

Texas Workforce Commission *Annual Financial Report*

For the year ended August 31, 2006



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NO

ANNUAL FINANCIAL REPORT

UNAUDITED

TEXAS WORKFORCE COMMISSION
Austin, Texas

Year Ended August 31, 2006

October 3, 2006

Honorable Rick Perry, Governor
Honorable Carol Keeton Strayhorn, State Comptroller
John O'Brien, Deputy Director, Legislative Budget Board
John Keel, CPA, State Auditor

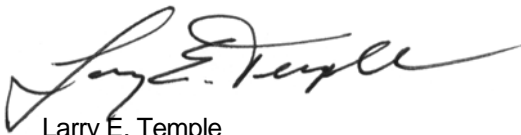
Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Workforce Commission for the year ended August 31, 2006, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Randy Townsend, CPA, Chief Financial Officer, at (512) 463-2698.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry E. Temple". The signature is fluid and cursive, with a large initial "L" and "T".

Larry E. Temple
Executive Director

TEXAS WORKFORCE COMMISSION (320)

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TEXAS WORKFORCE COMMISSION

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EXHIBIT I
COMBINED BALANCE SHEET / STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2006

	Governmental Funds		Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
	General Funds				
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$	\$	\$	
Cash on Hand		13,587.63			13,587.63
Cash in Bank (Note 3)		25,000.00			25,000.00
Cash in State Treasury	118,432,952.79				118,432,952.79
Legislative Appropriations	26,378,385.89				26,378,385.89
Receivables:					
Federal Receivables (Note 25)		23,310,029.63			23,310,029.63
Interest and Dividends		297,329.05			297,329.05
Accounts Receivable (Note 25)		7,449,355.64			7,449,355.64
Interfund Receivable (Note 8)		848,690.00			848,690.00
Due from Other Agencies (Note 8)		84.38			84.38
Consumable Inventories		572,611.76			572,611.76
Total Current Assets		<u>177,328,026.77</u>	<u>0.00</u>	<u>0.00</u>	<u>177,328,026.77</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Non-Depreciable					
Land and Land Improvements			7,474,802.05		7,474,802.05
Construction in Progress			4,076,304.93		4,076,304.93
Depreciable					
Buildings and Building Improvements			34,326,744.24		34,326,744.24
Accumulated Depreciation			(23,580,047.90)		(23,580,047.90)
Infrastructure			1,309,138.76		1,309,138.76
Accumulated Depreciation			(930,985.90)		(930,985.90)
Furniture and Equipment			30,725,602.71		30,725,602.71
Accumulated Depreciation			(21,800,112.89)		(21,800,112.89)
Vehicles, Boats & Aircraft			338,344.87		338,344.87
Accumulated Depreciation			(327,045.32)		(327,045.32)
Total Non-Current Assets		<u>0.00</u>	<u>31,612,745.55</u>	<u>0.00</u>	<u>31,612,745.55</u>
Total Assets	\$	<u>177,328,026.77</u>	\$ <u>31,612,745.55</u>	\$ <u>0.00</u>	\$ <u>208,940,772.32</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables:					
Accounts Payable	\$	23,266,773.70	\$	\$	23,266,773.70
Payroll Payable		12,732,041.05			12,732,041.05
Interfund Payable (Note 8)		848,690.00			848,690.00
Due to Other Funds (Note 8)		2,697,661.48			2,697,661.48
Due to Other Agencies (Note 8)		6,495,625.24			6,495,625.24
Employees Compensable Leave (Note 5)				6,973,559.02	6,973,559.02
Capital Lease Obligations (Note 5)				723,824.49	723,824.49
Total Current Liabilities		<u>46,040,791.47</u>	<u>0.00</u>	<u>7,697,383.51</u>	<u>53,738,174.98</u>

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**EXHIBIT I
COMBINED BALANCE SHEET / STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

For the Year Ended August 31, 2006

	<u>Governmental Funds</u>			
	<u>General Funds</u>	<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Net Assets</u>
Non-Current Liabilities:				
Employees Compensable Leave (Note 5)			5,057,105.42	5,057,105.42
Capital Lease Obligations (Note 5)			1,014,128.67	1,014,128.67
Total Non-Current Liabilities:	<u>0.00</u>	<u>0.00</u>	<u>6,071,234.09</u>	<u>6,071,234.09</u>
Total Liabilities	<u>46,040,791.47</u>	<u>0.00</u>	<u>13,768,617.60</u>	<u>59,809,409.07</u>
Fund Financial Statement-Fund Balances				
Fund Balances (Deficits):				
Reserved For:				
Encumbrances	\$ 33,443,934.61	\$	\$	\$ 33,443,934.61
Inventories	572,611.76			572,611.76
Imprest Accounts	25,000.00			25,000.00
Unreserved Designated For:				
Future Operations	96,267,067.30			96,267,067.30
Other - Career School College Tuition Trust	978,621.63			978,621.63
Total Fund Balances	<u>131,287,235.30</u>	<u>0.00</u>	<u>0.00</u>	<u>131,287,235.30</u>
Total Liabilities and Fund Balance	<u>\$ 177,328,026.77</u>	<u>0.00</u>	<u>13,768,617.60</u>	<u>191,096,644.37</u>
Government-wide Statement-Net Assets				
Net Assets:				
Invested in Capital Assets, Net of Related Debt		31,612,745.55	(1,737,953.16)	29,874,792.39
Unrestricted			(12,030,664.44)	(12,030,664.44)
Total Net Assets		<u>\$ 31,612,745.55</u>	<u>\$ (13,768,617.60)</u>	<u>\$ 149,131,363.25</u>

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**EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCES / STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended August 31, 2006

	<u>Governmental Funds</u>			
	<u>General Funds</u>	<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
REVENUES:				
Legislative Appropriations	\$	\$	\$	\$
Original Appropriations (GR)	91,925,497.28			91,925,497.28
Additional Appropriations (GR)	3,587,453.66			3,587,453.66
Federal Revenue	937,442,586.90			937,442,586.90
Federal Pass-Through Revenue	84,521,666.07			84,521,666.07
State Grant Pass-Through Revenue	6,276,748.19			6,276,748.19
Licenses, Fees and Permits	84,021,604.93			84,021,604.93
Interest and Investment Income	2,037,816.92			2,037,816.92
Land Income	484.48			484.48
Sales of Goods and Services	2,076,642.72			2,076,642.72
Other Revenues	28,453,778.28	(1,800.00)		28,451,978.28
Total Revenues	<u>1,240,344,279.43</u>	<u>(1,800.00)</u>	<u>0.00</u>	<u>1,240,342,479.43</u>
EXPENDITURES				
Salaries and Wages	130,529,067.42		1,095,872.44	131,624,939.86
Payroll Related Costs	51,251,074.70			51,251,074.70
Professional Fees and Services	7,656,866.10			7,656,866.10
Travel	1,728,808.89			1,728,808.89
Materials and Supplies	3,351,877.82			3,351,877.82
Communication and Utilities	7,632,137.61			7,632,137.61
Repairs and Maintenance	8,991,247.60			8,991,247.60
Rentals and Leases	4,631,238.00			4,631,238.00
Printing and Reproduction	1,417,843.02			1,417,843.02
Federal Pass-Through Expenditures	41,493,110.76			41,493,110.76
State Grant Pass-Through Expenditures	4,230,502.06			4,230,502.06
Intergovernmental Payments	20,421,966.41			20,421,966.41
Public Assistance Payments	875,707,106.13			875,707,106.13
Other Operating Expenditures	8,519,729.23			8,519,729.23
Debt Service -				
Principal-Capital Leases	2,038,758.58		(2,038,758.58)	0.00
Interest-Capital Leases	116,092.07		(116,092.07)	0.00
Interest on Long-Term Debt			116,092.07	116,092.07
Capital Outlay	7,057,499.63	(7,057,499.63)		0.00
Depreciation Expense	0.00	4,869,225.98		4,869,225.98
Total Expenditures/Expenses	<u>1,176,774,926.03</u>	<u>(2,188,273.65)</u>	<u>(942,886.14)</u>	<u>1,173,643,766.24</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 63,569,353.40</u>	<u>\$ 2,186,473.65</u>	<u>\$ 942,886.14</u>	<u>\$ 66,698,713.19</u>

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EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2006

	<u>Governmental Funds</u>			
	<u>General Funds</u>	<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 249,138.82	\$ (249,138.82)	\$	\$ 0.00
Transfers In (Note 8)	127,685,017.50			127,685,017.50
Transfers Out (Note 8)	(130,761,553.58)			(130,761,553.58)
Legislative Financing Sources (Note 8)	330,473.12			330,473.12
Gain (Loss) on Sale of Capital Assets		75,143.65		75,143.65
Total Other Financing Sources (Uses)	<u>(2,496,924.14)</u>	<u>(173,995.17)</u>	<u>0.00</u>	<u>(2,670,919.31)</u>
Net Change in Fund Balances/Net Assets	<u>61,072,429.26</u>	<u>2,012,478.48</u>	<u>942,886.14</u>	<u>64,027,793.88</u>
Fund Financial Statement-Fund Balances				
Fund Balances, September 1, 2005	70,346,536.95			70,346,536.95
Restatement (Note 18)	350,901.60			350,901.60
Fund Balances, September 1, 2005 As Restated	70,697,438.55			70,697,438.55
Appropriations Lapsed	(482,632.51)			(482,632.51)
FUND BALANCES - August 31, 2006	<u>\$ 131,287,235.30</u>	<u>\$ 2,012,478.48</u>	<u>\$ 942,886.14</u>	<u>\$ 134,242,599.92</u>
GOVERNMENT-WIDE STATEMENT-NET ASSETS				
Change in Net Assets	131,287,235.30	2,012,478.48	942,886.14	134,242,599.92
Net Assets, Beginning		27,231,928.55	(12,279,792.00)	14,952,136.55
Restatements (Note 2 & Note 5)		2,368,338.52	(2,431,711.74)	(63,373.22)
Net Assets, September 1, 2005, As Restated		29,600,267.07	(14,711,503.74)	14,888,763.33
Net Assets, August 31, 2006	<u>\$ 131,287,235.30</u>	<u>\$ 31,612,745.55</u>	<u>\$ (13,768,617.60)</u>	<u>\$ 149,131,363.25</u>

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**EXHIBIT III
COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

For the Year Ended August 31, 2006

	Total Proprietary Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$
Cash on Hand	377,269.15
Cash in State Treasury	27,178.19
Cash in Federal Treasury (Note 3)	2,070,560,089.86
Restricted:	
Cash in State Treasury	165,975,715.32
Receivables:	
Federal Receivable (Note 25)	3,169,690.54
Interest and Dividends	16,755,476.81
Accounts Receivable (Note 25)	197,166,570.76
Due from Other Funds (Note 8)	127,130,634.08
Total Current Assets	<u>2,581,162,624.71</u>
Non-Current Assets:	
Deferred Charges	1,902,797.46
Total Non-Current Assets	<u>1,902,797.46</u>
Total Assets	<u><u>\$ 2,583,065,422.17</u></u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	\$ 68,677,104.53
Interest Payable	3,841,412.00
Due to Other Funds (Note 8)	124,432,972.60
Revenue Bonds Payable (Note 5)	188,291,803.91
Deferred Revenues	39,713,668.84
Total Current Liabilities	<u>424,956,961.88</u>
Non-Current Liabilities:	
Revenue Bonds Payable	534,684,241.03
Total Non-Current Liabilities	<u>534,684,241.03</u>
Total Liabilities	<u>959,641,202.91</u>
NET ASSETS	
Restricted For:	
Unemployment Trust Fund	2,151,588,027.96
Debt Retirement	<u>(528,163,808.72)</u>
Total Net Assets	<u><u>\$ 1,623,424,219.24</u></u>

