

PRINCIPAL FINANCIAL STATEMENTS

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2006 and 2005 consisted of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2006 and 2005 those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).
- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2006 and 2005. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 14 to the consolidated financial statements.
- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2006 and 2005.
- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL during FY 2006 and 2005, the status of these resources at September 30, 2006 and 2005, the change in obligated balance during FY 2006 and 2005, and outlays of budgetary resources for the years ended September 30, 2006 and 2005.
- The **Consolidated Statements of Financing**, which reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2006 and 2005.
- The **Consolidated Statements of Custodial Activity**, which present the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities for the years ended September 30, 2006 and 2005.
- The **Statements of Social Insurance**, which present the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund as of September 30, 2006, 2005, 2004, 2003, and 2002.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	\$ 9,717,149	\$ 9,219,660
Investments (Notes 1-D and 3)	66,455,052	54,952,644
Interest receivable from investments	745,556	637,443
Accounts receivable (Notes 1-E and 4)	4,046,188	3,991,270
Advances (Notes 1-F and 5)	4	10,812
Total intra-governmental	80,963,949	68,811,829
Accounts receivable, net of allowance (Notes 1-E and 4)	1,055,156	1,043,018
Advances (Notes 1-F and 5)	555,294	584,139
Property, plant and equipment, net of accumulated depreciation (Notes 1-G and 6)	1,076,810	1,023,422
Total assets	\$ 83,651,209	\$ 71,462,408
 LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	\$ 22,459	\$ 16,429
Advances from U.S. Treasury (Notes 1-J and 8)	9,631,557	9,186,557
Other liabilities (Note 11)	205,385	206,101
Total intra-governmental	9,859,401	9,409,087
Accounts payable	891,828	1,111,031
Accrued leave (Note 1-K)	97,522	94,852
Accrued benefits (Notes 1-L and 9)	1,199,648	1,147,658
Future workers' compensation benefits (Notes 1-M and 10)	548,314	564,305
Energy employees occupational illness compensation benefits (Note 1-N)	6,942,442	7,436,243
Other liabilities (Note 11)	217,313	263,233
Total liabilities	19,756,468	20,026,409
Net position (Note 1-R)		
Unexpended appropriations - other funds	8,193,767	8,115,461
Cumulative results of operations		43,320,538
Earmarked funds	57,146,431	
Other funds	(1,445,457)	
Total net position	63,894,741	51,435,999
Total liabilities and net position	\$ 83,651,209	\$ 71,462,408

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
NET COST OF OPERATIONS (Notes 1-S and 14)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	\$ 40,661,833	\$ 45,380,694
Less earned revenue	(3,712,611)	(3,144,410)
Net program cost	<u>36,949,222</u>	<u>42,236,284</u>
Employment and training		
Gross cost	5,710,741	6,027,121
Less earned revenue	(22,568)	(17,737)
Net program cost	<u>5,688,173</u>	<u>6,009,384</u>
Labor, employment and pension standards		
Gross cost	729,053	724,322
Less earned revenue	(14,082)	(9,971)
Net program cost	<u>714,971</u>	<u>714,351</u>
Worker safety and health		
Gross cost	859,144	798,110
Less earned revenue	(14,465)	(3,690)
Net program cost	<u>844,679</u>	<u>794,420</u>
OTHER PROGRAMS		
Statistics		
Gross cost	604,142	531,675
Less earned revenue	(5,332)	(6,664)
Net program cost	<u>598,810</u>	<u>525,011</u>
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	85,782	95,244
Less earned revenue not attributed to programs	(7,608)	(10,800)
Net cost not assigned to programs	<u>78,174</u>	<u>84,444</u>
Net cost of operations	<u>\$ 44,874,029</u>	<u>\$ 50,363,894</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006		2005	
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	Consolidated Total
Cumulative results of operations, beginning	\$ 45,353,214	\$ (2,032,676)	\$ 43,320,538	\$ 39,154,009
Budgetary financing sources (Note 1-T)				
Appropriations used	-	9,925,600	9,925,600	10,336,749
Nonexchange revenue (Note 15)				
Employer taxes	42,014,032	-	42,014,032	40,571,621
Interest	2,784,058	7,825	2,791,883	2,593,415
Assessments	-	149,829	149,829	145,315
Reimbursement of unemployment benefits	1,855,188	-	1,855,188	1,857,193
Total nonexchange revenue	46,653,278	157,654	46,810,932	45,167,544
Transfers without reimbursement (Note 16)	(3,290,737)	3,684,560	393,823	3,000
Other financing sources (Note 1-U)				
Imputed financing from costs absorbed by others	238	122,544	122,782	108,742
Transfers without reimbursement (Note 16)	-	1,328	1,328	(1,085,612)
Total financing sources	43,362,779	13,891,686	57,254,465	54,530,423
Net cost of operations	(31,569,562)	(13,304,467)	(44,874,029)	(50,363,894)
Net change	11,793,217	587,219	12,380,436	4,166,529
Cumulative results of operations, ending	\$ 57,146,431	\$ (1,445,457)	\$ 55,700,974	\$ 43,320,538
Unexpended appropriations, beginning	\$ -	\$ 8,115,461	\$ 8,115,461	\$ 8,299,897
Budgetary financing sources (Note 1-T)				
Appropriations received (Note 17-F)	-	10,703,673	10,703,673	11,100,600
Appropriations transferred	-	(600,895)	(600,895)	(622,286)
Appropriations not available	-	(98,872)	(98,872)	(326,001)
Appropriations used	-	(9,925,600)	(9,925,600)	(10,336,749)
Subtotal	-	78,306	78,306	(184,436)
Unexpended appropriations, ending	-	8,193,767	8,193,767	8,115,461
Net position	\$ 57,146,431	\$ 6,748,310	\$ 63,894,741	\$ 51,435,999

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	\$ 3,872,075	\$ 3,577,791
Recoveries of prior year unpaid obligations	399,780	408,672
Budget authority		
Appropriations received (Note 17-F)	58,971,002	57,248,865
Borrowing authority	445,000	446,000
Spending authority from offsetting collections		
Earned		
Collected	3,106,611	2,545,382
Change in receivables from Federal sources	(47,510)	57,700
Change in unfilled customer orders		
Advance received	(1,816)	10,756
Without advance from Federal sources	(825)	-
Expenditure transfers from trust funds	<u>3,683,587</u>	<u>3,873,716</u>
Total budget authority	66,156,049	64,182,419
Nonexpenditure transfers, net	(522,731)	(387,330)
Temporarily not available pursuant to Public Law	(11,819,982)	(9,296,717)
Permanently not available	<u>(449,404)</u>	<u>(496,197)</u>
Total budgetary resources	<u>\$ 57,635,787</u>	<u>\$ 57,988,638</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 17-A)		
Direct	\$ 50,344,367	\$ 51,333,636
Reimbursable	<u>3,095,134</u>	<u>2,782,927</u>
Total obligations incurred	53,439,501	54,116,563
Unobligated balances		
Apportioned	2,528,068	2,548,305
Exempt from apportionment	<u>212,629</u>	<u>175,310</u>
Total unobligated balances	2,740,697	2,723,615
Unobligated balances not available	<u>1,455,589</u>	<u>1,148,460</u>
Total status of budgetary resources	<u>\$ 57,635,787</u>	<u>\$ 57,988,638</u>
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 9,482,832	\$ 9,856,452
Less uncollected customer payments from Federal sources, brought forward, October 1	<u>(1,473,680)</u>	<u>(1,344,626)</u>
Total unpaid obligated balance, net	8,009,152	8,511,826
Obligations incurred, net	53,439,501	54,116,563
Less gross outlays	(53,502,109)	(54,081,511)
Less recoveries of prior year unpaid obligations, actual	(399,780)	(408,672)
Change in uncollected customer payments from Federal sources	<u>236,828</u>	<u>(129,054)</u>
Obligated balance, net, end of period		
Unpaid obligations	9,020,444	9,482,832
Less uncollected customer payments from Federal sources	<u>(1,236,852)</u>	<u>(1,473,680)</u>
Total unpaid obligated balance, net, end of period	<u>\$ 7,783,592</u>	<u>\$ 8,009,152</u>
NET OUTLAYS		
Gross outlays	\$ 53,502,109	\$ 54,081,511
Less offsetting collections	(6,985,536)	(6,358,706)
Less distributed offsetting receipts	<u>(855,746)</u>	<u>(829,392)</u>
Net outlays	<u>\$ 45,660,827</u>	<u>\$ 46,893,413</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF FINANCING
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated		
Obligations incurred	\$ 53,439,501	\$ 54,116,563
Less recoveries of prior year obligations	(399,780)	(408,672)
Less spending authority from offsetting collections	(6,740,047)	(6,487,554)
Obligations, net of offsetting collections and recoveries	46,299,674	47,220,337
Less offsetting receipts	(855,746)	(829,392)
Net obligations	45,443,928	46,390,945
Other resources		
Imputed financing from costs absorbed by others	122,782	108,742
Transfers, net	1,328	(1,085,612)
Exchange revenue not in budget	(110,908)	(6,874)
Trust fund exchange revenue not in the budget	9,216	(10,319)
Total resources used to finance activities	45,466,346	45,396,882
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	139,777	536,240
Resources that fund expenses recognized in prior periods	(544,220)	(4,823)
Budgetary offsetting collections and offsetting receipts that do not affect the net cost of operations	28,236	56,054
Resources that finance the acquisition of assets	(116,035)	(209,012)
Allocation transfers to other agencies	(159,098)	(198,524)
Other resources that do not affect net cost of operations (Note 18-A)	209	1,131,086
Total resources used to finance items not part of the net cost of operations	(651,131)	1,311,021
Total resources used to finance the net cost of operations	44,815,215	46,707,903
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods (Note 18-B)		
Increase in annual leave liability	386	-
Increase in employee benefits liabilities	-	3,556,208
Other	2,284	26,183
Total	2,670	3,582,391
Components not requiring or generating resources		
Depreciation and amortization	55,449	54,645
Revaluation of assets and liabilities	612,558	403,376
Benefit overpayments	(611,863)	(384,421)
Total	56,144	73,600
Total components of the net cost of operations that will not require or generate resources in the current period	58,814	3,655,991
Net cost of operations	\$ 44,874,029	\$ 50,363,894

