
Local Veterans' Employment Representative Program	***17.804 (2)***		
LVER FY 2014			15,879
LVER FY 2015			41,318
		ST	57,197
	Subtotal of 17.207, 17.801, 17.804		6,435,621
Passed Through Governor of North Dakota			
Workforce Investment Act Adult Program	***17.258 (3)***		
Grant Number AA-25366-14-55-A-38			1,183,625
Grant Number AA-24105-13-55-A-38			1,155,702
Grant Number AA-22948-12-55-A-38			20,595
		ST	2,359,922
Workforce Investment Act Youth Activities	***17.259 (3)***		
Grant Number AA-25366-14-55-A-38			1,025,239
Grant Number AA-24105-13-55-A-38			1,281,968
Grant Number AA-22948-12-55-A-38			21,695
		ST	2,328,902
Workforce Investment Act Dislocated Workers	***17.278 (3)***		
Grant Number AA-25366-14-55-A-38			325,112
Grant Number AA-24105-13-55-A-38			104,336
Grant Number AA-22948-12-55-A-38			73,563
		ST	503,011
	Subtotal of 17.258-17.260, 17.278		5,191,835
Workforce Investment Act Dislocated Worker National Reserve - Demonstrion Grant	***17.280***		96,610
			96,610
TOTAL U.S. DEPARTMENT OF LABOR			**$ 167,705,257**

U.S. Department of Agriculture

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures (1)
Passed Through ND Department of Human Services:			
State Admin. Matching Grants for Food Stamp Program	***10.561***		
Food Stamp Employment & Training (Contract Number 410-09440			$ 21,236
Food Stamp Employment & Training (Contract Number 410-09772			72,856
		ST	94,092
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**$ 94,092**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Federal Program Grant Title	CFDA Number		Expenditures [1]
U.S. Department of Health and Human Services:			
Passed Through ND Department of Human Services:			
Temporary Assistance for Needy Families	***93.558***		
Job Opportunities and Basic Skills Program (Contract 405-08445)		$	756,981
Parental Employment Pilot Project (Contract 405-08440)			459,192
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		**$**	**1,216,173**
TOTAL FEDERAL ASSISTANCE [4]		**$**	**169,015,522**

(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 and the total expenditures from the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 17).

Internal Control and Compliance Section

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

Governor 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, 2015, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 23, 2015

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2015. 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.

BRADY, MARTZ & ASSOCIATES, P.C.
207 E Broadway Ave, PO Box 1297
Bismarck, ND 58502-1297 701.223.1717 Fax 701.222.0894
www.bradymartz.com

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, 2015.

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

October 23, 2015

JOB SERVICE NORTH DAKOTA
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	x	no
Significant deficiency(ies) identified?	_____	yes	x	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)?	_____	yes	x	no

CFDA Number(s)	Name of Federal Program or Cluster
17.225	Unemployment Insurance
Employment Service Cluster:	
17.207	Employment Service / Wagner-Peyser Funded Activities
17.801	Disabled Veteran's Outreach Program
17.804	Local Veteran's Employment Representative Program
WIA Cluster:	
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.278	Workforce Investment Act Dislocated Workers

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

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE YEAR ENDED JUNE 30, 2015

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, 2015 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.

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Audit Committee Communications:

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

   As described in Note 1 to the financial statements, Job Service North Dakota changed accounting policies related to the pension by adopting Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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, 2015 to August 15, 2015. 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

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 23, 2015