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EXHIBIT IV

**COMBINED STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**

For the Year Ended August 31, 2006

	Total Proprietary Funds (Exhibit F-2)
OPERATING REVENUES:	
Unemployment Assessment	\$ 1,862,803,929.74
Federal Revenue	81,389,953.73
Other Operating Revenues	88,141,746.16
Total Operating Revenues	<u>2,032,335,629.63</u>
OPERATING EXPENSES:	
Unemployment Benefit Payments	1,224,819,759.31
Total Operating Expenses	<u>1,224,819,759.31</u>
OPERATING INCOME (LOSS)	<u>807,515,870.32</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Expense	(27,084,913.02)
Interest and Investment Income	78,804,325.93
Other Non-Operating Expenses	(1,525,685.17)
Total Non-Operating Revenues (Expenses)	<u>50,193,727.74</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>857,709,598.06</u>
OTHER REVENUES, (EXPENSES), GAINS/ (LOSSES) AND TRANSFERS	
Transfers In (Note 8)	3,593,921,915.77
Transfers Out (Note 8)	(3,593,804,307.79)
Total Other Revenues, (Expenses), Gains/(Losses) and Transfers	<u>117,607.98</u>
CHANGE IN NET ASSETS	<u>857,827,206.04</u>
TOTAL NET ASSETS - September 1, 2005	<u>765,597,013.20</u>
TOTAL NET ASSETS - August 31, 2006	<u>\$ 1,623,424,219.24</u>

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TEXAS WORKFORCE COMMISSION (320)

EXHIBIT V
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended August 31, 2006

	Total Proprietary Funds (Exhibit F-3)
CASH FLOWS FROM OPERATING ACTIVITIES	
Unemployment Assessments	\$ 1,919,924,503.49
Proceeds of Federal Revenue	82,243,673.84
Proceeds from Other Revenue	95,279,467.35
Unemployment Benefit Payments	(1,192,284,858.22)
Net Cash Provided by Operating Activities	<u>905,162,786.46</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment for Principal on Bonds (Note 5)	(310,294,274.28)
Payments of Interest	(28,902,936.27)
Payment of Other Non-Operating Expense	(554,703.28)
Transfers From Other Funds	3,601,850,885.22
Transfers To Other Funds	(3,601,778,833.94)
Net Cash Provided by Noncapital Financing Activities	<u>(339,679,862.55)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Investment Income	73,667,126.48
Net Cash Provided by Investing Activities	<u>73,667,126.48</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>639,150,050.39</u>
Cash and Cash Equivalents - September 1, 2005	<u>1,597,790,202.13</u>
Net Cash and Cash Equivalents - August 31, 2006	<u>\$ 2,236,940,252.52</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>807,515,870.32</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Amortization and Depreciation	
Operating Income and Cash Flow Categories Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	62,500,693.91
Increase (Decrease) in Payables	19,900,927.53
Increase (Decrease) in Deferred Revenue	15,245,294.70
Total Adjustments	<u>97,646,916.14</u>
Net Cash Provided by Operating Activities	<u>\$ 905,162,786.46</u>

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**EXHIBIT VI
COMBINED STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS**

For the Year Ended August 31, 2006

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	TOTALS
ASSETS			
Cash and Cash Equivalents			
Cash on Hand	\$ 3,508.56	\$	\$ 3,508.56
Cash in State Treasury	1,092,013.09	14,367.43	1,106,380.52
Receivables:			
Interest and Dividends	5,949.57		5,949.57
Accounts Receivable (Note 25)	155,438.32		155,438.32
Total Assets	\$ 1,256,909.54	\$ 14,367.43	\$ 1,271,276.97
LIABILITIES			
Payables:			
Accounts Payable	848,387.77		848,387.77
Interest Payable	40,472.35		40,472.35
Funds Held for Others		14,367.43	14,367.43
Total Liabilities	888,860.12	14,367.43	903,227.55
Net Assets			
Held in Trust For:			
Payday Law	368,049.42		368,049.42
Total Net Assets	\$ 368,049.42	\$ 0.00	\$ 368,049.42

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**EXHIBIT VII
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the Year Ended August 31, 2006

	Private- Purpose Trust Funds (Exhibit I-2)	TOTALS
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 64,955.63	\$ 64,955.63
Net Income from Investing Activities	<u>64,955.63</u>	<u>64,955.63</u>
Total Net Investment Income (Loss)	<u>64,955.63</u>	<u>64,955.63</u>
Other Additions		
Collections from Employers for Payday Law Claims	3,908,801.94	3,908,801.94
Transfer In (Note 8)	41,853.32	41,853.32
Total Other Additions	<u>3,950,655.26</u>	<u>3,950,655.26</u>
Total Additions	<u>4,015,610.89</u>	<u>4,015,610.89</u>
DEDUCTIONS		
Settlement of Claims	3,943,160.82	3,943,160.82
Interest Expense	37,188.99	37,188.99
Transfer Out (Note 8)	41,853.32	41,853.32
Total Deductions	<u>4,022,203.13</u>	<u>4,022,203.13</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (6,592.24)</u>	<u>\$ (6,592.24)</u>
Net Assets - September 1, 2005	374,641.66	374,641.66
NET ASSETS - August 31, 2006	<u>\$ 368,049.42</u>	<u>\$ 368,049.42</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Workforce Commission (Commission) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Commission was created by House Bill 1863 in 1995 to create and operate an integrated workforce development system for Texas. The legislation accomplished this through the consolidation of 28 job training, employment and employment-related educational programs from 10 different state entities into the new Workforce Commission. The first transition of programs began on March 1, 1996, and the Commission completed the consolidation and began full operation on June 1, 1996.

Due to the statewide requirements embedded in *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements of this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund Types & Government-wide Adjustment Fund Types

General Revenue Accounts

General Fund (Fund 0001) is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds. This fund was created by various legal cites.

Unemployment Compensation Special Administration (Fund 0165) receives penalties and interest collected under the Unemployment Compensation Act and is used for paying costs of administering the Act. This fund was created by TEX. LAB. CODE ANN. §§ 203.002, 203.003, 203.005, 203.201, 203.202, 203.203.

Telecommunication Infrastructure Fund (Fund 0345) is used to pay expenses for the closeout of the Telecommunication Infrastructure Fund Board (Agency 367). This fund was created by H.B. 2128, H.B. 3050, Seventy-Fourth Leg., R.S.

Career School or College Tuition Trust Account (Fund 0925) holds in trust all amounts related to the protection of career school or college tuition. This fund was created by TEX. EDUC.CODE ANN. §§ 132.2415, 132.242.

Workforce Commission Federal Fund (Fund 5026) records all transactions related to federal funds received by the Texas Workforce Commission. This fund was created by TEX. GOV'T CODE ANN. ch. 403.

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Holding Fund (Fund 5069) is composed of employment and training investment assessments levied on employers. During the 79th Texas Legislature, H.B. 2421 provided the authority for money in this fund to be appropriated for Skills Development Program Activity. This fund was created by TEX. LAB. CODE ANN. § 204.122.

Employment and Training Investment Holding (Fund 5128) is composed of employment and training investment assessments levied on employers. This fund was created by TEX. LAB. CODE ANN. §204.122

Capital Asset Adjustments Fund Type

Capital Assets Adjustment Fund (Fund 0099) is used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long Term Liabilities Adjustments Fund Type

Long-Term Liabilities Adjustment Fund (Fund 0098) is used to convert governmental fund types' debt from modified accrual to full accrual.

Proprietary Fund Types

Enterprise Funds

Enterprise funds account for any activity for which a fee is charged to external users for goods or services. The Texas Workforce Commission accounts for its proprietary activities in five separate funds, when combined, make up the Texas Unemployment Compensation Fund. These funds are discussed below.

Texas Workforce Commission Unemployment Compensation Revenue Bond Fund (Fund 0367) receives proceeds from taxable and non-taxable revenue bond issues and pays bond issuance expenses. This fund was created by S.B. 280 and H.B. 3318, 78th Leg., R.S.

Texas Workforce Commission Obligation Trust Fund (Fund 0844) is used to facilitate processing and reporting of revenues and expenditures from obligation assessments, and to pay bond obligations and bond administrative expenses. This fund was created by S.B. 280 and H.B. 3318, 78th Leg., R.S.

Unemployment Compensation Clearance Account (Fund 0936) is a clearance fund for all money payable to the Unemployment Trust Fund Account (Fund 0938). This fund was created by TEX LAB. CODE ANN. § 203.021.

Unemployment Compensation Benefit Account (Fund 0937) holds such money as is requisitioned from this state's account in the Federal Unemployment Trust Fund (Fund 0938) for paying benefits under the Texas Unemployment Compensation Act. This fund was created by TEX LAB. CODE ANN. § 203.021.

Unemployment Trust Fund Account (Fund 0938) holds money of this state collected under the Old Age and Survivors Insurance Act. The balance of this fund is on deposit with the Treasurer of the United States of America to the credit of this State. This fund was created by TEX LAB. CODE ANN. § 203.021.

Fiduciary Fund Types

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and /or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund or a private purpose trust fund is used.

Private-Purpose Trust Funds

Payday Law Wage Determination Trust Fund (Fund 0894) is used to deposit employer remittances from initial wage determinations that are not appealed. This fund was created by TEX. GOV'T CODE ANN. § 403.031(a) and TEX. LAB. CODE ANN. § 61.056.

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Payday Law Escrow Fund (Fund 0947) is used to hold wages or penalties assessed by the Commission if the party required to pay said wages or penalties files a petition for judicial review. Payment is then made to the party assessed the wage payment plus any accrued interest. This fund was created by TEX. LAB. CODE ANN. § 61.063.

Agency Funds

Departmental Suspense (Fund 0900) provides a temporary depository for money held in suspense pending final disposition. This fund was created by TEX. GOV'T CODE ANN. §403.035.

U.S. Savings Bond Account (Fund 0901) accumulates money withheld from the salaries of state officers and employees for the purpose of purchasing United State Savings Bonds under the payroll savings plan. This fund was created by TEX. GOV'T CODE ANN. § 608.007.

Direct Deposit Correction Account (Fund 0980) is used to hold money returned by financial institutions which had been transmitted for direct deposit where problems prevented credit being given to individual depositors. This fund was created by H. B. 889, 67th Leg., R.S.

Component Units

Blended or Discretely Presented Component Units

No component units have been identified that should be blended into an appropriate fund or discretely presented.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on the general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

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Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Consumable inventories, including supplies and postage on hand at year-end, are valued at cost based upon the weighted average method of valuation. The consumption method of accounting is used to account for inventories that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or at the appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all 'exhaustible' assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

Liabilities

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the legislature. Liabilities are reported separately as either current or non-current in the statement of net assets.

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Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the statement of net assets.

Fund Balance/Net Assets

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements, and the 'Fund Balance' is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances

This represents commitments for the value of contracts awarded or assets ordered prior to year end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories

This represents the amount of supplies and postage that are prepaid and held for use in the next fiscal year.

Reserved for Imprest Accounts

This represents the imprest amount for the Travel Advance account.

Reserved for Unemployment Trust Fund

This reserve represents designated funds available for payment of unemployment benefit claims.

Reserved for Debt Retirement

This reserve represents designated funds available for payment of bond obligations.

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

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INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions between funds:

Transfers

Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as 'Current', repayment for two (or more) years is classified as 'Non-Current'.