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
CUSTODIAL REVENUE (Notes 1-V and 19)		
Cash collection of fines, penalties, assessments and related interest	\$ 152,880	\$ 130,885
Less refunds	<u>(76)</u>	<u>(214)</u>
Net cash collections	152,804	130,671
Increase (decrease) in amounts to be collected	<u>(12,767)</u>	<u>10,951</u>
Total custodial revenue	<u>140,037</u>	<u>141,622</u>
DISPOSITION OF CUSTODIAL REVENUE (Note 1-V)		
Net transfers to U.S. Treasury general fund	152,804	130,671
Increase (decrease) in amounts to be transferred	<u>(12,767)</u>	<u>10,951</u>
Total disposition of custodial revenue	<u>140,037</u>	<u>141,622</u>
Net custodial activity	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF SOCIAL INSURANCE
As of September 30, 2006, 2005, 2004, 2003, and 2002
(Dollars in Thousands)

	Projection Periods Ending September 30, 2040				
	Unaudited				
	2006	2005	2004	2003	2002
BLACK LUNG DISABILITY BENEFIT PROGRAM (NOTE 1-W)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	\$ 2,722,801	\$ 2,622,302	\$ 2,880,559	\$ 2,954,920	\$ 3,098,098
Actuarial present value of future administrative costs during the projection period	<u>848,218</u>	<u>845,158</u>	<u>759,282</u>	<u>695,421</u>	<u>740,733</u>
Actuarial present value of future benefit payments and administrative costs during the projection period	3,571,019	3,467,460	3,639,841	3,650,341	3,838,831
Less the actuarial present value of future excise tax income during the projection period	<u>7,957,821</u>	<u>8,536,401</u>	<u>7,671,392</u>	<u>7,289,333</u>	<u>7,961,315</u>
Excess of actuarial present values of future excise tax income over the benefit payments and administrative costs for the projection period	<u>4,386,802</u>	<u>5,068,941</u>	<u>4,031,551</u>	<u>3,638,992</u>	<u>4,122,484</u>
Actuarial present value of future interest on U. S. Treasury advances during the projection period (Note 8)	<u>20,838,219</u>	<u>21,583,744</u>	<u>19,949,150</u>	<u>18,120,069</u>	<u>17,109,407</u>
Excess of actuarial present values of total future payments over the future excise tax income for the projection period	<u>(16,451,417)</u>	<u>(16,514,803)</u>	<u>(15,917,599)</u>	<u>(14,481,077)</u>	<u>(12,986,923)</u>
Trust fund deficit at start of projection period (Note 20)	<u>(9,604,743)</u>	<u>(9,160,009)</u>	<u>(8,711,444)</u>	<u>(8,227,010)</u>	<u>(7,681,649)</u>
Actuarial present value of total future payments and trust fund deficit over future excise tax income for the projection period	<u>\$(26,056,160)</u>	<u>\$(25,674,812)</u>	<u>\$(24,629,043)</u>	<u>\$(22,708,087)</u>	<u>\$(20,668,572)</u>

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under four major budget functions: education, training, employment, and social services; health (occupational health and safety); income security; and national defense. DOL's major program agencies, major programs in which they operate, and the relationship of these programs to the Strategic Goals are shown below.

1. Major program agencies

- Employment and Training Administration (ETA)
- Employment Standards Administration (ESA)
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
(Formerly Pension and Welfare Benefits Administration)
- Veterans' Employment and Training (VETS)
- Other Departmental Programs
 - Office of the Assistant Secretary for Administration and Management
 - Office of the Solicitor
 - Office of the Chief Financial Officer
 - Office of the Inspector General
 - Bureau of International Labor Affairs
 - Women's Bureau
 - Office of Disability Employment Policy

2. Major programs

- Income maintenance – Strategic Goal 2
- Employment and training – Strategic Goals 1 and 2
- Labor, employment, and pension standards – Strategic Goals 2 and 3
- Worker safety and health – Strategic Goal 3
- Statistics – Strategic Goal 1

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity for purposes of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types used in reporting to Treasury Financial Management Services and the Office of Management and Budget. For financial statement purposes, funds are classified as earmarked funds and all other funds. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, which became effective in FY 2006, required separate identification of earmarked funds on the Consolidated Statement of Changes in Net Position, Net Position on the Consolidated Balance Sheets, and disclosures of condensed information on assets, liabilities, and costs of earmarked funds. The standard precludes this presentation for FY 2005.

Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues. Earmarked funds and all other funds are identified as follows:

Earmarked funds

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Black Lung Disability Trust Fund, established under Part C of the Black Lung Benefit Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The funds are supported by fees paid by employers applying for foreign workers under the H-1B temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

All other funds

- General funds

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act. The Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 2006 established an Office of Job Corps within the Office of the Secretary of Labor. This Act transferred management and administration of Job Corps activities from the Employment and Training Administration to an autonomous office under the Secretary during FY 2006. The administrative transfer of funds was accomplished under the allotment process. Since there was no actual budgetary transfer of funds, Job Corps costs continue to be reported under the Employment and Training Administration where funds were originally budgeted and appropriated.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and the administrative costs.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

- General funds - continued

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to DOL effective October 1, 2003.

- Revolving funds

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- Miscellaneous receipt and clearing accounts

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law cannot be deposited into funds under DOL control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

- Trust funds

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmen's Compensation Act Trust Fund, established under the authority District of Columbia Workmen's Compensation Act, provides compensation and medical payments to District of Columbia employees for work-related injuries or death which occurred prior to July 26, 1982.

- Deposit funds

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

4. Inter-departmental relationships

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

B. Basis of Accounting and Presentation

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing, and custodial activities of the U.S. Department of Labor, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular No. A-136, "Financial Reporting Requirements." They have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All interfund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular No. A-136 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB Circular No. A-136 requires budget authority and other resources allocated to another agency to be reported by the transferor of the appropriation in its financial statements unless the allocation transfer is material to the recipient's financial statements. The activity relating to the allocation should be reported in all of the recipient's financial statements, except the Statement of Budgetary Resources, when the allocation transfer is material to the recipient's financial statements. The transferor should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Accounting and Presentation - Continued

DOL has allocated appropriations to the Department of Agriculture and the Department of Interior in fiscal years 2006 and 2005 to provide funds for youth training programs. These Departments consider this activity material to their respective financial statements; therefore, DOL reports this activity only in the Combined Statement of Budgetary Resources. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Service Administration, and the Agency for International Development, which DOL considers to be immaterial. These amounts are not included in the DOL financial statements.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are prepared by DOL pursuant to OMB directives and used to monitor DOL's use of budgetary resources.

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for DOL. (See Note 2)

D. Investments

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's earmarked funds. The cash receipts collected from the public for earmarked funds are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Interest earning Treasury securities are issued to DOL's earmarked funds as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity, therefore no provision is made in the financial statements for unrealized gains or losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Investments – Continued

Other funds also have investments in Treasury securities. Balances held in the Longshore and Harbor Workers' Compensation Act Trust Fund, the District of Columbia Workmen's Compensation Act Trust Fund, and the Energy Employees Occupational Illness Compensation Fund are invested in Treasury one day deposit certificates. Receipts from certain cases deposited in the Backwage Restitution Fund were invested in marketable Treasury securities in FY 2005. (See Note 3)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

1. Intra-governmental accounts receivable

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

DOL's Federal Employees' Compensation Act (FECA) Special Benefit Fund provides workers' compensation benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

2. Accounts receivable due from the public

DOL recognizes as accounts receivable State unemployment taxes due from covered employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. Allowance for doubtful accounts

Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. Contra revenue represents a reduction in revenue when realization is not expected. Intra-governmental accounts receivable are considered fully collectible. (See Note 4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Advances

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 5)

G. Property, Plant and Equipment, Net of Accumulated Depreciation

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. DOL maintains the Capital Asset Tracking and Reporting System (CATARS) to account for Job Corp's PP&E, as well as other general purpose PP&E used by the Department. Internal use software is considered general purpose PP&E.