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Note 2: Capital Assets

	PRIMARY GOVERNMENT							Balance 08/31/06
	Balance 09/01/05	Completed Construction In Progress	Increase Interagency Transfers	Decrease Interagency Transfers	Adjustments	Additions	Deletions	
Governmental Activities:								
Non-Depreciable Assets								
Land and Land Improvements	\$ 7,545,304.55	\$	\$	\$	\$	\$	\$ (70,502.50)	\$ 7,474,802.05
Construction in Progress	3,279,743.32	(3,229,523.63)				4,026,085.24		4,076,304.93
Total Non-Depreciable Assets:	10,825,047.87	(3,229,523.63)	0.00	0.00	0.00	4,026,085.24	(70,502.50)	11,551,106.98
Depreciable Assets:								
Buildings and Building Improvements	31,485,968.91	3,088,204.44				35,877.00	(283,306.11)	34,326,744.24
Infrastructure	1,309,138.76							1,309,138.76
Furniture and Equipment	28,603,955.35	141,319.19			3,598,292.72	2,996,337.39	(4,614,301.94)	30,725,602.71
Vehicles, Boats & Aircraft	357,260.76						(18,915.89)	338,344.87
Total Depreciable Assets at Historical Cost	61,756,323.78	3,229,523.63	0.00	0.00	3,598,292.72	3,032,214.39	(4,916,523.94)	66,699,830.58
Less Accumulated Depreciation For:								
Buildings and Building Improvements	(23,128,618.89)					(720,569.81)	269,140.80	(23,580,047.90)
Infrastructure	(800,072.14)					(130,913.76)		(930,985.90)
Furniture and Equipment	(21,086,881.97)				(1,229,954.20)	(4,005,651.30)	4,522,374.58	(21,800,112.89)
Vehicles, Boats & Aircraft	(333,870.10)					(12,091.11)	18,915.89	(327,045.32)
Total Accumulated Depreciation	(45,349,443.10)	0.00	0.00	0.00	(1,229,954.20)	(4,869,225.98)	4,810,431.27	(46,638,192.01)
Depreciable Assets, Net	16,406,880.68	3,229,523.63	0.00	0.00	2,368,338.52	(1,837,011.59)	(106,092.67)	20,061,638.57
Governmental Activities Capital Assets, Net:	\$ 27,231,928.55	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,368,338.52	\$ 2,189,073.65	\$ (176,595.17)	\$ 31,612,745.55

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NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

DEPOSITS OF CASH IN BANK

As of August 31, 2006, the carrying amount of deposits was \$25,000.00 as presented below.

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING VALUE	\$ 25,000.00
Cash in Bank per AFR	\$ 25,000.00
Governmental Funds Current Assets Cash in Bank	\$ 20,672.45
Cash in Bank per Bank Statement	\$ 20,672.45

Deposits are carried at cost in the financial statements. The carrying amount of deposits shown as Cash in Bank – Carrying Value above represents funds held for travel advances.

Cash in U.S. Treasury

Deposits in the U.S. Treasury at August 31, 2006 were \$2,070,560,089.86. Unemployment Compensation funds are deposited with the United States Secretary of the Treasury, to the credit of this State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act.

NOTE 4: SHORT-TERM DEBT

Governmental Activities	Balance 09-01-05	Additions	Reductions	Balance 08-31-06	Amount Due Within One Year
General Revenue Advances	\$ 0.00	\$ 124,284,062.00	\$ 124,284,062.00	\$ 0.00	\$ 0.00
Total Governmental Activities	\$ 0.00	\$ 124,284,062.00	\$ 124,284,062.00	\$ 0.00	\$ 0.00

During the 73rd Legislative Session, legislation was passed which addressed a federal fund cash flow problem affecting state agencies using federal program funds for payroll purposes. The legislation, as codified in V.T.C.A., Government Code, Section 403.092, Chapter 449, Acts of the 73rd Legislature, R.S., provides authority for the Comptroller to make temporary transfers (loans) of general revenue under certain conditions to avoid interest liabilities related to the Cash Management Improvement Act (CMIA).

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2006, the following changes occurred in liabilities reported in the general long-term debt account.

Capital Lease Obligations

Adjustment represents AIX Server Box Lease which should have been included in prior year note. See Note 6 for additional information.

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Employee's Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental and/or Expendable Trust fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Governmental Activities	Balance 09-01-05	Adjustment	Additions	Reductions	Balance 08-31-06	Amount Due Within One Year
Capital Lease Obligations	\$ 1,345,000.00	\$ 2,431,711.74	\$ 0.00	\$ 2,038,758.58	\$ 1,737,953.16	\$ 723,824.49
Compensable Leave	10,934,792.00	0.00	11,174,603.10	10,078,730.66	12,030,664.44	6,973,559.02
Total Governmental Activities	\$ 12,279,792.00	\$ 2,431,711.74	\$ 11,174,603.10	\$ 12,117,489.24	\$ 13,768,617.60	\$ 7,697,383.51

Bonds Payable

Under the provisions of S.B. 280, 78th Legislature, Regular Session, 2003, the Texas Workforce Commission, with the coordination of the Texas Public Finance Authority, issued several series of bonds to finance the unemployment insurance program. See Note 13 and Schedules 2A, 2B, 2C and 2D for further information.

Business-Type Activities	Balance 09-01-05	Additions	Reductions	Balance 08-31-06	Amount Due Within One Year
Revenue Bonds Payable	\$ 1,033,270,319.24	\$ 0.00	\$ 310,294,274.28	\$ 722,976,044.96	\$ 188,291,803.91
Total Business-Type Activities	\$ 1,033,270,319.24	\$ 0.00	\$ 310,294,274.28	\$ 722,976,044.96	\$ 188,291,803.91

NOTE 6: CAPITAL LEASES

The Commission was financing five office buildings, including land, through lease-purchase agreements. The option to purchase these properties was exercised in January 2006. The following is a summary of the original capitalized cost of these properties.

Assets Under Capital Leases	Balance 09-01-05	Adjustment	Additions	Deletions	Balance 08-31-06
Land	\$ 1,699,988.09	\$ 0.00	\$ 0.00	\$ 1,699,988.09*	\$.00
Buildings	3,335,011.91	0.00	0.00	3,335,011.91*	.00
Less: Accumulated Depreciation	(1,480,578.52)	0.00	(35,202.76)	(1,515,781.28)*	0.00
Total	\$ 3,554,421.48	\$ 0.00	\$ (35,202.76)	\$ 3,519,218.72*	\$ 0.00

* Land and Buildings listed as Capital Leases in this Note were reduced by the purchase of such properties.

The Commission is leasing seven AIX server boxes. During the fiscal year it was determined that they qualified as capital leases under FASB 13.

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Assets Under Capital Leases	Balance 09-01-05	Adjustment	Additions	Deletions	Balance 08-31-06
AIX Server Boxes	\$ 0.00	\$ 3,550,294.72	\$ 0.00	\$ 0.00	\$ 3,550,294.72
Less: Accumulated Depreciation	0.00	(1,183,431.20)	(710,058.72)	0.00	(1,893,489.92)
Total	\$ 0.00	\$ 2,366,863.52	\$ (710,058.72)	\$ 0.00	\$ 1,656,804.80

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future Minimum Lease Payments	Governmental Activities		
	Principal	Interest	Total
2007	\$ 723,824.49	\$ 59,871.51	\$ 783,696.00
2008	755,193.39	28,502.61	783,696.00
2009	258,935.29	2,296.71	261,232.00
Total Minimum Lease Payments	\$ 1,737,953.17	\$ 90,670.83	\$ 1,828,624.00
Less: Amount Representing Interest at 4.25%			(90,670.84)
Net Minimum Lease Payments			\$ 1,737,953.16

NOTE 7: OPERATING LEASE OBLIGATIONS

The Texas Workforce Commission is currently under no obligation for non-cancelable operating leases.

NOTE 8: INTERFUND BALANCES/ACTIVITIES

As explained in Note 1 on Interfund Transactions and Balances there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- ◆ Interfund Receivables or Interfund Payables
- ◆ Due From Other Agencies or Due To Other Agencies
- ◆ Due From Other Funds or Due To Other Funds
- ◆ Operating Transfers In or Operating Transfers Out
- ◆ Legislative Transfers In or Legislative Transfers Out

The agency experienced routine transfers between its funds, and with other state agencies, which included unemployment compensation reimbursements, interest transfers, transfers within the Unemployment Trust Fund, bond proceeds transfers, and transfers to record amortization costs. Repayment of current interfund balances will occur within one year from the date of the financial statements.

Individual balances and activity at August 31, 2006, were as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
GENERAL		
Appd Fund 0001, D23 Fund 0001		
(Agency 320, Fund 5026)	\$	\$ 426,506.17
Total Appropriated Fund 0001	0.00	426,506.17

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	INTERFUND RECEIVABLE	INTERFUND PAYABLE
Appd Fund 0165, D23 Fund 0165		
(Agency 320, Fund 5026)	\$	\$ 422,183.83
Total Appropriated Fund 0165	0.00	422,183.83
Appd Fund 5026, D23 Fund 5026		
(Agency 320, Fund 0001)	426,506.17	
(Agency 320, Fund 0165)	422,183.83	
Total Appropriated Fund 5026	848,690.00	0.00
TOTAL CURRENT INTERFUND RECEIVABLE/PAYABLE	\$ 848,690.00	\$ 848,690.00

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	SOURCE
GENERAL			
Appd Fund 0165, D23 Fund 0165			
(Agency 320, Fund 0936)	\$	\$ 2,408,212.46	UC Reimbursement
Total Appropriated Fund 0165	0.00	2,408,212.46	
Appd Fund 5069, D23 Fund 5069			
(Agency 320, Fund 0936)		39,328.56	Accrued Interest Transfer
Total Appropriated Fund 5069	0.00	39,328.56	
Appd Fund 5128, D23 Fund 5128			
(Agency 320, Fund 0936)		250,120.46	Accrued Interest Transfer
Total Appropriated Fund 5128	0.00	250,120.46	
PROPRIETARY			
Appd Fund 0936, D23 Fund 0936			
(Agency 320, Fund 0165)	2,408,212.46		UC Reimbursement
(Agency 320, Fund 5069)	39,328.56		Accrued Interest Transfer
(Agency 320, Fund 5128)	250,120.46		Accrued Interest Transfer
(Agency 320, Fund 0938)		93,102,164.58	UI Trust Fund Transfer
Total Appropriated Fund 0936	2,697,661.48	93,102,164.58	
Appd Fund 0937, D23 Fund 0937			
(Agency 320, Fund 0938)	31,330,808.02		UI Trust Fund Transfer
Total Appropriated Fund 0937	31,330,808.02	0.00	
Appd Fund 0938, D23 Fund 0938			
(Agency 320, Fund 0936)	93,102,164.58		UI Trust Fund Transfer
(Agency 320, Fund 0937)		31,330,808.02	UI Trust Fund Transfer
Total Appropriated Fund 0938	93,102,164.58	31,330,808.02	
TOTAL DUE FROM/DUE TO OTHER FUNDS	\$ 127,130,634.08	\$ 127,130,634.08	

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	DUE FROM OTHER AGENCIES	DUE TO OTHER AGENCIES	SOURCE
GENERAL			
Appd Fund 0001, D23 Fund 0001			
(Agency 696, Fund 0014)	\$	\$ 262,918.15	State P-T
(Agency 719, Fund 7999)		335,947.90	State P-T
Total Appropriated Fund 0001	0.00	598,866.05	
Appd Fund 0165, D23 Fund 0165			
(Agency 308, Fund 0001)	84.38		UC Reimb
Total Appropriated Fund 0165	84.38	0.00	
Appd Fund 5026, D23 Fund 5026			
(Agency 530, Fund 0037)		5,518,939.00	Federal P-T
(Agency 719, Fund 7999)		297,301.32	Federal P-T
Total Appropriated Fund 5026	0.00	5,816,240.32	
Appd Fund 5069, D23 Fund 5069			
(Agency 719, Fund 7999)		80,518.87	State P-T
Total Appropriated Fund 5069	0.00	80,518.87	
TOTAL DUE FROM/ DUE TO OTHER AGENCIES	\$ 84.38	\$ 6,495,625.24	

	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT	PURPOSE
GENERAL			
Appd Fund 0001, D23 Fund 0001	\$	\$	
(Agency 320, Fund 0925)		1,080,412.00	Tuition Trust Transfer
(Agency 902, Fund 0001)		2,900,263.46	Trfr Career School Fees
Total Appropriated Fund 0001	0.00	3,980,675.46	
Appd Fund 0345, D23 Fund 0345			
(Agency 902, Fund 0345)		58,664.64	Shared Cash
Total Appropriated Fund 0345	0.00	58,664.64	
Appd Fund 0925, D23 Fund 0925			
(Agency 320, Fund 0001)	\$ 1,080,412.00	\$	Tuition Trust Transfer
(Agency 320, Fund 0925)	1,082,641.68	1,082,641.68	Trfr to Subsequent Year
Total Appropriated Fund 0925	2,163,053.68	1,082,641.68	
Appd Fund 5026, D23 Fund 5026			
(Agency 320, Fund 0937)	1,148,139.00		Reed Act Transfer
(Agency 903, Fund 5026)	124,284,062.00	124,284,062.00	CMIA Loan and Repayment
(Agency 320, Fund 5026)	89,762.82	89,762.82	Trfr to Subsequent Year
Total Appropriated Fund 5026	125,521,963.82	124,373,824.82	

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	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT	PURPOSE
Appd Fund 5069, D23 Fund 5069			
(Agency 320, Fund 0936)		434,088.55	Interest Transfer
Total Appropriated Fund 5069	0.00	434,088.55	
Appd Fund 5128, D23 Fund 5128			
(Agency 320, Fund 0936)		831,658.43	Interest Transfer
Total Appropriated Fund 5128	0.00	831,658.43	
PROPRIETARY			
Appd Fund 0367, D23 Fund 1367			
(Agency 320, Fund 2844)	156,499,392.85		Debt Service Transfer
Appd Fund 0367, D23 Fund 2367			
(Agency 320, Fund 2844)	153,905,000.00	110,118.57	Debt Service Transfer
Total Appropriated Fund 0367	310,404,392.85	110,118.57	
Appd Fund 0844, D23 Fund 0844			
(Agency 320, Fund 1844)		450,000.00	Debt Service Transfer
(Agency 320, Fund 2844)		194,347,565.21	Debt Service Transfer
(Agency 320, Fund 3844)		141,000,000.00	Debt Service Transfer
Appd Fund 0844, D23 Fund 1844			
(Agency 320, Fund 0844)	450,000.00		Debt Service Transfer
Appd Fund 0844, D23 Fund 2844			
(Agency 320, Fund 0844)	194,347,565.21		Debt Service Transfer
(Agency 320, Fund 3844)	141,000,000.00		Debt Service Transfer
(Agency 320, Fund 1367)		156,499,392.85	Debt Service Transfer
(Agency 320, Fund 2367)	110,118.57	153,905,000.00	Debt Service Transfer
Appd Fund 0844, D23 Fund 3844			
(Agency 320, Fund 0844)	141,000,000.00		Debt Service Transfer
(Agency 320, Fund 2844)		141,000,000.00	Debt Service Transfer
Total Appropriated Fund 0844	476,907,683.78	787,201,958.06	
Appd Fund 0936, D23 Fund 0936			
(Agency 320, Fund 0937)	3,700,000.00		UI Trust Fund Transfer
(Agency 320, Fund 0938)		1,587,420,238.26	UI Trust Fund Transfer
(Agency 320, Fund 5069)	434,088.55		
(Agency 320, Fund 5128)	831,658.43		Interest Transfer
Total Appropriated Fund 0936	4,965,746.98	1,587,420,238.26	
Appd Fund 0937, D23 Fund 0937			
(Agency 320, Fund 5026)		1,148,139.00	Reed Act Transfer
(Agency 320, Fund 0936)		3,700,000.00	UI Trust Fund Transfer
(Agency 320, Fund 0937)	\$ 28,859,835.38	\$ 28,859,835.38	Trfr to Subsequent Year
(Agency 320, Fund 0938)	1,185,364,018.52		UI Trust Fund Transfer
Total Appropriated Fund 0937	1,214,223,853.90	33,707,974.38	

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	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT	PURPOSE
Appd Fund 0938, D23 Fund 0938			
(Agency 320, Fund 0936)	1,587,420,238.26		UI Trust Fund Transfer
(Agency 320, Fund 0937)		1,185,364,018.52	UI Trust Fund Transfer
Total Appropriated Fund 0938	1,587,420,238.26	1,185,364,018.52	
FIDUCIARY			
Appd Fund 0894, D23 Fund 0894			
(Agency 320, Fund 0947)		41,853.32	Payday Law Transfer
Total Appropriated Fund 0894	0.00	41,853.32	
Appd Fund 0947, D23 Fund 0947			
(Agency 320, Fund 0894)	41,853.32		Payday Law Transfer
Total Appropriated Fund 0947	41,853.32	0.00	
TOTAL OPERATING TRANSFERS	\$ 3,721,648,786.59	\$ 3,724,607,714.69	

	LEGISLATIVE FINANCING SOURCES	LEGISLATIVE FINANCING USES
GENERAL		
Appd Fund 0001, D23 Fund 0001		
(Agency 902, Fund 0001)	\$ 330,473.12	\$
Total Appropriated Fund 0001	330,473.12	0.00
TOTAL LEGISLATIVE TRANSFERS	\$ 330,473.12	\$ 0.00

NOTE 9: CONTINGENT LIABILITIES

The Commission was involved in several lawsuits touching on civil rights, tort claims and unemployment compensation benefits at August 31, 2006, but management feels it is unlikely that the outcome for these claims will materially affect the financial position of the Commission.

Sick Leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in case of illness or to the employee's estate in the event of his/her death while employed by the Commission. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The Commission's policy is to recognize the cost of any sick leave when paid. No liability is recorded in the General Long-Term Liabilities Adjustment Fund type since experience indicates the probability of a material effect on any given year's operations as a result of death or abnormally high rate of illness is minimal.

The Commission, as an administrator of federal funds, awards contracts to subgrantees. The costs incurred by each subgrantee under contract are the responsibility of the Commission. Consequently, the Commission becomes contingently liable for any questioned costs that are ultimately disallowed by the granting federal agency. Although the Commission pursues aggressive debt collection for the subgrantees, collection cannot be assured. As of August 31, 2006, records of the Audit Resolution Unit indicate that federal grantor agency audits identified questioned cost for which the Texas Workforce Commission is contingently liable in the amount of \$160,000.00.

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NOTE 10: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Commission will be abolished effective September 1, 2009, unless continued in existence by the 81st Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2010, to close out its operations.

NOTE 11: RISK FINANCING AND RELATED INSURANCE

The Texas Workforce Commission is exposed to a variety of civil claims resulting from the performance of its duties. It is the Commission's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The Commission assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. The Commission does purchase liability insurance for Commission owned vehicles. The Commission is not involved in any risk pools with other government entities.

The Commission's liabilities are reported when it is both probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities are re-evaluated periodically to consider current settlements, frequency of claims, past experience, and economic factors.

An annual assessment is paid to the State Office of Risk Management to cover risk management costs. Unemployment benefits are paid as they are claimed. Health insurance is purchased by the state and by each employee through the Employee Retirement System of Texas. Property losses are reported to the State Auditor's Office as they occur.

The following occurred in fiscal year 2006:

State Office of Risk Management Payment	\$ 752,483.27
Unemployment Insurance Payment	279,029.64
Lost or Stolen Property	58,046.38
TOTAL	\$ 1,089,559.29

NOTE 12: SEGMENT INFORMATION

Not Applicable.

NOTE 13: BONDED INDEBTEDNESS

Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A - Miscellaneous Bond Information, Schedule 2B – Changes in Bonded Indebtedness, Schedule 2C – Debt Service Requirements and Schedule 2D – Analysis of Funds Available for Debt Service. General information related to bonds is summarized below:

Revenue Bonds

Under the provisions of Senate Bill 280, 78th Legislature, Regular Session 2003, the Texas Workforce Commission was authorized to issue, in an amount not to exceed \$2 billion for any separate bond issue, revenue bonds to (i) repay advances from the federal unemployment insurance program (ii) pay unemployment benefits by depositing the proceeds in the unemployment compensation fund (iii) pay costs of issuance and, (iv) pay capitalized interest on bonds. On June 24, 2003, the Commissioners approved the issuance of \$1.6 billion in bonds.

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On September 25, 2003, with the coordination of the Texas Public Finance Authority, the state issued Texas Public Finance Authority Unemployment Compensation Obligation Assessment Bond Series A, B, C & D at a par value of \$1,376,720,000.00. As of August 31, 2004, \$223,280,000 of the \$1.6 billion bonds approved remain unissued.

The revenue for debt service will be collected through an Unemployment Insurance Obligation Tax Assessment. The annual coverage amount is the obligation assessment amount necessary to produce revenues equal to 1.50 times the amount of the bond obligations due in the next year. This does not include the amount of obligation assessment revenues needed to pay administration expenses. Also, bond obligations due in the next year do not include variable rate bond redemption until the last year.

NOTE 14: SUBSEQUENT EVENTS

In September 2006, the Commission and its advisors determined that sufficient balances existed in the Obligation Assessment Fund to enable redemption of some of the series C variable rate bonds. On September 15, 2006 the Texas Workforce Commission transferred to the Texas Public Finance Authority \$60,746,000. These funds will reduce the amount of debt of the C series principal outstanding to \$46,254,000. This transaction will reduce the amount of debt remaining, if any, in the last year of the bond debt service, and also reduce interest paid by lowering the principal outstanding and by selectively redeeming variable rate bonds with the highest interest.

NOTE 15: RELATED PARTIES

Not Applicable.

NOTE 16: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As of September 30, 2006, management is unaware of any material violations of finance-related contract provisions. With regard to compliance and accountability, there are the following:

- 1) The net assets in Fund 0367 were negative at year-end. The liability created by the issuance of revenue bonds was reported solely in this fund. The net assets of the proprietary funds as a whole reflect a positive balance.
- 2) No expenditures exceeded appropriations in individual funds.
- 3) There were no changes in accounting principles during the year.

NOTE 17: THE FINANCIAL REPORTING ENTITY

Not Applicable.

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NOTE 18: RESTATEMENT OF FUND BALANCES / NET ASSETS

During FY 2006, the following adjustments were made which required restatement of amounts in fund balances and fund equity as shown below:

	General Funds
Fund Balance/Equity, September 1, 2005	\$ 70,346,536.95
Restatements:	
a. Fund 0001 – Revenue Correction	(54,439.64)
b. Fund 0001 – Comptroller Adjustment to Prior Year	350,601.60
b. Fund 5026 – Revenue Correction	54,439.64
Net Restatements	350,901.60
Fund Balance/Equity, September 1, 2005, As Restated	\$ 70,697,438.55

NOTE 19: EMPLOYEES RETIREMENT PLAN

Not Applicable

NOTE 20: DEFERRED COMPENSATION

Not Applicable

NOTE 21: DONOR-RESTRICTED ENDOWMENTS

Not Applicable

NOTE 22: MANAGEMENT DISCUSSION AND ANALYSIS

The Veterans' Employment and Training programs were transitioned from the Texas Workforce Commission to the Texas Veterans Commission as required by House Bill 2604, 79th Legislature, Regular Session effective April 1, 2006.

The Commission expended over \$60 million in additional federal assistance due to the impact of Hurricane Katrina and Rita disasters.

The operational overpayment rate of unemployment benefit payments, which is measured on a calendar year, increased from 3.99% to 6.04% for the years ending December 2004 and 2005, respectively.

The Commission began collecting an Employment and Training Investment assessment, which consists of a separate assessment of one-tenth of a percent of taxable wages paid by employers as required by House Bill 2421 of the 79th Legislature, Regular Session. The funds collected will fund the skills development program and the Texas Enterprise Fund. On September 6, 2006 the Commission transferred 41.5 million to the Governor's Office to finance the Texas Enterprise Fund and 20.5 million to Fund 0001 to fund the Skills Development Fund.

NOTE 23: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

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NOTE 24: SPECIAL OR EXTRAORDINARY ITEMS

Not Applicable

NOTE 25: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. Accounts Receivable

Accounts receivable represents amounts due to the State at August 31, 2006 which will be collected in the future. Receivables do not include accounts that have been deemed uncollectible and are recorded in the accompanying Exhibits net of allowances for doubtful amounts. The allowance accounts reflected below are consistent with constitutional prohibitions that generally prevent the normal write-off of accounts receivable except under very stringent conditions. Nearly \$491 million of the receivables below are over two years old, and, of these, \$296 million are over five years old. Some of the amounts owed have accumulated since the inception of the Unemployment insurance program in Texas in 1935. The allowance accounts were estimated based on an analysis of the age of the accounts and subsequent collections.