Effective October 1, 2002, real property purchases or improvements and leasehold improvements with a cost greater than \$500,000 and a useful life of 2 or more years, internal use software with a cost greater than \$300,000 and a useful life of 2 or more years, and equipment with a cost of \$50,000 or more and a useful life of 2 or more years are capitalized. PP&E acquisitions not meeting these criteria are charged to expense at the time of purchase. For fiscal years 1996 through 2001, PP&E (excluding internal use software) with a cost greater than \$25,000 (\$5,000 for the Working Capital Fund) and a useful life of 2 or more years and internal use software with a cost greater than \$300,000 and a useful life of 2 or more years were capitalized. Prior to 2001, internally developed software in the Working Capital Fund with a cost greater than \$5,000 was capitalized, when the cost was intended to be recovered through charges to other DOL users. Prior to 1996, PP&E with a cost greater than \$5,000 and a useful life of 2 or more years were capitalized. PP&E acquisitions not meeting these criteria were charged to expense at the time of purchase.

Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful lives. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line method of amortization. (DOL has no operating leases which extend for a period of more than one year.)

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful lives.

The table below shows the major classes of DOL's depreciable plant and equipment, and the depreciation periods used for each major classification. (See Note 6)

	<u>Years</u>
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Property, Plant and Equipment, Net of Accumulated Depreciation - Continued

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes. The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund when fund resources are not adequate to meet fund obligations. Budget authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 4.500% to 13.875% at September 30, 2006 and 2005. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the General Fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

L. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 9)

1. Unemployment benefits payable

The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Emergency benefits were paid under the Temporary Extended Unemployment Compensation Act and the Emergency Unemployment Compensation Act. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. Federal employees disability and 10(h) benefits payable

The Federal Employees' Compensation Act Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. A liability for FECA benefits payable by the Special Benefit Fund to the employees of DOL and other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. Black lung disability benefits payable

The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits – Continued

4. Energy employees occupational illness compensation benefits payable

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

5. Longshore and harbor workers' and District of Columbia disability benefits payable

The Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund provide compensation and medical benefits for work-related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

M. Future Workers' Compensation Benefits

The financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the ultimate payments.

The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index-medical or CPIMs) to the calculation of projected benefits. The COLAs and CPIMs used in the projections for FY 2006 and FY 2005 were as follows:

<u>FY</u>	<u>COLA</u>		<u>CPIM</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
2006	N/A	3.33%	N/A	4.09%
2007	3.50%	2.93%	4.00%	4.01%
2008	3.13%	2.40%	4.01%	4.01%
2009	2.40%	2.40%	4.01%	4.01%
2010	2.40%	2.40%	4.03%	4.01%
2011+	2.43%	2.40%	4.09%	4.01%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Future Workers' Compensation Benefits – Continued

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2006, interest rate assumptions were 5.17% in year one and 5.31% in year two and thereafter. For 2005, interest rate assumptions were 4.5% in year one and 5.0% in year two and thereafter. (See Note 10)

N. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of \$150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Prior to October 2004, compensation of \$50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under RECA. As a result of the October 2004 changes, new RECA cases are paid the full \$150,000 under EEOICPA.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly administered and paid by the Department of Justice (DOJ).

DOL has recognized a \$6.9 billion and \$7.4 billion liability for estimated future benefits payable by DOL at September 30, 2006 and 2005, respectively, to eligible individuals under the EEOICPA. For fiscal year 2006, the undiscounted liability is \$9.8 billion discounted to a present value liability of \$6.9 billion based on an interest rate of 5.313% projected over a 49 year period. For fiscal year 2005, the undiscounted liability is \$10.7 billion discounted to a present value liability of \$7.4 billion based on an interest rate 5.02% projected over a 49 year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2006, DOL's contributions to the FEHBP and FEGLIP were \$76.2 and \$2.0 million, respectively. During 2005, DOL's contributions to the FEHBP and FEGLIP were \$73.9 and \$1.9 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM. Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of \$80.6 million in 2006 and \$64.8 million in 2005.

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings and makes an 11.2% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as operating expenses. DOL's matching contributions were \$65.0 million in 2006 and \$61.0 million in 2005.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to \$15,000 of their gross pay to the TSP during calendar year 2006, but there is no departmental matching contribution. FERS participants may contribute up to \$15,000 of their gross pay to the TSP during calendar year 2006. CSRS and FERS participants were limited to 10% and 15% contributions to TSP of their gross pay respectively with a \$14,000 maximum during calendar year 2005. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. Employee Pension Benefits - Continued

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 13)

R. Net Position

DOL's net position consists of the following:

1. Unexpended appropriations

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until those appropriations are closed, five years after the appropriations expire. Multi-year appropriations remain available to DOL for obligation in future periods.

2. Cumulative results of operations

Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

S. Net Cost of Operations

1. Operating costs

Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Intra-governmental costs are exchange transactions made between DOL and other entities within the Federal government. Intra-governmental costs relate to the source of goods and services purchased by DOL, and not to the classification of related revenue. With the public costs are exchange transactions made between DOL and a non-Federal entity. Full costs are reduced by exchange (earned) revenues to arrive at net program cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by sub-organization in Note 14 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**S. Net Cost of Operations - Continued****2. Earned revenue**

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. Appropriations received, appropriations transferred and appropriations not available

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

2. Non-exchange revenue

Non-exchange revenues arise from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below. (See Note 15)

- Employer taxes

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to DOL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

- Employer taxes - continued

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- Interest

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund, District of Columbia Workmen's Compensation Act Trust Fund, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

- Assessments

The Longshore and Harbor Workers' Compensation Act Trust Fund and District of Columbia Workmen's Compensation Act Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when earned.

- Reimbursement of unemployment benefits

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. These reimbursements are recognized as other non-exchange revenue when earned.

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and ESA. Also included are transfers from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 16)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

U. Other Financing Sources

Other financing sources include nonexchange revenue and other items that do not represent budgetary resources.

1. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

2. Transfers without reimbursement

Transfers recognized as other financing sources by DOL include the transfers of property from the General Services Administration, and also in FY 2005 from the Department of Defense, to the Employment and Training Administration (ETA) for training programs. Also included in FY 2005 were transfers of liabilities from the Department of Energy and the Department of Justice to the Energy Employees Occupational Illness Compensation Fund. The liabilities were for programs established by the EEIOCPA and RECA. These programs were transferred to DOL by amendments to the EEIOCPA enacted in FY 2005, which expanded coverage for illness or death arising from exposure to toxic substances at the DOE facilities. (See Note 16)

V. Custodial Activity

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations; for ETA disallowed grant costs assessed against canceled appropriations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Consolidated Statements of Custodial Activity. (See Note 19)

W. Significant Assumptions Used in the Statement of Social Insurance

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the General Fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

W. Significant Assumptions Used in the Statement of Social Insurance - Continued

The significant assumptions used in the projections for the Statement of Social Insurance are the number of beneficiaries, life expectancy, coal excise tax revenue estimates, the tax rate structure, Federal civilian pay raises, medical cost inflation, and the interest rate on new repayable advances from Treasury.

The Office of Tax Analysis of the Department of the Treasury provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Agency of the Department of Energy. The Department of Treasury's Office of Tax Analysis provides the first eleven years of tax receipt estimates. The remaining years are estimated using a growth rate based on both historical tax receipts and the Department of Treasury's estimated tax receipts. The coal excise tax rate structure is \$1.10 per ton of underground-mined coal and \$0.55 per ton of surface-mined coal sold, with a cap of 4.4 percent of sales price, through December 31, 2013. Starting in 2014, the tax rates revert to \$0.50 per ton of underground-mined coal and \$0.25 per ton surface-mine coal sold, and a limit of two percent of sales price.

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Social Security Administration life tables are used to project the life expectancies of the beneficiary population. The Office of Management and Budget supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the consumer price index-medical, which are used to calculate future benefit costs. During the current projection period, future benefit rate increases range from 4.0% to 4.3%, and medical cost increases range from 4.0% to 4.1%. Estimates for administrative costs for the first 11 years of the projection are supplied by DOL's Budget Office, while later years are based on the number of projected beneficiaries. Estimates for future interest on advances are based on the interest rates on outstanding advances ranging from 4.500% to 13.875% and new borrowings ranging from 4.90% to 5.81%.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased. All of the current year projections are discounted using an interest rate of 5.0%, which is the last actual rate on advances taken at the end of FY 2006.

X. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Y. Reclassifications

Certain reclassifications have been made to 2005 financial statements to conform to the 2006 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 3,946	\$ -	\$ 35,694	\$ 39,640	\$ -	\$ 39,640
Trust funds	141,122	-	(41,062)	100,060	(159)	99,901
Appropriated funds	2,446,785	1,371,403	5,696,774	9,514,962	-	9,514,962
Other	-	-	-	-	62,646	62,646
	<u>\$ 2,591,853</u>	<u>\$ 1,371,403</u>	<u>\$ 5,691,406</u>	<u>\$ 9,654,662</u>	<u>\$ 62,487</u>	<u>\$ 9,717,149</u>

Funds with U.S. Treasury at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 3,900	\$ -	\$ 27,682	\$ 31,582	\$ -	\$ 31,582
Trust funds	107,154	16,921	(338,941)	(214,866)	(707)	(215,573)
Appropriated funds	2,290,830	1,187,214	5,865,841	9,343,885	-	9,343,885
Other	-	-	-	-	59,766	59,766
	<u>\$ 2,401,884</u>	<u>\$ 1,204,135</u>	<u>\$ 5,554,582</u>	<u>\$ 9,160,601</u>	<u>\$ 59,059</u>	<u>\$ 9,219,660</u>

The negative fund balances reported as of September 30, 2006 and 2005 relate to the Unemployment Trust Fund (UTF) and are the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This could result in a negative cash position for the preceding business day if the disbursements are greater than the receipts to the fund.