Below is the disaggregation of those amounts.

General Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0001 – General	\$ 58,021.93	\$ 0.00	\$ 58,021.93
Fund 0165 – Penalty & Interest	40,094,802.31	(33,083,628.00)	7,011,174.31
Fund 0925 – Career to Schools	65,924.00	0.00	65,924.00
Fund 5026 – Vendor Overpayment	3,740.40	0.00	3,740.40
Fund 5128 - ETIA	689,989.00	(379,494.00)	310,495.00
Total General Funds	\$ 40,912,477.64	\$ (33,463,122.00)	\$ 7,449,355.64

Proprietary Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0844 –Obligation Assessment	\$ 34,311,418.00	\$ (4,255,738.00)	\$ 30,055,680.00
Fund 0936 – Unemployment Assessment	179,178,205.00	(49,328,488.00)	129,849,717.00
Fund 0937 – Benefit Overpayments	489,882,748.59	(452,621,574.83)	37,261,173.76
Total Proprietary Funds	\$ 703,372,371.59	\$ (506,205,800.83)	\$ 197,166,570.76

Fiduciary Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0894 – Payday Law Collections	\$ 54,916,458.36	\$ (54,761,020.04)	\$ 155,438.32
Total Fiduciary Funds	\$ 54,916,458.36	\$ (54,761,020.04)	\$ 155,438.32

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B. Federal Receivables

Federal receivables, as reported in the General and Consolidated Funds (Exhibit I), are detailed by program as follows:

Federal Receivable Program	Federal Receivables	Allowance for Doubtful	Net Federal Receivable
Department of Agriculture	\$ 249,981.51	\$ 0.00	\$ 249,981.51
Department of Health and Human Services	20,475,663.43	0.00	20,475,663.43
Department of Labor	2,463,952.72	0.00	2,463,952.72
Department of Veterans Affairs	116,417.16	0.00	116,417.16
Department of Homeland Security	4,014.81	0.00	4,014.81
Total Federal Receivables	\$ 23,310,029.63	\$ 0.00	\$ 23,310,029.63

As reported on the financial statements

Current Federal Receivables \$ 23,310,029.63

Federal receivables, as reported in the Proprietary Funds (Exhibit III), are detailed by program as follows:

Federal Receivable Program	Net Federal Receivable
Department of Labor	\$ 3,169,690.54
Total Federal Receivables	\$ 3,169,690.54

As reported on the financial statements

Current Federal Receivables \$ 3,169,690.54

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TEXAS WORKFORCE COMMISSION (320)

**EXHIBIT A-1
COMBINING BALANCE SHEET - ALL GENERAL AND CONSOLIDATED FUNDS**

For the Year Ended August 31, 2006

	General Revenue (Fund 0001) (U/F 0001)	Consolidated Accounts Unemployment Compensation Special Admin. (Fund 0165) U/F (0165)	Consolidated Accounts Telecommunications Infrastructure Fund (Fund 0345) U/F (0345)
ASSETS			
Current Assets:			
Cash and Cash Equivalents			
Cash on Hand	\$ 1,221.36	\$ 30.53	\$
Cash in Bank (Note 3)			
Cash in State Treasury		26,954,796.94	
Legislative Appropriations	26,378,385.89		
Receivables:			
Federal Receivable (Note 25)			
Interest and Dividends			
Accounts Receivable (Note 25)	58,021.93	7,011,174.31	
Interfund Receivable (Note 8)			
Due from Other Agencies (Note 8)		84.38	
Consumable Inventories			
Total Current Assets	<u>26,437,629.18</u>	<u>33,966,086.16</u>	<u>0.00</u>
Total Assets	<u>\$ 26,437,629.18</u>	<u>\$ 33,966,086.16</u>	<u>\$ 0.00</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current Liabilities:			
Payables:			
Accounts Payable	1,613,358.95	27,949.44	
Payroll Payable			
Interfund Payable (Note 8)	426,506.17	422,183.83	
Due to Other Funds (Note 8)		2,408,212.46	
Due to Other Agencies (Note 8)	598,866.05		
Total Current Liabilities	<u>2,638,731.17</u>	<u>2,858,345.73</u>	<u>0.00</u>
Total Liabilities	<u>2,638,731.17</u>	<u>2,858,345.73</u>	<u>0.00</u>
Fund Financial Statement - Fund Balances			
Fund Balances (Deficits):			
Reserved For:			
Encumbrances	22,451,782.54	349,532.93	
Inventories			
Imprest			
Unreserved Designated for:			
Future Operations	1,347,115.47	30,758,207.50	
Other - Career School College Tuition Trust			
Total Fund Balances	<u>23,798,898.01</u>	<u>31,107,740.43</u>	<u>0.00</u>
Total Liabilities and Fund Balance	<u>\$ 26,437,629.18</u>	<u>\$ 33,966,086.16</u>	<u>\$ 0.00</u>

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<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>TOTALS</u>
Career School College Tuition Trust Account (Fund 0925) U/F (0925)	Workforce Commission Federal (Fund 5026) U/F (5001- 5013, 5026, 9000, 9001)	Holding Fund (Fund 5069) U/F (5069)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	
\$	\$	\$	\$	\$
	25,000.00		12,335.74	13,587.63
2,220,382.13	16,828,646.19	9,285,746.39	63,143,381.14	118,432,952.79
				26,378,385.89
	23,310,029.63			23,310,029.63
	7,880.03	39,328.56	250,120.46	297,329.05
65,924.00	3,740.40		310,495.00	7,449,355.64
	848,690.00			848,690.00
				84.38
	572,611.76			572,611.76
<u>2,286,306.13</u>	<u>41,596,598.01</u>	<u>9,325,074.95</u>	<u>63,716,332.34</u>	<u>177,328,026.77</u>
\$ <u>2,286,306.13</u>	\$ <u>41,596,598.01</u>	\$ <u>9,325,074.95</u>	\$ <u>63,716,332.34</u>	\$ <u>177,328,026.77</u>
1,307,684.50	20,268,599.81	49,181.00		23,266,773.70
	12,732,041.05			12,732,041.05
				848,690.00
		39,328.56	250,120.46	2,697,661.48
	5,816,240.32	80,518.87		6,495,625.24
<u>1,307,684.50</u>	<u>38,816,881.18</u>	<u>169,028.43</u>	<u>250,120.46</u>	<u>46,040,791.47</u>
<u>1,307,684.50</u>	<u>38,816,881.18</u>	<u>169,028.43</u>	<u>250,120.46</u>	<u>46,040,791.47</u>
	1,486,572.62	9,156,046.52		33,443,934.61
	572,611.76			572,611.76
	25,000.00			25,000.00
	695,532.45		63,466,211.88	96,267,067.30
<u>978,621.63</u>				<u>978,621.63</u>
<u>978,621.63</u>	<u>2,779,716.83</u>	<u>9,156,046.52</u>	<u>63,466,211.88</u>	<u>131,287,235.30</u>
\$ <u>2,286,306.13</u>	\$ <u>41,596,598.01</u>	\$ <u>9,325,074.95</u>	\$ <u>63,716,332.34</u>	\$ <u>177,328,026.77</u>

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EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2006

	General Revenue (Fund 0001) U/F (0001)	Consolidated Accounts Unemployment Compensation Special Admin. (Fund 0165) U/F (0165)	Consolidated Accounts Telecommunications Infrastructure Fund (Fund 0345) U/F (0345)
REVENUES:			
Legislative Appropriations:	\$	\$	\$
Original Appropriations (GR)	91,925,497.28		
Additional Appropriations (GR)	3,587,453.66		
Federal Revenue			
Federal Pass-Through Revenue			
State Grant Pass-Through Revenue	6,276,748.19		
Licenses, Fees and Permits	3,197,894.42	17,532,971.69	
Interest and Investment Income	628,110.66		
Land Income	484.48		
Sales of Goods and Services	2,076,642.72		
Other Revenues	28,453,778.28		
Total Revenues	136,146,609.69	17,532,971.69	0.00
EXPENDITURES			
Salaries and Wages	4,041,008.70	3,552,146.41	
Payroll Related Costs	3,428,978.93	5,861,426.13 *	
Professional Fees and Services	159,058.45	251,924.04	
Travel	119,013.61	125,224.88	
Materials and Supplies	913,282.52	369,731.03	
Communication and Utilities	541,620.06	164,097.52	
Repairs and Maintenance	1,227,357.50	532,657.70	
Rentals and Leases	1,441,251.22	150,159.56	111.38
Printing and Reproduction	234,229.44	14,182.55	
Federal Pass-Through Expenditures			
State Grant Pass-Through Expenditures	4,108,834.19		
Intergovernmental Payments	12,434,641.01		
Public Assistance Payments	108,002,815.43	29,245.48	
Other Operating Expenditures	390,801.59	911,461.16	
Debt Service -			
Principal-Capital Leases	3,264.78		
Interest-Capital Leases	777.04		
Capital Outlay	379,500.45	75,197.75	
Total Expenditures/Expenses	137,426,434.92	12,037,454.21	111.38
EXCESS (DEFICIT) OF REVENUES			
OVER EXPENDITURES	\$ (1,279,825.23)	\$ 5,495,517.48	\$ (111.38)

* This amount includes \$4,592,952.14 in Unemployment Insurance payments made to former state employees on behalf of other agencies.

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TEXAS WORKFORCE COMMISSION (320)

Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	TOTALS
Career School College Tuition Trust Account (Fund 0925) U/F (0925)	Workforce Commission Federal (Fund 5026) U/F (5001 - 5010, 5026, 9000, 9001)	Holding Fund (Fund 5069) U/F (5069)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	
\$	\$	\$	\$	\$
				91,925,497.28
				3,587,453.66
	937,442,586.90			937,442,586.90
	84,521,666.07			84,521,666.07
				6,276,748.19
(175,473.06)			63,466,211.88	84,021,604.93
	143,959.28	434,088.55	831,658.43	2,037,816.92
				484.48
				2,076,642.72
				28,453,778.28
(175,473.06)	1,022,108,212.25	434,088.55	64,297,870.31	1,240,344,279.43
	122,935,912.31			130,529,067.42
	41,960,669.64			51,251,074.70
	7,245,883.61			7,656,866.10
	1,484,570.40			1,728,808.89
	2,068,864.27			3,351,877.82
	6,926,420.03			7,632,137.61
	7,231,232.40			8,991,247.60
	3,039,715.84			4,631,238.00
	1,169,431.03			1,417,843.02
	41,493,110.76			41,493,110.76
		121,667.87		4,230,502.06
	7,107,947.28	879,378.12		20,421,966.41
303,311.54	767,371,733.68			875,707,106.13
	7,217,466.48			8,519,729.23
	2,035,493.80			2,038,758.58
	115,315.03			116,092.07
	6,602,801.43			7,057,499.63
303,311.54	1,026,006,567.99	1,001,045.99	0.00	1,176,774,926.03
\$ (478,784.60)	\$ (3,898,355.74)	\$ (566,957.44)	\$ 64,297,870.31	\$ 63,569,353.40

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TEXAS WORKFORCE COMMISSION (320)

EXHIBIT A-2 (Continued)
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2006

	General Revenue (Fund 0001) U/F (0001)	Consolidated Accounts Unemployment Compensation Special Admin. (Fund 0165) U/F (0165)	Consolidated Accounts Telecommunications Infrastructure Fund (Fund 0345) U/F (0345)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 1,200.00	\$	\$
Transfers In (Note 8)			
Transfers Out (Note 8)	(3,980,675.46)		(58,664.64)
Legislative Transfers In (Note 8)	330,473.12		
Total Other Financing Sources (Uses)	<u>(3,649,002.34)</u>	<u>0.00</u>	<u>(58,664.64)</u>
Net Change in Fund Balances/Net Assets	<u>(4,928,827.57)</u>	<u>5,495,517.48</u>	<u>(58,776.02)</u>
Fund Financial Statement-Fund Balances			
Fund Balances - September 1, 2005	28,913,896.13	25,612,222.95	58,776.02
Restatement (Note 18)	296,461.96		
Fund Balances, at September 1, 2005, as Restated	<u>29,210,358.09</u>	<u>25,612,222.95</u>	<u>58,776.02</u>
Appropriations Lapsed	(482,632.51)		
FUND BALANCES - August 31, 2006	<u>\$ 23,798,898.01</u>	<u>\$ 31,107,740.43</u>	<u>\$ 0.00</u>