Unobligated Balance Available includes \$339 million of funds apportioned for use in the subsequent year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 3 - INVESTMENTS

Investments at September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
Unemployment Trust Fund				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.875% maturing June 30, 2007	\$ 8,662,384	\$ -	\$ 8,662,384	\$ 8,662,384
5.000% maturing June 30, 2007	343,768	-	343,768	343,768
Special issue U.S. Treasury Bonds				
4.625% maturing June 30, 2007	17,927,258	-	17,927,258	17,927,258
4.625% maturing June 30, 2008	19,299,158	-	19,299,158	19,299,158
4.875% maturing June 30, 2008	10,000,000	-	10,000,000	10,000,000
4.875% maturing June 30, 2009	9,980,072	-	9,980,072	9,980,072
	<u>66,212,640</u>	<u>-</u>	<u>66,212,640</u>	<u>66,212,640</u>
Panama Canal Commission				
Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Bill				
Maturing November 16, 2006	13,608	(85)	13,523	13,016
U.S. Treasury Notes				
3.625% to 6.625% various maturities	24,460	30	24,490	24,315
U.S. Treasury Bonds				
10.375% to 11.750% various maturities	39,738	2,597	42,335	42,233
	<u>77,806</u>	<u>2,542</u>	<u>80,348</u>	<u>79,564</u>
Longshore and Harbor Workers' Compensation Act Trust Fund				
<u>Non-marketable</u>				
One Day Deposit				
5.030% maturing October 2, 2006	73,146	-	73,146	73,146
District of Columbia Workmen's Compensation Act Trust Fund				
<u>Non-marketable</u>				
One Day Deposit				
5.030% maturing October 2, 2006	5,611	-	5,611	5,611
Energy Employees Occupational Illness Compensation Fund				
<u>Non-marketable</u>				
One Day Deposit				
5.030% maturing October 2, 2006	83,307	-	83,307	83,307
	<u>\$ 66,452,510</u>	<u>\$ 2,542</u>	<u>\$ 66,455,052</u>	<u>\$ 66,454,268</u>
Entity investments	\$ 66,351,966	\$ 2,542	\$ 66,354,508	\$ 66,353,724
Non-entity investments	<u>100,544</u>	<u>-</u>	<u>100,544</u>	<u>100,544</u>
	<u>\$ 66,452,510</u>	<u>\$ 2,542</u>	<u>\$ 66,455,052</u>	<u>\$ 66,454,268</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
Unemployment Trust Fund				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2006	\$ 2,285,274	\$ -	\$ 2,285,274	\$ 2,285,274
Special issue U.S. Treasury Bonds				
4.625% maturing June 30, 2007	26,000,000	-	26,000,000	26,000,000
4.625% maturing June 30, 2008	19,299,158	-	19,299,158	19,299,158
5.500% maturing June 30, 2006	7,221,451	-	7,221,451	7,221,451
	<u>54,805,883</u>	<u>-</u>	<u>54,805,883</u>	<u>54,805,883</u>
Panama Canal Commission				
Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Notes				
3.625% to 6.875% various maturities	32,307	711	33,018	32,784
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	44,232	4,941	49,173	49,798
	<u>76,539</u>	<u>5,652</u>	<u>82,191</u>	<u>82,582</u>
Longshore and Harbor Workers'				
Compensation Act Trust Fund				
<u>Non-marketable</u>				
One Day Deposit				
3.460% maturing October 3, 2005	60,000	-	60,000	60,000
District of Columbia Workmen's				
Compensation Act Trust Fund				
<u>Non-marketable</u>				
One Day Deposit				
3.460% maturing October 3, 2005	3,000	-	3,000	3,000
Backwage Restitution Fund				
<u>Marketable</u>				
U.S. Treasury Bill				
2.920% to 3.160% maturing October 20, 2005	1,625	(55)	1,570	1,570
	<u>\$ 54,947,047</u>	<u>\$ 5,597</u>	<u>\$ 54,952,644</u>	<u>\$ 54,953,035</u>
Entity investments	\$ 54,850,990	\$ 5,652	\$ 54,856,642	\$ 54,857,033
Non-entity investments	<u>96,057</u>	<u>(55)</u>	<u>96,002</u>	<u>96,002</u>
	<u>\$ 54,947,047</u>	<u>\$ 5,597</u>	<u>\$ 54,952,644</u>	<u>\$ 54,953,035</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity intra-governmental assets			
Due for UCFE and UCX benefits	\$ 334,738	\$ -	\$ 334,738
Due for workers' compensation benefits	3,696,581	-	3,696,581
Other	14,869	-	14,869
	<u>4,046,188</u>	<u>-</u>	<u>4,046,188</u>
Entity assets			
State unemployment taxes	932,626	(666,082)	266,544
Due from reimbursable employers	544,016	(32,357)	511,659
Benefit overpayments	1,949,362	(1,730,343)	219,019
Other	8,079	(2,443)	5,636
	<u>3,434,083</u>	<u>(2,431,225)</u>	<u>1,002,858</u>
Non-entity assets			
Fines and penalties	81,309	(36,808)	44,501
Backwages	23,966	(16,169)	7,797
	<u>105,275</u>	<u>(52,977)</u>	<u>52,298</u>
	<u>3,539,358</u>	<u>(2,484,202)</u>	<u>1,055,156</u>
	<u>\$ 7,585,546</u>	<u>\$ (2,484,202)</u>	<u>\$ 5,101,344</u>

Changes in the allowance for doubtful accounts during 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2005</u>	<u>Write-offs</u>	<u>Contra Revenue</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2006</u>
Entity assets					
State unemployment taxes	\$ (636,367)	\$ 349,681	\$ (379,396)	\$ -	\$ (666,082)
Due from reimbursable employers	(31,513)	19,936	(20,780)	-	(32,357)
Benefit overpayments	(1,737,979)	613,131	-	(605,495)	(1,730,343)
Other	(2,314)	36	-	(165)	(2,443)
	<u>(2,408,173)</u>	<u>982,784</u>	<u>(400,176)</u>	<u>(605,660)</u>	<u>(2,431,225)</u>
Non-entity assets					
Fines and penalties	(55,807)	26,410	(7,411)	-	(36,808)
Backwages	(12,661)	-	-	(3,508)	(16,169)
	<u>(68,468)</u>	<u>26,410</u>	<u>(7,411)</u>	<u>(3,508)</u>	<u>(52,977)</u>
	<u>\$ (2,476,641)</u>	<u>\$ 1,009,194</u>	<u>\$ (407,587)</u>	<u>\$ (609,168)</u>	<u>\$ (2,484,202)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued

Accounts receivable at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity intra-governmental assets			
Due for UCFE and UCX benefits	\$ 344,073	\$ -	\$ 344,073
Due for workers' compensation benefits	3,640,388	-	3,640,388
Other	<u>6,809</u>	<u>-</u>	<u>6,809</u>
	<u>3,991,270</u>	<u>-</u>	<u>3,991,270</u>
Entity assets			
State unemployment taxes	871,549	(636,367)	235,182
Due from reimbursable employers	547,623	(31,513)	516,110
Benefit overpayments	1,949,359	(1,737,979)	211,380
Other	<u>10,264</u>	<u>(2,314)</u>	<u>7,950</u>
	<u>3,378,795</u>	<u>(2,408,173)</u>	<u>970,622</u>
Non-entity assets			
Fines and penalties	113,075	(55,807)	57,268
Backwages	<u>27,789</u>	<u>(12,661)</u>	<u>15,128</u>
	<u>140,864</u>	<u>(68,468)</u>	<u>72,396</u>
	<u>3,519,659</u>	<u>(2,476,641)</u>	<u>1,043,018</u>
	<u>\$ 7,510,929</u>	<u>\$ (2,476,641)</u>	<u>\$ 5,034,288</u>

Changes in the allowance for doubtful accounts during 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2004</u>	<u>Write-offs</u>	<u>Contra Revenue</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2005</u>
Entity assets					
State unemployment taxes	\$ (556,917)	\$ 334,716	\$ (414,166)	\$ -	\$ (636,367)
Due from reimbursable employers	(39,404)	27,088	(19,197)	-	(31,513)
Benefit overpayments	(1,862,710)	524,158	-	(399,427)	(1,737,979)
Other	<u>(2,121)</u>	<u>234</u>	<u>-</u>	<u>(427)</u>	<u>(2,314)</u>
	<u>(2,461,152)</u>	<u>886,196</u>	<u>(433,363)</u>	<u>(399,854)</u>	<u>(2,408,173)</u>
Non-entity assets					
Fines and penalties	(56,326)	20,135	(19,616)	-	(55,807)
Backwages	<u>(10,389)</u>	<u>-</u>	<u>-</u>	<u>(2,272)</u>	<u>(12,661)</u>
	<u>(66,715)</u>	<u>20,135</u>	<u>(19,616)</u>	<u>(2,272)</u>	<u>(68,468)</u>
	<u>\$ (2,527,867)</u>	<u>\$ 906,331</u>	<u>\$ (452,979)</u>	<u>\$ (402,126)</u>	<u>\$ (2,476,641)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 5 - ADVANCES

Advances at September 30, 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Intra-governmental		
Advances to the Department of Justice	\$ 4	\$ -
Advances to the Department of Commerce - Bureau of the Census	-	10,812
	<u>4</u>	<u>10,812</u>
Advances to states for UI benefit payments	474,153	489,177
Advances to grantees and contractors to finance future DOL program expenditures	78,537	89,520
Other	2,604	5,442
	<u>555,294</u>	<u>584,139</u>
	<u>\$ 555,298</u>	<u>\$ 594,951</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant and equipment at September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>		
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>
Structures, facilities and improvements			
Structures and facilities	\$ 862,100	\$ (378,086)	\$ 484,014
Improvements to leased facilities	409,521	(222,152)	187,369
	<u>1,271,621</u>	<u>(600,238)</u>	<u>671,383</u>
Furniture and equipment			
Equipment held by contractors	159,771	(154,226)	5,545
Furniture and equipment	62,740	(39,973)	22,767
	<u>222,511</u>	<u>(194,199)</u>	<u>28,312</u>
ADP software	192,270	(68,640)	123,630
Construction-in-progress	162,486	-	162,486
Land	90,999	-	90,999
	<u>\$ 1,939,887</u>	<u>\$ (863,077)</u>	<u>\$ 1,076,810</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION - Continued

Property, plant and equipment at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>		
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>
Structures, facilities and improvements			
Structures and facilities	\$ 884,117	\$ (356,235)	\$ 527,882
Improvements to leased facilities	385,067	(213,858)	171,209
	<u>1,269,184</u>	<u>(570,093)</u>	<u>699,091</u>
Furniture and equipment			
Equipment held by contractors	162,064	(156,852)	5,212
Furniture and equipment	63,135	(37,286)	25,849
	<u>225,199</u>	<u>(194,138)</u>	<u>31,061</u>
ADP software	177,463	(69,656)	107,807
Construction-in-progress	94,464	-	94,464
Land	90,999	-	90,999
	<u>\$ 1,857,309</u>	<u>\$ (833,887)</u>	<u>\$ 1,023,422</u>

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2006 and 2005:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 62,487	\$ 59,059
Investments	100,544	96,002
Interest receivable from investments	1,129	1,095
	<u>164,160</u>	<u>156,156</u>
Accounts receivable, net of allowance	52,298	72,396
	<u>\$ 216,458</u>	<u>\$ 228,552</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2005</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2006</u>
Intra-governmental Borrowing from the Treasury	\$ 9,186,557	\$ 445,000	\$ 9,631,557
	<u>\$ 9,186,557</u>	<u>\$ 445,000</u>	<u>\$ 9,631,557</u>

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2004</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2005</u>
Intra-governmental Borrowing from the Treasury	\$ 8,740,557	\$ 446,000	\$ 9,186,557
	<u>\$ 8,740,557</u>	<u>\$ 446,000</u>	<u>\$ 9,186,557</u>

Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund. (See Note 20)

NOTE 9 – ACCRUED BENEFITS

Accrued benefits at September 30, 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
State regular and extended unemployment benefits payable	\$ 790,745	\$ 646,473
Federal extended unemployment benefits payable	36,615	36,338
Federal temporary extended unemployment benefits	24,532	23,620
Federal emergency unemployment benefits payable	42,649	37,714
Federal employees' unemployment benefits payable	36,725	41,885
Federal employees' unemployment benefits for existing claims due in the subsequent year	<u>137,161</u>	<u>145,642</u>
Total unemployment benefits payable	1,068,427	931,672
Black lung disability benefits payable	46,329	51,995
Federal employees' disability and 10(h) benefits payable	59,735	156,570
Energy employees occupational illness compensation benefits payable	21,492	3,812
Longshore and harbor workers disability benefits payable	3,382	3,234
District of Columbia disability benefits payable	<u>283</u>	<u>375</u>
	<u>\$ 1,199,648</u>	<u>\$ 1,147,658</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 25,851,505	\$ 26,007,693
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(8,662,714)	(8,663,963)
Department of Navy	(2,698,683)	(2,725,371)
Department of Army	(1,973,869)	(1,950,173)
Department of Veterans Affairs	(1,811,947)	(1,776,459)
Department of Air Force	(1,369,905)	(1,399,314)
Department of Transportation	(952,969)	(1,007,910)
Department of Homeland Security	(1,519,329)	(1,473,295)
Tennessee Valley Authority	(553,322)	(580,506)
Department of Treasury	(600,737)	(644,620)
Department of Agriculture	(807,652)	(834,415)
Department of Justice	(991,560)	(926,336)
Department of Interior	(678,923)	(689,306)
Department of Defense, Other	(813,532)	(844,007)
Department of Health and Human Services	(273,374)	(270,354)
Social Security Administration	(274,763)	(284,589)
General Services Administration	(165,051)	(170,113)
Department of Commerce	(170,164)	(173,415)
Department of Energy	(96,386)	(98,479)
Department of State	(62,669)	(60,288)
Department of Housing & Urban Development	(79,873)	(81,613)
Department of Education	(16,952)	(18,082)
National Aeronautics and Space Administration	(60,217)	(62,430)
Environmental Protection Agency	(39,408)	(39,380)
Small Business Administration	(27,045)	(28,967)
Office of Personnel Management	(20,448)	(25,653)
National Science Foundation	(1,287)	(1,381)
Nuclear Regulatory Commission	(7,434)	(8,417)
Agency for International Development	(23,438)	(23,726)
Other	(549,540)	(580,826)
	<u>(25,303,191)</u>	<u>(25,443,388)</u>
	<u>\$ 548,314</u>	<u>\$ 564,305</u>
<i>Projected liability of the Department of Labor for future FECA benefits</i>		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	\$ 250,179	\$ 270,255
FECA benefits due to eligible workers of DOL and Job Corps enrollees	242,525	233,652
FECA benefits due to eligible workers of the Panama Canal Commission	55,610	60,398
	<u>\$ 548,314</u>	<u>\$ 564,305</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2006 and 2005 consisted of the following current liabilities:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Intra-governmental		
Accrued benefits	\$ 10,070	\$ 9,666
Unearned FECA assessments	48,285	44,347
Deposit and clearing accounts	2	-
Non-entity receipts due to U.S. Treasury	44,501	57,268
Amounts held for the Railroad Retirement Board	101,514	94,820
Advances from other Federal agencies	1,013	-
Total intra-governmental	<u>205,385</u>	<u>206,101</u>
Accrued payroll and benefits	44,968	45,261
Due to Backstage recipients	71,235	71,632
Unearned assessment revenue	42,751	48,910
Deposit and clearing accounts	-	5,503
Readjustment allowances and other Job Corps liabilities	58,359	84,427
Other advances	-	7,500
	<u>217,313</u>	<u>263,233</u>
	<u>\$ 422,698</u>	<u>\$ 469,334</u>

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Intra-governmental		
Advances from U.S. Treasury	\$ 9,631,557	\$ 9,186,557
Accrued benefits	-	13,519
Future workers' compensation benefits	242,525	230,721
Accrued annual leave	92,506	90,222
Readjustment allowances and other Job Corps liabilities	58,359	84,427
	<u>393,390</u>	<u>418,889</u>
	<u>\$ 10,024,947</u>	<u>\$ 9,605,446</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 13 - PENSION EXPENSE

Pension expense in 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 26,506	\$ 42,476	\$ 68,982
Federal Employees' Retirement System	86,876	-	86,876
Thrift Savings Plan	<u>33,003</u>	<u>-</u>	<u>33,003</u>
	<u>\$ 146,385</u>	<u>\$ 42,476</u>	<u>\$ 188,861</u>

Pension expense in 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 27,034	\$ 43,919	\$ 70,953
Federal Employees' Retirement System	81,359	-	81,359
Thrift Savings Plan	<u>30,824</u>	<u>-</u>	<u>30,824</u>
	<u>\$ 139,217</u>	<u>\$ 43,919</u>	<u>\$ 183,136</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>
CROSS CUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 216,300	\$ 871,178	\$ -	\$ -
With the public	35,819,765	3,744,938	-	-
Gross cost	36,036,065	4,616,116	-	-
Intra-governmental earned revenue	(1,201,975)	(2,528,201)	-	-
Public earned revenue	(7,955)	-	-	-
Less earned revenue	(1,209,930)	(2,528,201)	-	-
Net program cost	34,826,135	2,087,915	-	-
Employment and training				
Intra-governmental	51,551	-	-	-
With the public	5,451,793	-	-	-
Gross cost	5,503,344	-	-	-
Intra-governmental earned revenue	(16,872)	-	-	-
Public earned revenue	(5,696)	-	-	-
Less earned revenue	(22,568)	-	-	-
Net program cost	5,480,776	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	115,542	-	-
With the public	-	246,205	-	-
Gross cost	-	361,747	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	(2,800)	-	-
Less earned revenue	-	(2,800)	-	-
Net program cost	-	358,947	-	-
Worker safety and health				
Intra-governmental	-	-	115,929	-
With the public	-	-	399,908	-
Gross cost	-	-	515,837	-
Intra-governmental earned revenue	-	-	(12,466)	-
Public earned revenue	-	-	(946)	-
Less earned revenue	-	-	(13,412)	-
Net program cost	-	-	502,425	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	204,572
With the public	-	-	-	369,207
Gross cost	-	-	-	573,779
Intra-governmental earned revenue	-	-	-	(4,082)
Public earned revenue	-	-	-	(1,250)
Less earned revenue	-	-	-	(5,332)
Net program cost	-	-	-	568,447
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	\$ 40,306,911	\$ 2,446,862	\$ 502,425	\$ 568,447