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Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	TOTALS
Career School College Tuition Trust Account (Fund 0925) U/F (0925)	Workforce Commission Federal (Fund 5026) U/F (5001 - 5010, 5026, 9000, 9001)	Holding Fund (Fund 5069) U/F (5069)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	
\$ 2,163,053.68	\$ 247,938.82	\$	\$	\$ 249,138.82
(1,082,641.68)	125,521,963.82	(434,088.55)	(831,658.43)	127,685,017.50
	(124,373,824.82)			(130,761,553.58)
				330,473.12
<u>1,080,412.00</u>	<u>1,396,077.82</u>	<u>(434,088.55)</u>	<u>(831,658.43)</u>	<u>(2,496,924.14)</u>
<u>601,627.40</u>	<u>(2,502,277.92)</u>	<u>(1,001,045.99)</u>	<u>63,466,211.88</u>	<u>61,072,429.26</u>
376,994.23	5,227,555.11	10,157,092.51	0.00	70,346,536.95
	54,439.64			350,901.60
<u>376,994.23</u>	<u>5,281,994.75</u>	<u>10,157,092.51</u>	<u>0.00</u>	<u>70,697,438.55</u>
				(482,632.51)
<u>\$ 978,621.63</u>	<u>\$ 2,779,716.83</u>	<u>\$ 9,156,046.52</u>	<u>\$ 63,466,211.88</u>	<u>\$ 131,287,235.30</u>

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TEXAS WORKFORCE COMMISSION (320)

EXHIBIT F-1
COMBINING STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 For the Year Ended August 31, 2006

	TPFA UC Obligation Assessment Revenue Bonds Series 2003 Program Fund (Fund 0367) U/F (0367,1367, 2367,3367)	TPFA UC Obligation Assessment Revenue Bonds Obligation Trust Fund (Fund 0844) U/F (0844,1844, 2844,3844)	Unemployment Compensation Clearance Account (Fund 0936) U/F (0936)
ASSETS			
Current Assets:			
Cash and Cash Equivalents			
Cash on Hand	\$	\$ 50,869.65	\$ 241,276.75
Cash in State Treasury			27,178.19
Cash in U.S. Treasury (Note 3)			
Restricted:			
Cash in State Treasury		165,975,715.32	
Receivables:			
Federal Receivable (Note 25)			
Interest and Dividends		668,585.81	
Accounts Receivable (Note 25)		30,055,680.00	129,849,717.00
Due from Other Funds (Note 8)			2,697,661.48
Total Current Assets	<u>0.00</u>	<u>196,750,850.78</u>	<u>132,815,833.42</u>
Non-Current Assets:			
Deferred Charges	1,902,797.46		
Total Non-Current Assets	<u>1,902,797.46</u>	<u>0.00</u>	<u>0.00</u>
Total Assets	<u>1,902,797.46</u>	<u>196,750,850.78</u>	<u>132,815,833.42</u>
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable			
Interest Payable		3,841,412.00	
Due to Other Funds (Note 8)			93,102,164.58
Revenue Bonds Payable (Note 5)	188,291,803.91		
Deferred Revenue			39,713,668.84
Total Current Liabilities	<u>188,291,803.91</u>	<u>3,841,412.00</u>	<u>132,815,833.42</u>
Non-Current Liabilities:			
Revenue Bonds Payable	534,684,241.05		
Total Non-Current Liabilities	<u>534,684,241.05</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>722,976,044.96</u>	<u>3,841,412.00</u>	<u>132,815,833.42</u>
NET ASSETS			
Restricted For:			
Unemployment Trust Fund			0.00
Debt Retirement	(721,073,247.50)	192,909,438.78	
Total Net Assets	<u>\$ (721,073,247.50)</u>	<u>\$ 192,909,438.78</u>	<u>\$ 0.00</u>

UNAUDITED

TEXAS WORKFORCE COMMISSION (320)

Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$ 85,122.75	\$	\$ 377,269.15
		27,178.19
	2,070,560,089.86	2,070,560,089.86
		165,975,715.32
	3,169,690.54	3,169,690.54
	16,086,891.00	16,755,476.81
37,261,173.76		197,166,570.76
31,330,808.02	93,102,164.58	127,130,634.08
<u>68,677,104.53</u>	<u>2,182,918,835.98</u>	<u>2,581,162,624.71</u>
		1,902,797.46
<u>0.00</u>	<u>0.00</u>	<u>1,902,797.46</u>
<u>68,677,104.53</u>	<u>2,182,918,835.98</u>	<u>2,583,065,422.17</u>
		68,677,104.53
		3,841,412.00
	31,330,808.02	124,432,972.60
		188,291,803.91
		39,713,668.84
<u>68,677,104.53</u>	<u>31,330,808.02</u>	<u>424,956,961.88</u>
		534,684,241.05
<u>0.00</u>	<u>0.00</u>	<u>534,684,241.05</u>
<u>68,677,104.53</u>	<u>31,330,808.02</u>	<u>959,641,202.93</u>
		2,151,588,027.96
<u>0.00</u>	<u>2,151,588,027.96</u>	<u>2,151,588,027.96</u>
		(528,163,808.72)
<u>\$ 0.00</u>	<u>\$ 2,151,588,027.96</u>	<u>\$ 1,623,424,219.24</u>

UNAUDITED

TEXAS WORKFORCE COMMISSION (320)

**EXHIBIT F-2
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**

For the Year Ended August 31, 2006

	TPFA UC Obligation Assessment Revenue Bonds Series 2003 Program Fund (Fund 0367) U/F (0367,1367, 2367,3367)	TPFA UC Obligation Assessment Revenue Bonds Obligation Trust Fund (Fund 0844) U/F (0844,1844, 2844,3844)	Unemployment Compensation Clearance Account (Fund 0936) U/F (0936)
OPERATING REVENUES			
Unemployment Assessment Federal Revenues	\$	\$ 330,958,302.43	\$ 1,531,845,627.31
Other Operating Revenues			50,608,863.97
Total Operating Revenues	<u>0.00</u>	<u>330,958,302.43</u>	<u>1,582,454,491.28</u>
OPERATING EXPENSES			
Unemployment Benefit Payments			
Total Operating Expenses	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OPERATING INCOME (LOSS)	<u>0.00</u>	<u>330,958,302.43</u>	<u>1,582,454,491.28</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Expense		(27,084,913.02)	
Interest and Investment Income		4,568,080.33	
Other Non-Operating Expenses	(970,981.89)	(554,703.28)	
Total Non-Operating Revenues (Expenses)	<u>(970,981.89)</u>	<u>(23,071,535.97)</u>	<u>0.00</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>(970,981.89)</u>	<u>307,886,766.46</u>	<u>1,582,454,491.28</u>
OTHER REVENUES, (EXPENSES), GAINS/ (LOSSES) AND TRANSFERS			
Transfers In (Note 8)	310,404,392.85	476,907,683.78	4,965,746.98
Transfers Out (Note 8)	(110,118.57)	(787,201,958.06)	(1,587,420,238.26)
Total Other Revenues, (Expenses), Gains/(Losses) and Transfers	<u>310,294,274.28</u>	<u>(310,294,274.28)</u>	<u>(1,582,454,491.28)</u>
CHANGE IN NET ASSETS	<u>309,323,292.39</u>	<u>(2,407,507.82)</u>	<u>0.00</u>
TOTAL NET ASSETS - September 1, 2005	<u>(1,030,396,539.89)</u>	<u>195,316,946.60</u>	<u>0.00</u>
TOTAL NET ASSETS, August 31, 2006	<u>\$ (721,073,247.50)</u>	<u>\$ 192,909,438.78</u>	<u>\$ 0.00</u>

UNAUDITED

TEXAS WORKFORCE COMMISSION (320)

Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$	\$	\$
32,223,673.84	49,166,279.89	1,862,803,929.74
12,080,205.95	25,452,676.24	81,389,953.73
<u>44,303,879.79</u>	<u>74,618,956.13</u>	<u>88,141,746.16</u>
		<u>2,032,335,629.63</u>
1,224,819,759.31		1,224,819,759.31
<u>1,224,819,759.31</u>	<u>0.00</u>	<u>1,224,819,759.31</u>
<u>(1,180,515,879.52)</u>	<u>74,618,956.13</u>	<u>807,515,870.32</u>
		(27,084,913.02)
	74,236,245.60	78,804,325.93
<u>0.00</u>	<u>74,236,245.60</u>	<u>(1,525,685.17)</u>
		<u>50,193,727.74</u>
<u>(1,180,515,879.52)</u>	<u>148,855,201.73</u>	<u>857,709,598.06</u>
1,214,223,853.90	1,587,420,238.26	3,593,921,915.77
(33,707,974.38)	(1,185,364,018.52)	(3,593,804,307.79)
<u>1,180,515,879.52</u>	<u>402,056,219.74</u>	<u>117,607.98</u>
<u>0.00</u>	<u>550,911,421.47</u>	<u>857,827,206.04</u>
<u>0.00</u>	<u>1,600,676,606.49</u>	<u>765,597,013.20</u>
<u>\$ 0.00</u>	<u>\$ 2,151,588,027.96</u>	<u>\$ 1,623,424,219.24</u>

UNAUDITED

TEXAS WORKFORCE COMMISSION (320)

EXHIBIT F-3
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended August 31, 2006

	TPFA UC Obligation Assessment Revenue Bonds Series 2003 Program Fund (Fund 0367) U/F (0367,1367, 2367,3367)	TPFA UC Obligation Assessment Revenue Bonds Obligation Trust Fund (Fund 0844) U/F (0844,1844, 2844,3844)	Unemployment Compensation Clearance Account (Fund 0936) U/F (0936)
CASH FLOWS FROM OPERATING ACTIVITIES			
Unemployment Assessments	\$	\$ 331,548,744.53	\$ 1,588,375,758.96
Proceeds of Federal Revenue			
Proceeds from Other Revenue			60,066,367.64
Unemployment Benefit Payments			
Net Cash Provided by Operating Activities	<u>0.00</u>	<u>331,548,744.53</u>	<u>1,648,442,126.60</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment for Principal on Bonds (Note 5)	(310,294,274.28)		
Payments of Interest		(28,902,936.27)	
Payments of Other Non-Operating Expense		(554,703.28)	
Transfers From Other Funds	310,404,392.85	476,907,683.78	4,920,190.28
Transfers To Other Funds	(110,118.57)	(787,201,958.06)	(1,654,591,392.83)
Net Cash Provided by Noncapital Financing Activities	<u>0.00</u>	<u>(339,751,913.83)</u>	<u>(1,649,671,202.55)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Investment Income		4,366,104.34	
Net Cash Provided by Investing Activities	<u>0.00</u>	<u>4,366,104.34</u>	<u>0.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>0.00</u>	<u>(3,837,064.96)</u>	<u>(1,229,075.95)</u>
Cash and Cash Equivalents - September 1, 2005	<u>0.00</u>	<u>169,863,649.93</u>	<u>1,497,530.89</u>
Net Cash and Cash Equivalents - August 31, 2006	<u>\$ 0.00</u>	<u>\$ 166,026,584.97</u>	<u>\$ 268,454.94</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)		330,958,302.43	1,582,454,491.28
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables		590,442.10	50,742,340.62
Increase (Decrease) in Payables			
Increase (Decrease) in Deferred Revenue			15,245,294.70
Total Adjustments	<u>0.00</u>	<u>590,442.10</u>	<u>65,987,635.32</u>
Net Cash Provided by Operating Activities	<u>\$ 0.00</u>	<u>\$ 331,548,744.53</u>	<u>\$ 1,648,442,126.60</u>