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 10,451	\$ -	\$ 2,331	\$ (40,282)	\$ 1,059,978
-	20,711	-	1,679	14,762	39,601,855
-	31,162	-	4,010	(25,520)	40,661,833
-	-	-	-	25,520	(3,704,656)
-	-	-	-	-	(7,955)
-	-	-	-	25,520	(3,712,611)
-	31,162	-	4,010	-	36,949,222
-	-	10,693	412	(19,675)	42,981
-	-	195,538	754	19,675	5,667,760
-	-	206,231	1,166	-	5,710,741
-	-	-	-	-	(16,872)
-	-	-	-	-	(5,696)
-	-	-	-	-	(22,568)
-	-	206,231	1,166	-	5,688,173
-	42,270	1,063	18,139	(52,259)	124,755
-	113,093	18,570	174,171	52,259	604,298
-	155,363	19,633	192,310	-	729,053
-	(10,830)	-	-	-	(10,830)
-	(452)	-	-	-	(3,252)
-	(11,282)	-	-	-	(14,082)
-	144,081	19,633	192,310	-	714,971
102,437	-	-	4,086	(51,086)	171,366
230,309	-	-	6,475	51,086	687,778
332,746	-	-	10,561	-	859,144
(4)	-	-	-	-	(12,470)
(1,049)	-	-	-	-	(1,995)
(1,053)	-	-	-	-	(14,465)
331,693	-	-	10,561	-	844,679
-	-	-	11,747	(23,044)	193,275
-	-	-	18,616	23,044	410,867
-	-	-	30,363	-	604,142
-	-	-	-	-	(4,082)
-	-	-	-	-	(1,250)
-	-	-	-	-	(5,332)
-	-	-	30,363	-	598,810
-	-	-	94,814	(9,032)	85,782
-	-	-	(16,640)	9,032	(7,608)
-	-	-	78,174	-	78,174
\$ 331,693	\$ 175,243	\$ 225,864	\$ 316,584	\$ -	\$ 44,874,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

B. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Job Corps</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	\$ 31,032,712	\$ 56	\$ -	\$ -	\$ 31,032,768
Grants	4,614,537	-	-	-	4,614,537
Interest	3,010	-	-	-	3,010
Other	<u>387,879</u>	<u>371</u>	<u>-</u>	<u>(2,500)</u>	<u>385,750</u>
Gross cost	36,038,138	427	-	(2,500)	36,036,065
Less earned revenue	<u>(1,212,430)</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(1,209,930)</u>
Net program cost	<u>34,825,708</u>	<u>427</u>	<u>-</u>	<u>-</u>	<u>34,826,135</u>
Employment and training					
Benefits	-	14,631	2,593	-	17,224
Grants	-	4,029,717	415,031	-	4,444,748
Other	<u>-</u>	<u>137,864</u>	<u>903,508</u>	<u>-</u>	<u>1,041,372</u>
Gross cost	-	4,182,212	1,321,132	-	5,503,344
Less earned revenue	<u>-</u>	<u>(17,188)</u>	<u>(5,380)</u>	<u>-</u>	<u>(22,568)</u>
Net program cost	<u>-</u>	<u>4,165,024</u>	<u>1,315,752</u>	<u>-</u>	<u>5,480,776</u>
Net cost of operations	<u>\$ 34,825,708</u>	<u>\$ 4,165,451</u>	<u>\$ 1,315,752</u>	<u>\$ -</u>	<u>\$ 40,306,911</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

C. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 3,571,671	\$ -	\$ -	\$ -	\$ (1,707)	\$ 3,569,964
Interest	694,964	-	-	-	-	694,964
Other	351,188	-	-	-	-	351,188
Gross cost	4,617,823	-	-	-	(1,707)	4,616,116
Less earned revenue	(2,529,908)	-	-	-	1,707	(2,528,201)
Net program cost	<u>2,087,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,087,915</u>
Labor, employment and pension standards						
Benefits	-	10,465	23,733	6,266	-	40,464
Grants	-	-	-	-	-	-
Other	-	84,988	190,051	46,244	-	321,283
Gross cost	-	95,453	213,784	52,510	-	361,747
Less earned revenue	-	-	(2,800)	-	-	(2,800)
Net program cost	<u>-</u>	<u>95,453</u>	<u>210,984</u>	<u>52,510</u>	<u>-</u>	<u>358,947</u>
Net cost of operations	<u>\$ 2,087,915</u>	<u>\$ 95,453</u>	<u>\$ 210,984</u>	<u>\$ 52,510</u>	<u>\$ -</u>	<u>\$ 2,446,862</u>

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>
CROSS CUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 213,372	\$ 832,659	\$ -	\$ -
With the public	36,697,266	7,627,930	-	-
Gross cost	<u>36,910,638</u>	<u>8,460,589</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	(808,541)	(2,354,837)	-	-
Public earned revenue	(2,369)	-	-	-
Less earned revenue	<u>(810,910)</u>	<u>(2,354,837)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>36,099,728</u>	<u>6,105,752</u>	<u>-</u>	<u>-</u>
Employment and training				
Intra-governmental	61,766	-	-	-
With the public	5,753,511	-	-	-
Gross cost	<u>5,815,277</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	(17,315)	-	-	-
Public earned revenue	(422)	-	-	-
Less earned revenue	<u>(17,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>5,797,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Labor, employment and pension standards				
Intra-governmental	-	114,645	-	-
With the public	-	236,239	-	-
Gross cost	<u>-</u>	<u>350,884</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>-</u>	<u>350,884</u>	<u>-</u>	<u>-</u>
Worker safety and health				
Intra-governmental	-	-	110,857	-
With the public	-	-	388,985	-
Gross cost	<u>-</u>	<u>-</u>	<u>499,842</u>	<u>-</u>
Intra-governmental earned revenue	-	-	(1,645)	-
Public earned revenue	-	-	(1,250)	-
Less earned revenue	<u>-</u>	<u>-</u>	<u>(2,895)</u>	<u>-</u>
Net program cost	<u>-</u>	<u>-</u>	<u>496,947</u>	<u>-</u>
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	177,019
With the public	-	-	-	354,656
Gross cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,675</u>
Intra-governmental earned revenue	-	-	-	(4,057)
Public earned revenue	-	-	-	(2,607)
Less earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,664)</u>
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,011</u>
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost of operations	<u>\$ 41,897,268</u>	<u>\$ 6,456,636</u>	<u>\$ 496,947</u>	<u>\$ 525,011</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 8,284	\$ -	\$ 2,050	\$ (31,667)	\$ 1,024,698
-	17,179	-	3,291	10,330	44,355,996
-	25,463	-	5,341	(21,337)	45,380,694
-	-	-	-	21,337	(3,142,041)
-	-	-	-	-	(2,369)
-	-	-	-	21,337	(3,144,410)
-	25,463	-	5,341	-	42,236,284
-	-	10,004	238	(26,411)	45,597
-	-	201,001	601	26,411	5,981,524
-	-	211,005	839	-	6,027,121
-	-	-	-	-	(17,315)
-	-	-	-	-	(422)
-	-	-	-	-	(17,737)
-	-	211,005	839	-	6,009,384
-	39,970	629	32,126	(48,276)	139,094
-	94,890	12,019	193,804	48,276	585,228
-	134,860	12,648	225,930	-	724,322
-	(9,425)	-	-	-	(9,425)
-	(546)	-	-	-	(546)
-	(9,971)	-	-	-	(9,971)
-	124,889	12,648	225,930	-	714,351
94,390	-	-	-	(44,792)	160,455
203,934	-	-	-	44,736	637,655
298,324	-	-	-	(56)	798,110
(60)	-	-	-	56	(1,649)
(791)	-	-	-	-	(2,041)
(851)	-	-	-	56	(3,690)
297,473	-	-	-	-	794,420
-	-	-	-	(16,423)	160,596
-	-	-	-	16,423	371,079
-	-	-	-	-	531,675
-	-	-	-	-	(4,057)
-	-	-	-	-	(2,607)
-	-	-	-	-	(6,664)
-	-	-	-	-	525,011
-	-	-	98,304	(3,060)	95,244
-	-	-	(13,860)	3,060	(10,800)
-	-	-	84,444	-	84,444
\$ 297,473	\$ 150,352	\$ 223,653	\$ 316,554	\$ -	\$ 50,363,894

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	\$ 31,988,265	\$ 54	\$ -	\$ 31,988,319
Grants	4,549,457	-	-	4,549,457
Interest	2,699	-	-	2,699
Other	369,876	287	-	370,163
Gross cost	36,910,297	341	-	36,910,638
Less earned revenue	(810,910)	-	-	(810,910)
Net program cost	36,099,387	341	-	36,099,728
Employment and training				
Benefits	-	25,360	-	25,360
Grants	-	5,480,361	-	5,480,361
Other	-	313,966	(4,410)	309,556
Gross cost	-	5,819,687	(4,410)	5,815,277
Less earned revenue	-	(22,147)	4,410	(17,737)
Net program cost	-	5,797,540	-	5,797,540
Net cost of operations	\$ 36,099,387	\$ 5,797,881	\$ -	\$ 41,897,268

Job Corps net cost was reported under Training and Employment Programs for the year ended September 30, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 7,493,735	\$ -	\$ -	\$ -	\$ (1,702)	\$ 7,492,033
Interest	674,894	-	-	-	-	674,894
Other	293,662	-	-	-	-	293,662
Gross cost	8,462,291	-	-	-	(1,702)	8,460,589
Less earned revenue	(2,356,539)	-	-	-	1,702	(2,354,837)
Net program cost	<u>6,105,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,105,752</u>
Labor, employment and pension standards						
Benefits	-	12,100	26,328	6,456	-	44,884
Grants	-	-	13	-	-	13
Other	-	82,406	179,750	43,831	-	305,987
Gross cost	-	94,506	206,091	50,287	-	350,884
Less earned revenue	-	-	-	-	-	-
Net program cost	<u>-</u>	<u>94,506</u>	<u>206,091</u>	<u>50,287</u>	<u>-</u>	<u>350,884</u>
Net cost of operations	<u>\$ 6,105,752</u>	<u>\$ 94,506</u>	<u>\$ 206,091</u>	<u>\$ 50,287</u>	<u>\$ -</u>	<u>\$ 6,456,636</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2006 and 2005

NOTE 15 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 7,383,523	\$ 6,810,122
State unemployment taxes	<u>34,023,122</u>	<u>33,151,082</u>
	41,406,645	39,961,204
Black Lung Disability Trust Fund excise taxes	<u>607,387</u>	<u>610,417</u>
	<u>42,014,032</u>	<u>40,571,621</u>
Interest		
Unemployment Trust Fund	2,780,114	2,586,064
Longshore and Harbor Workers' Compensation Act Trust Fund	2,016	1,007
District of Columbia Workmen's Compensation Act Trust Fund	155	63
Panama Canal Commission Compensation Fund	3,647	3,915
Energy Employees Occupational Illness Compensation Fund	5,654	1,722
Black Lung Disability Trust Fund	<u>297</u>	<u>644</u>
	<u>2,791,883</u>	<u>2,593,415</u>
Assessments		
Longshore and Harbor Workers' Compensation Act Trust Fund	138,857	133,566
District of Columbia Workmen's Compensation Act Trust Fund	10,789	11,216
Other	<u>183</u>	<u>533</u>
	<u>149,829</u>	<u>145,315</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	<u>1,855,188</u>	<u>1,857,193</u>
	<u>\$ 46,810,932</u>	<u>\$ 45,167,544</u>

NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security	\$ 390,823	\$ -
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	<u>3,000</u>	<u>3,000</u>
	<u>393,823</u>	<u>3,000</u>
Other financing sources		
Liability for EEOICPA, Part D, from the Department of Energy	-	(810,000)
Liability for RECA, Section 5, from the Department of Justice	-	(316,993)
From General Services Administration	1,537	3,564
To General Services Administration	(209)	(3,943)
From Department of Defense	<u>-</u>	<u>41,760</u>
	<u>1,328</u>	<u>(1,085,612)</u>
	<u>\$ 395,151</u>	<u>\$ (1,082,612)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2006 and 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Direct Obligations		
Category A	\$ 4,063,611	\$ 4,021,560
Category B	9,247,270	9,551,655
Exempt from apportionment	<u>37,033,486</u>	<u>37,760,421</u>
Total direct obligations	<u>50,344,367</u>	<u>51,333,636</u>
Reimbursable Obligations		
Category A	188,504	172,936
Category B	<u>2,906,630</u>	<u>2,609,991</u>
Total reimbursable obligations	<u>3,095,134</u>	<u>2,782,927</u>
	<u>\$ 53,439,501</u>	<u>\$ 54,116,563</u>

B. Permanent Indefinite Appropriations

The Department of Labor's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1B funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Combined Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Combined Statement of Budgetary Resources. Current year excess receipts are reported as temporarily not available pursuant to Public Law. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2006 and 2005 reclassified from unobligated balances to UTF unavailable collections is presented on the following page.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued

C. Legal Arrangements Affecting Use of Unobligated Balances - Continued

<u>(Dollars in millions)</u>	<u>2006</u>	<u>2005</u>
Unemployment Trust Fund unavailable collections, beginning	\$ 52,213	\$ 42,964
Budget authority from current year appropriations	46,725	45,184
Less obligations	<u>(34,943)</u>	<u>(35,935)</u>
Excess of obligations over budget authority	<u>11,782</u>	<u>9,249</u>
Unemployment Trust Fund unavailable collections, ending	<u>\$ 63,995</u>	<u>\$ 52,213</u>

D. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2006 has not been published as of the issue date of these financial statements. This document will be available in February 2007. In addition, the reconciliation of the SF133 and the Statement of Budgetary Resources will be performed in Fiscal Year 2007 after the Department receives the final SF133 reports from Trust Funds and allocated accounts.

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2005 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Gross Outlays</u>
Combined Statement of Budgetary Resources	\$ 57,989	\$ 54,117	\$ 54,082
Pension Benefit Guaranty Corporation reported separately	15,936	3,592	3,571
Accruals not reported in the budget	201	201	-
Amounts in the budget not included in the Consolidated Statement of Budgetary Resources	5	5	14
Amounts in the Consolidated Statement of Budgetary Resources not included in the budget	(62)	(37)	(42)
Expired accounts	(1,177)	(111)	-
Other	<u>1</u>	<u>3</u>	<u>(6)</u>
Budget of the United States Government	<u>\$ 72,893</u>	<u>\$ 57,770</u>	<u>\$ 57,619</u>

E. Undelivered Orders

Undelivered orders at September 30, 2006 and 2005 were as follows.

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Undelivered orders	<u>\$ 5,773,816</u>	<u>\$ 5,879,080</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued**F. Appropriations Received**

The Combined Statements of Budgetary Resources discloses appropriations received of \$58,971 and \$57,249 million for FY 2006 and 2005, respectively. Appropriations received on the Consolidated Statements of Changes in Net Position are \$10,704 and \$11,101 million for FY 2006 and 2005, respectively. The differences of \$48,267 and \$46,148 million represent certain dedicated and earmarked receipts recognized as exchange revenue or non-exchange revenue reported on the Consolidated Statements of Net Cost or the Consolidated Statements of Changes in Net Position and amounts of new budget authority permanently reduced by enacted legislation.

NOTE 18 – DISCLOSURES RELATED TO THE STATEMENT OF FINANCING**A. Other Resources That Do Not Affect the Net Cost of Operations**

Other resources that do not affect net cost of operations for the years ended September 30, 2006 and 2005 consisted of the following.

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Transfer of liability for EEOICPA, Part D, from the Department of Energy	\$ -	\$ 810,000
Transfer of liability for RECA, Section 5, from the Department of Justice	-	316,993
Transfer of property to GSA	209	3,943
Transfer of expired funds from Veterans' Employment and Training to the Unemployment Trust Fund	-	150
	<u>\$ 209</u>	<u>\$ 1,131,086</u>

B. Relationship between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
Liabilities not covered by budgetary resources, current year (Note 12)	\$ 10,024,947	\$ 9,605,446
Less liabilities not covered by budgetary resources, prior year (Note 12)	(9,605,446)	(9,130,206)
Current year change in liabilities not covered by budgetary resources	419,501	475,240
Proceeds from Advances from U.S. Treasury	(445,000)	(446,000)
Increase in energy employees occupational illness compensation benefits liability funded with permanent and indefinite appropriation	-	3,515,426
Increase in future workers' compensation benefits not covered by budgetary resources	(11,804)	-
Increase in future workers' compensation benefits covered by budgetary resources	-	42,075
Decrease in accrued benefits not covered by budgetary resources	13,519	-
Decrease in accrued benefits covered by budgetary resources	-	(8,899)
Decrease in annual leave not covered by budgetary resources	-	4,624
Increase in annual leave covered by budgetary resources	386	-
Decrease in other liabilities not covered by budgetary resources	26,068	-
Decrease in other liabilities covered by budgetary resources	-	(75)
Components requiring or generating resources in future periods	<u>\$ 2,670</u>	<u>\$ 3,582,391</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 19 – SOURCES OF CUSTODIAL REVENUE

Custodial revenues in 2006 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 80,119	\$ (8)	\$ 80,111	\$ (12,396)	\$ 67,715
MSHA	24,411	-	24,411	(565)	23,846
EBSA	15,751	-	15,751	(551)	15,200
ESA	11,968	(59)	11,909	529	12,438
	<u>132,249</u>	<u>(67)</u>	<u>132,182</u>	<u>(12,983)</u>	<u>119,199</u>
ETA disallowed grant costs	19,815	(2)	19,813	216	20,029
Other	816	(7)	809	-	809
	<u>\$ 152,880</u>	<u>\$ (76)</u>	<u>\$ 152,804</u>	<u>\$ (12,767)</u>	<u>\$ 140,037</u>