UNAUDITED

TEXAS WORKFORCE COMMISSION (320)

Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$ 32,223,673.84	\$ 50,020,000.00	\$ 1,919,924,503.49
9,760,423.47	25,452,676.24	82,243,673.84
(1,192,284,858.22)		95,279,467.35
<u>(1,150,300,760.91)</u>	<u>75,472,676.24</u>	<u>(1,192,284,858.22)</u>
		905,162,786.46
		(310,294,274.28)
		(28,902,936.27)
		(554,703.28)
1,212,871,949.38	1,596,746,668.93	3,601,850,885.22
(33,707,974.38)	(1,126,167,390.10)	(3,601,778,833.94)
<u>1,179,163,975.00</u>	<u>470,579,278.83</u>	<u>(339,679,862.55)</u>
	69,301,022.14	73,667,126.48
<u>0.00</u>	<u>69,301,022.14</u>	<u>73,667,126.48</u>
<u>28,863,214.09</u>	<u>615,352,977.21</u>	<u>639,150,050.39</u>
<u>(28,778,091.34)</u>	<u>1,455,207,112.65</u>	<u>1,597,790,202.13</u>
<u>\$ 85,122.75</u>	<u>\$ 2,070,560,089.86</u>	<u>\$ 2,236,940,252.52</u>
		(1,180,515,879.52)
	74,618,956.13	807,515,870.32
		10,314,191.08
	853,720.11	62,500,693.91
		19,900,927.53
		15,245,294.70
<u>30,215,118.61</u>	<u>853,720.11</u>	<u>97,646,916.14</u>
<u>\$ (1,150,300,760.91)</u>	<u>\$ 75,472,676.24</u>	<u>\$ 905,162,786.46</u>

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TEXAS WORKFORCE COMMISSION (320)

EXHIBIT I-1
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended August 31, 2006

ASSETS	Payday Law Wage Determination Trust Fund (Fund 0894) <u>(U/F 0894)</u>	Payday Law Escrow Fund (Fund 0947) <u>U/F (0947)</u>	<u>TOTALS</u>
ASSETS			
Cash and Cash Equivalents			
Cash on Hand	\$ 3,508.56	\$	\$ 3,508.56
Cash in State Treasury	942,122.60	149,890.49	1,092,013.09
Receivables:			
Interest and Dividends	5,251.48	698.09	5,949.57
Accounts Receivable (Note 25)	<u>155,438.32</u>	<u></u>	<u>155,438.32</u>
Total Assets	\$ 1,106,320.96	\$ 150,588.58	\$ 1,256,909.54
LIABILITIES			
Payables:			
Accounts Payable	731,369.97	117,017.80	848,387.77
Interest Payable	<u>20,920.72</u>	<u>19,551.63</u>	<u>40,472.35</u>
Total Liabilities	752,290.69	136,569.43	888,860.12
Net Assets			
Held in Trust For:			
Payday Law	<u>354,030.27</u>	<u>14,019.15</u>	<u>368,049.42</u>
Total Net Assets	\$ 354,030.27	\$ 14,019.15	\$ 368,049.42

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TEXAS WORKFORCE COMMISSION (320)

**EXHIBIT I-2
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS**

For the Year Ended August 31, 2006

	Payday Law Wage Determination Trust Fund (Fund 0894) (U/F 0894)	Payday Law Escrow Fund (Fund 0947) U/F (0947)	TOTALS
ADDITIONS			
Investment Income			
From Investing Activities:			
Interest and Investment Income	\$ 57,548.08	\$ 7,407.55	\$ 64,955.63
Net Income from Investing Activities	<u>57,548.08</u>	<u>7,407.55</u>	<u>64,955.63</u>
Total Net Investment Income (Loss)	<u>57,548.08</u>	<u>7,407.55</u>	<u>64,955.63</u>
Other Additions			
Collections from Employers for Payday Law Claims	3,908,801.94		3,908,801.94
Transfer In (Note 8)		41,853.32	41,853.32
Total Other Additions	<u>3,908,801.94</u>	<u>41,853.32</u>	<u>3,950,655.26</u>
Total Additions	<u>3,966,350.02</u>	<u>49,260.87</u>	<u>4,015,610.89</u>
DEDUCTIONS			
Claims and Judgements Expense	3,905,885.30	37,275.52	3,943,160.82
Interest Expense	30,271.94	6,917.05	37,188.99
Transfer Out (Note 8)	41,853.32		41,853.32
Total Deductions	<u>3,978,010.56</u>	<u>44,192.57</u>	<u>4,022,203.13</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (11,660.54)</u>	<u>\$ 5,068.30</u>	<u>\$ (6,592.24)</u>
Net Assets - September 1, 2005	365,690.81	8,950.85	374,641.66
NET ASSETS - August 31, 2006	<u>\$ 354,030.27</u>	<u>\$ 14,019.15</u>	<u>\$ 368,049.42</u>

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TEXAS WORKFORCE COMMISSION (320)

**EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended August 31, 2006

	Balances September 1, 2005	Additions	Deductions	Balances August 31, 2006
Departmental Suspense (0900)				
U/F (0900, 9015, 9016)				
Current Assets:				
Cash and Cash Equivalents				
Cash in State Treasury	\$ 0.00	\$ 1,000,574.76	\$ 1,000,574.76	\$ 0.00
Current Liabilities:				
Funds Held for Others				
	\$ 0.00	\$ 1,000,574.76	\$ 1,000,574.76	\$ 0.00
Employees' Savings Bond Account (0901) U/F (0901)				
Current Assets:				
Cash and Cash Equivalents				
Cash in State Treasury	\$ 12,299.82	\$ 92,976.01	\$ 95,218.99	\$ 10,056.84
Current Liabilities:				
Funds Held for Others				
	\$ 12,299.82	\$ 92,976.01	\$ 95,218.99	\$ 10,056.84
Direct Deposit Correction Account (0980) U/F (0980, 9014)				
Current Assets:				
Cash and Cash Equivalents				
Cash in State Treasury	\$ 0.00	\$ 898,238.51	\$ 893,927.92	\$ 4,310.59
Current Liabilities:				
Funds Held for Others				
	\$ 0.00	\$ 898,238.51	\$ 893,927.92	\$ 4,310.59
TOTALS - ALL AGENCY FUNDS				
Assets:				
Current Assets				
Cash and Cash Equivalents				
Cash in State Treasury	12,299.82	1,991,789.28	1,989,721.67	14,367.43
Total Current Assets	\$ 12,299.82	\$ 1,991,789.28	\$ 1,989,721.67	\$ 14,367.43
Current Liabilities:				
Funds Held for Others				
	12,299.82	1,991,789.28	1,989,721.67	14,367.43
Total Current Liabilities	\$ 12,299.82	\$ 1,991,789.28	\$ 1,989,721.67	\$ 14,367.43

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From		
		Agency/ Univ. #	Identifying Number	Agencies or Univ Amount
U.S. Department of Agriculture				
Food Stamp Cluster				
Direct Programs:				
State Admin. Match for Food Stamp Program	10.561			
Pass-Through To:				
Other Non-State Entities				
Texas State Technical College				
Total, U. S. Department of Agriculture			0.00	0.00
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002			
Contract Postage (Non-Monetary)				
Labor Certification for Alien Workers	17.203			
Pass-Through To:				
Other Non-State Entities				
Unemployment Insurance	17.225			
Contract Postage (Non-Monetary)				
Pass-Through To:				
Other Non-State Entities				
Senior Community Service Program	17.235			
Pass-Through To:				
Other Non-State Entities				
Trade Adjustment Assistance	17.245			
Pass-Through To:				
Other Non-State Entities				
Workforce Investment Act - Adult Program	17.258			
Pass-Through To:				
Department of Family and Protective Services				
Texas Youth Commission				
Texas State Technical College				
Texas Higher Education Coordinating Board				
Other Non-State Entities				
Workforce Investment Act - Youth Activities	17.259			
Pass-Through To:				
Department of Family and Protective Services				
Texas Youth Commission				
Texas State Technical College				
Texas Higher Education Coordinating Board				
Other Non-State Entities				
Workforce Investment Act - Dislocated Workers	17.260			
Pass-Through To:				
Department of Family and Protective Services				
Texas Youth Commission				
Texas State Technical College				
Texas Higher Education Coordinating Board				
Other Non-State Entities				
E & T Administration Pilots	17.261			
Pass-Through To:				
Texas State Technical College				
Other Non-State Entities				

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TEXAS WORKFORCE COMMISSION (320)

Direct Program Amount	Total PT from & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agency/ Univ. #	State Agency or Univ Amount	Non-State Entities Amount		
727,070.08	727,070.08				727,070.08	727,070.08
15,425,616.89	15,425,616.89			15,425,616.89		15,425,616.89
16,612.29	16,612.29	719	16,612.29			16,612.29
16,169,299.26	16,169,299.26		16,612.29	15,425,616.89	727,070.08	16,169,299.26
4,001,303.97	4,001,303.97				4,001,303.97	4,001,303.97
86,876.74	86,876.74				86,876.74	86,876.74
701,800.83	701,800.83				701,800.83	701,800.83
8,884.61	8,884.61			8,884.61		8,884.61
1,308,845,641.94	1,308,845,641.94				1,308,845,641.94	1,308,845,641.94
5,415,159.96	5,415,159.96				5,415,159.96	5,415,159.96
438,716.69	438,716.69			438,716.69		438,716.69
	0.00					0.00
4,008,790.45	4,008,790.45			4,008,790.45		4,008,790.45
26,287,258.97	26,287,258.97				26,287,258.97	26,287,258.97
9,272,896.63	9,272,896.63			9,272,896.63		9,272,896.63
3,150,609.88	3,150,609.88				3,150,609.88	3,150,609.88
258,930.67	258,930.67	530	258,930.67			258,930.67
115,235.73	115,235.73	694	115,235.73			115,235.73
141,931.00	141,931.00	719	141,931.00			141,931.00
180,000.00	180,000.00	781	180,000.00			180,000.00
83,884,245.51	83,884,245.51			83,884,245.51		83,884,245.51
7,325,746.61	7,325,746.61				7,325,746.61	7,325,746.61
290,422.13	290,422.13	530	290,422.13			290,422.13
125,949.85	125,949.85	694	125,949.85			125,949.85
155,120.00	155,120.00	719	155,120.00			155,120.00
1,050,000.00	1,050,000.00	781	1,050,000.00			1,050,000.00
76,379,468.75	76,379,468.75			76,379,468.75		76,379,468.75
10,055,930.57	10,055,930.57				10,055,930.57	10,055,930.57
260,292.45	260,292.45	530	260,292.45			260,292.45
149,841.63	149,841.63	694	149,841.63			149,841.63
696,262.00	696,262.00	719	696,262.00			696,262.00
270,000.00	270,000.00	781	270,000.00			270,000.00
130,020,423.64	130,020,423.64			130,020,423.64		130,020,423.64
50,447.30	50,447.30				50,447.30	50,447.30
155,789.73	155,789.73	719	155,789.73			155,789.73
3,556,025.76	3,556,025.76			3,556,025.76		3,556,025.76