Custodial revenues in 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 62,548	\$ -	\$ 62,548	\$ 10,005	\$ 72,553
MSHA	18,553	-	18,553	(1,202)	17,351
EBSA	13,654	-	13,654	2,079	15,733
ESA	12,577	(3)	12,574	509	13,083
	<u>107,332</u>	<u>(3)</u>	<u>107,329</u>	<u>11,391</u>	<u>118,720</u>
ETA disallowed grant costs	4,893	-	4,893	(738)	4,155
Other	18,660	(211)	18,449	298	18,747
	<u>\$ 130,885</u>	<u>\$ (214)</u>	<u>\$ 130,671</u>	<u>\$ 10,951</u>	<u>\$ 141,622</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 20 – EARMARKED FUNDS

DOL is responsible for the operation of certain earmarked funds. Other earmarked funds include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the earmarked funds as of September 30, 2006 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Other</u>	<u>Total</u>
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ 60,257	\$ 39,251	\$ 330,775	\$ 430,283
Investments	66,212,640	-	80,348	66,292,988
Interest receivable from investments	743,299	-	2,234	745,533
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	335,023	-	-	335,023
Total intra-governmental	67,351,219	39,251	413,357	67,803,827
Accounts receivable, net				
State unemployment tax	266,544	-	-	266,544
Due from reimbursable employers	511,659	-	-	511,659
Benefit overpayments	183,437	8,800	-	192,237
Other	-	-	2	2
Advances	474,153	-	3,525	477,678
Other	-	-	23	23
Total assets	\$ 68,787,012	\$ 48,051	\$ 416,907	\$ 69,251,970
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,208,229	\$ -	\$ -	\$ 1,208,229
Advances from U.S. Treasury	-	9,631,557	-	9,631,557
Amounts held for the Railroad				
Retirement Board	101,514	-	-	101,514
Other	-	-	7,689	7,689
Total intra-governmental	1,309,743	9,631,557	7,689	10,948,989
Accounts payable	-	-	10,654	10,654
Accrued benefits	1,068,427	21,237	-	1,089,664
Future workers' compensation benefits	-	-	55,610	55,610
Other	-	-	622	622
Total liabilities	2,378,170	9,652,794	74,575	12,105,539
Net position				
Cumulative results of operations	66,408,842	(9,604,743)	342,332	57,146,431
Total liabilities and net position	\$ 68,787,012	\$ 48,051	\$ 416,907	\$ 69,251,970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 20 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2006 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Other</u>	<u>Total</u>
Cost, net of earned revenues				
Benefits	\$ (31,025,168)	\$ (299,479)	\$ (2,051)	\$ (31,326,698)
Grants	-	-	(51,388)	(51,388)
Interest	(3,010)	(694,964)	-	(697,974)
Administrative	(295,807)	(342)	(15,647)	(311,796)
	(31,323,985)	(994,785)	(69,086)	(32,387,856)
Earned revenue	818,294	-	-	818,294
	(30,505,691)	(994,785)	(69,086)	(31,569,562)
Net financing sources				
Taxes	41,406,645	607,387	-	42,014,032
Interest	2,780,114	297	3,647	2,784,058
Reimbursement of unemployment benefits	1,855,188	-	-	1,855,188
Imputed financing	-	-	238	238
Transfers-in				
Department of Homeland Security	-	-	390,823	390,823
Transfers-out				
DOL entities	(3,623,927)	(57,633)	-	(3,681,560)
	42,418,020	550,051	394,708	43,362,779
Net results of operations	11,912,329	(444,734)	325,622	11,793,217
Net position, beginning of period	54,496,513	(9,160,009)	16,710	45,353,214
Net position, end of period	\$ 66,408,842	\$ (9,604,743)	\$ 342,332	\$ 57,146,431

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS

The Department administers four trust funds that receive dedicated collections. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, became effective in FY 2006. This standard affected existing standards dealing with dedicated collections, and as a result, the Unemployment Trust Fund and the Black Lung Disability Trust Fund are now classified as earmarked funds. The financial position of the two remaining trust funds as of September 30, 2006 is shown below.

<u>(Dollars in thousands)</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Assets		
Intra-governmental		
Funds with U.S. Treasury	\$ 154	\$ 76
Investments	73,146	5,611
Interest receivable from investments	<u>10</u>	<u>1</u>
Total intra-governmental	73,310	5,688
Other accounts receivable, net	<u>2,431</u>	<u>412</u>
Total assets	<u><u>\$ 75,741</u></u>	<u><u>\$ 6,100</u></u>
Liabilities		
Intra-governmental		
Accounts payable to DOL agencies	\$ 2,028	\$ -
Accrued benefits	3,382	283
Other	<u>39,371</u>	<u>3,379</u>
Total liabilities	<u>44,781</u>	<u>3,662</u>
Net position		
Cumulative results of operations	<u>30,960</u>	<u>2,438</u>
Total liabilities and net position	<u><u>\$ 75,741</u></u>	<u><u>\$ 6,100</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS - Continued

The net results of operations of each trust fund for the year ended September 30, 2006 is shown below.

<u>(Dollars in thousands)</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Cost, net of earned revenues		
Benefits	\$ (133,694)	\$ (10,112)
Net financing sources		
Interest	2,016	155
Assessments	138,857	10,789
Transfers-out		
DOL entities	(2,028)	-
	<u>138,845</u>	<u>10,944</u>
Net results of operations	5,151	832
Net position, beginning of period	<u>25,809</u>	<u>1,606</u>
Net position, end of period	<u>\$ 30,960</u>	<u>\$ 2,438</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS - Continued

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 2005 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ (273,027)	\$ 41,906	\$ 13,310	\$ 2,066
Investments	54,805,883	-	60,000	3,000
Interest receivable from investments	634,736	-	-	-
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	344,238	-	-	-
Total intra-governmental	<u>55,511,830</u>	<u>41,906</u>	<u>73,310</u>	<u>5,066</u>
Accounts receivable, net				
State unemployment tax	235,182	-	-	-
Due from reimbursable employers	516,110	-	-	-
Benefit overpayments	177,640	9,055	-	-
Other	-	-	1,222	813
Advances to states	489,177	-	-	-
Total assets	<u>\$ 56,929,939</u>	<u>\$ 50,961</u>	<u>\$ 74,532</u>	<u>\$ 5,879</u>
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,406,934	\$ -	\$ 477	\$ -
Advances from U.S. Treasury	-	9,186,557	-	-
Amounts held for the Railroad Retirement Board	94,820	-	-	-
Total intra-governmental	<u>1,501,754</u>	<u>9,186,557</u>	<u>477</u>	<u>-</u>
Accrued benefits	931,672	24,413	3,234	375
Other	-	-	45,012	3,898
Total liabilities	<u>2,433,426</u>	<u>9,210,970</u>	<u>48,723</u>	<u>4,273</u>
Net position				
Cumulative results of operations	<u>54,496,513</u>	<u>(9,160,009)</u>	<u>25,809</u>	<u>1,606</u>
Total liabilities and net position	<u>\$ 56,929,939</u>	<u>\$ 50,961</u>	<u>\$ 74,532</u>	<u>\$ 5,879</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2005 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Cost, net of earned revenues				
Benefits	\$ (31,980,909)	\$ (327,860)	\$ (130,883)	\$ (10,700)
Interest	(2,699)	(674,894)	-	-
Administrative	(288,968)	(212)	-	-
	(32,272,576)	(1,002,966)	(130,883)	(10,700)
Earned revenue	783,657	-	-	-
	<u>(31,488,919)</u>	<u>(1,002,966)</u>	<u>(130,883)</u>	<u>(10,700)</u>
Net financing sources				
Taxes	39,961,204	610,417	-	-
Interest	2,586,064	646	1,007	62
Reimbursement of unemployment benefits	1,857,193	-	133,566	11,217
Transfers-in				
DOL Entities	150	-	-	-
Transfers-out				
DOL entities	(3,815,031)	(56,662)	(2,023)	-
	<u>40,589,580</u>	<u>554,401</u>	<u>132,550</u>	<u>11,279</u>
Net results of operations	9,100,661	(448,565)	1,667	579
Net position, beginning of period	<u>45,395,852</u>	<u>(8,711,444)</u>	<u>24,142</u>	<u>1,027</u>
Net position, end of period	<u>\$ 54,496,513</u>	<u>\$ (9,160,009)</u>	<u>\$ 25,809</u>	<u>\$ 1,606</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

**NOTE 22 – BALANCE SHEET CLASSIFICATIONS AGGREGATED TO CONFORM
WITH OMB CIRCULAR NO. A-136 CLASSIFICATIONS**

The Department's consolidated balance sheet has different classifications of certain assets and liabilities from those suggested in OMB Circular No. A-136. The following aggregate Department of Labor classifications into OMB Circular No. A-136 classifications.

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
ASSETS		
Intra-governmental		
Other		
Interest receivable from investments	\$ 745,556	\$ 637,443
Advances	4	10,812
Total other	<u>\$ 745,560</u>	<u>\$ 648,255</u>
Other		
Advances	<u>\$ 555,294</u>	<u>\$ 584,139</u>
Total other	<u>\$ 555,294</u>	<u>\$ 584,139</u>
LIABILITIES		
Federal employee and veteran benefits		
Future workers' compensation benefits	\$ 548,314	\$ 564,305
Total Federal employee and veteran benefits	<u>\$ 548,314</u>	<u>\$ 564,305</u>
Other		
Energy employees occupational illness compensation benefits	\$ 6,942,442	\$ 7,436,243
Accrued leave	97,522	94,852
Other liabilities	217,313	263,233
Total other	<u>\$ 7,257,277</u>	<u>\$ 7,794,328</u>