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			
		Agency/ Univ. #	Identifying Number	Agencies or Univ Amount	Non-State Entities Amount
Work Incentive Grant	17.266				
Workforce Investment Act - Incentive Grants	17.267				
Pass-Through To:					
Texas Higher Education Coordinating Board					
Other Non-State Entities					
Veterans Employment Program	17.802				
Pass-Through To:					
Other Non-State Entities					
Transition Assistance Program	17.807				
Employment Services Cluster					
Direct Program:					
Employment Service	17.207				
Pass-Through To:					
Texas State Technical College					
Other Non-State Entities					
Disabled Veterans Outreach Program	17.801				
Pass-Through To:					
Texas Veterans Commission					
Other Non-State Entities					
Local Veterans Employ. Representation	17.804				
Pass-Through To:					
Texas Veterans Commission					
Other Non-State Entities					
Totals - U.S. Department of Labor				0.00	0.00
U.S. Department of Veteran's Affairs					
Direct Program:					
All Volunteer Force Educational Assistance	64.124				
Pass-Through To:					
Other Non-State Entities					
Total, U.S. Department of Veteran's Affairs				0.00	0.00
Federal Emergency Management Agency					
Direct Program:					
Disaster Unemployment Assistance	83.541				
Total, Federal Emergency Management Agency				0.00	0.00
U.S. Department of Education					
Direct Program:					
Occupational and Employment Information	84.346				
Total, U.S. Department of Education				0.00	0.00
U.S. Department of Health & Human Services					
Direct Program:					
Temporary Assistance for Needy Families	93.558				
Pass-Through From:					
Health and Human Services Commission		529		6,096,301.67	
Pass-Through To:					
Texas State Technical College		529		728,417.74	
Other Non-State Entities		529		77,630,910.98	

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TEXAS WORKFORCE COMMISSION (320)

Direct Program Amount	Total PT from & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agency/ Univ. #	State Agency or Univ Amount	Non-State Entities Amount		
10,323.72	10,323.72				10,323.72	10,323.72
4,323.38	4,323.38				4,323.38	4,323.38
830,712.94	830,712.94	781	830,712.94			830,712.94
1,330,926.54	1,330,926.54			1,330,926.54		1,330,926.54
	0.00					0.00
	0.00					0.00
417,288.43	417,288.43				417,288.43	417,288.43
39,759,520.87	39,759,520.87				39,759,520.87	39,759,520.87
217,697.28	217,697.28	719	217,697.28			217,697.28
12,883,765.64	12,883,765.64			12,883,765.64		12,883,765.64
3,141,366.34	3,141,366.34				3,141,366.34	3,141,366.34
179,202.79	179,202.79	403	179,202.79			179,202.79
949,948.87	949,948.87			949,948.87		949,948.87
2,884,477.06	2,884,477.06				2,884,477.06	2,884,477.06
40,773.84	40,773.84	403	40,773.84			40,773.84
988,438.15	988,438.15			988,438.15		988,438.15
1,740,978,769.85	1,740,978,769.85		5,118,162.04	323,722,531.24	1,412,138,076.57	1,740,978,769.85
796,048.31	796,048.31				796,048.31	796,048.31
14,158.60	14,158.60			14,158.60		14,158.60
810,206.91	810,206.91		0.00	14,158.60	796,048.31	810,206.91
6,030,747.00	6,030,747.00				6,030,747.00	6,030,747.00
6,030,747.00	6,030,747.00		0.00	0.00	6,030,747.00	6,030,747.00
230,260.58	230,260.58				230,260.58	230,260.58
230,260.58	230,260.58		0.00	0.00	230,260.58	230,260.58
	6,096,301.67				6,096,301.67	6,096,301.67
	728,417.74	719	728,417.74			728,417.74
	77,630,910.98			77,630,910.98		77,630,910.98

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			
		Agency/ Univ. #	Identifying Number	Agencies or Univ Amount	Non-State Entities Amount
Child Care and Development Block Grant	93.575				
Pass-Through To:					
Department of Protective and Regulatory Services					
Other Non-State Entities					
Child Care and Development Fund	93.596				
Pass-Through To:					
Other Non-State Entities					
Social Services Block Grant	93.667				
Pass-Through To:					
Other Non-State Entities					
Chafee Foster Care Independence Program	93.674				
Pass-Through From:					
Texas Department of Human Services					
Pass-Through To:					
Other Non-State Entities		530		66,035.68	
Total, U.S. Dept. of Health & Human Services				84,521,666.07	0.00
Department of Homeland Security					
Direct Program:					
Disaster Unemployment Assistance	97.034				
Total, Department of Homeland Security				0.00	0.00
TOTAL, FEDERAL FINANCIAL ASSISTANCE				84,521,666.07	0.00

Note 1 - Non-Monetary Assistance

Agency mailings related to CFDA's 17.002 and 17.225 are paid for from postage meters funded directly by the Department of Labor

Note 2 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal pass-through revenues as reported in the general purpose financial statements. Generally federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Revenues Expenditures and Changes in Fund Balance/Statement of Activities Governmental Fund Types (Exhibit II) and Combined Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds (Exhibit IV)

Federal Revenues - Governmental	\$	937,442,586.90
Federal Pass-Through Revenues		84,521,666.07
Federal Revenues - Proprietary		81,389,953.73
Subtotal		<u>1,103,354,206.70</u>
RECONCILING ITEMS		
State UI funds		1,143,429,805.58
* Federal Fixed Fee Contracts		(1,222,442.88)
Non-Monetary Assistance (Contract Postage)		<u>5,502,036.70</u>
Total Pass-Through and Expenditures		
Per Federal Schedule	\$	<u>2,251,063,606.10</u>

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TEXAS WORKFORCE COMMISSION (320)

Direct Program Amount	Total PT from & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agency/ Univ. #	State Agency or Univ Amount	Non-State Entities Amount		
8,591,519.54	8,591,519.54				8,591,519.54	8,591,519.54
35,629,918.69	35,629,918.69	530	35,629,918.69			35,629,918.69
159,523,290.97	159,523,290.97			159,523,290.97		159,523,290.97
195,912,818.07	195,912,818.07			195,912,818.07		195,912,818.07
2,000,000.00	2,000,000.00			2,000,000.00		2,000,000.00
	66,035.68			66,035.68		66,035.68
401,657,547.27	486,179,213.34		36,358,336.43	435,133,055.70	14,687,821.21	486,179,213.34
665,109.16	665,109.16				665,109.16	665,109.16
665,109.16	665,109.16		0.00	0.00	665,109.16	665,109.16
2,166,541,940.03	2,251,063,606.10		41,493,110.76	774,295,362.43	1,435,275,132.91	2,251,063,606.10

Note 3 - Unemployment Insurance Funds

For the monetary expenditures of CFDA 17.225 included in the Schedule, \$165,415,836.36 were federal funds and \$1,143,429,805.58 were state UI funds.

* The Civil Rights Division of the Texas Workforce Commission conducts investigations arising from complaints regarding employment and housing discrimination. The Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Housing and Urban Development (HUD) pay for these investigations on a fixed fee basis.

Per the provisions of OMB Circular A-133, "a Federal award means Federal financial assistance and Federal Cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors." The Texas Comptroller of Public Accounts has interpreted this statement to mean that fixed fee contracts are not Federal awards, and therefore not subject to the provisions of OMB Circular A-133. Thus the fixed fee contracts that TWC maintains with EEOC and HUD are not considered federal awards, and therefore, should not be included in the Schedule of Federal Financial Assistance.

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 1B
SCHEDULE OF STATE PASS-THROUGH GRANTS FROM /TO STATE AGENCIES
 For Fiscal Year Ended August 31, 2006

Pass-Through From:

Temporary Assistance to Needy Families - Transportation	
Texas Department of Transportation (Agency 601)	\$ 5,870,225.10
Subtotal	<u>5,870,225.10</u>

Food Stamp E & T 50/50 - Transportation	
Texas Department of Transportation (Agency 601)	\$ 390,014.16
Subtotal	<u>390,014.16</u>

Foster Care Youth Demo - State	
Texas Department of Family and Protective Services (Agency 530)	\$ 16,508.93
Subtotal	<u>16,508.93</u>

Total Pass-Through From Other Agencies	\$ <u>6,276,748.19</u>
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Pass-Through To:

General Workforce Clients - RIO	
Department of Criminal Justice (Agency 696)	\$ 3,120,405.37
Subtotal	<u>3,120,405.37</u>

Food Stamp Employment & Training 50/50	
Texas State Technical College System Administration (Agency 719)	\$ 11,609.93
Subtotal	<u>11,609.93</u>

School-to-Careers - Apprenticeship	
Texas State Technical College System Administration (Agency 719)	\$ 50,352.16
Subtotal	<u>50,352.16</u>

Business Services and Skills Development	
Texas Engineering Extension Service (Agency 716)	\$ 139,064.40
Texas State Technical College System Administration (Agency 719)	<u>909,070.20</u>
Subtotal	<u>1,048,134.60</u>

Total Pass-Through To Other Agencies	\$ <u>4,230,502.06</u>
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TEXAS WORKFORCE COMMISSION (320)

**SCHEDULE 2A
MISCELLANEOUS BOND INFORMATION**
For Fiscal Year Ended August 31, 2006

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rate	Scheduled Maturities		First Call Date
					First Year	Last Year	
Revenue Bonds							
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Tax-Exempt Series 2003A	\$ 256,235,000	2.625%	5.000%		2007	2008	N/A
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Taxable Series 2003B	520,485,000	1.200%	3.125%		2004	2007	N/A
* Texas Public Finance Authority Unemployment Compensation Obligation Assessment Tax-Exempt Variable Rate Convertible Series 2003C	400,000,000	VAR	VAR	Daily	2005	2009	06/15/04
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Taxable Variable Rate Series 2003D	200,000,000	VAR	VAR	Daily	2009	2009	06/15/04
	<u>\$ 1,376,720,000</u>						

* Series 2003C bonds were originally issued as taxable but based on a ruling by the Internal Revenue Service, they were deemed to be tax-exempt.

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TEXAS WORKFORCE COMMISSION (320)

**SCHEDULE 2B
CHANGES IN BONDED INDEBTEDNESS**
For Fiscal Year Ended August 31, 2006

Business-Type Activities	Description of Issue	Bonds Outstanding 9/1/2005	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2005	(For Proprietary Funds Only: Reconciliation)				Net Bonds Outstanding 8/31/2006	Amounts Due Within One Year
							Unamortized Premium	Unamortized Discount	Insurance Costs	Gain / (Loss) on Refunding		
Revenue Bonds												
	Texas Public Finance Authority Unemployment Compensation Obligation Assessment Tax-Exempt Series 2003A	\$ 256,235,000				\$ 256,235,000	\$ 10,123,634				\$ 266,358,634	\$ 12,674,393
	Texas Public Finance Authority Unemployment Compensation Obligation Assessment Taxable Series 2003B	303,605,000		153,905,000		149,700,000	(82,589)				149,617,411	149,617,411
	Texas Public Finance Authority Unemployment Compensation Obligation Assessment Tax-Exempt Variable Rate Convertible Series 2003C	259,000,000		152,000,000		107,000,000					107,000,000	26,000,000
	Texas Public Finance Authority Unemployment Compensation Obligation Assessment Taxable Variable Rate Series 2003D	200,000,000				200,000,000					200,000,000	0
		<u>\$ 1,018,840,000</u>	<u>\$ -</u>	<u>\$ 305,905,000</u>	<u>\$ -</u>	<u>\$ 712,935,000</u>	<u>\$ 10,123,634</u>	<u>\$ (82,589)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,976,045</u>	<u>\$ 188,291,804</u>

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 2C
DEBT SERVICE REQUIREMENTS
 For Fiscal Year Ended August 31, 2006

Business-Type Activities

<u>Description of Issue</u>	Year	Principal	Interest
Revenue Bonds			
Unemployment Compensation	2007	\$ 8,175,000	\$ 12,021,613
Obligation Assessment	2008	163,420,000	9,834,800
Tax-Exempt Series 2003A	2009	84,640,000	1,987,900
		<u>\$ 256,235,000</u>	<u>\$ 23,844,313</u>
Unemployment Compensation	2007	\$ 149,700,000	\$ 3,355,547
Obligation Assessment		<u>\$ 149,700,000</u>	<u>\$ 3,355,547</u>
Taxable Series 2003B			
Unemployment Compensation	2007	\$ 26,000,000	\$ 3,573,550
Obligation Assessment	2008	29,000,000	2,671,550
Tax-Exempt Variable Rate	2009	14,000,000	1,597,500
Convertible Series 2003C	2010	38,000,000	674,500
		<u>\$ 107,000,000</u>	<u>\$ 8,517,100</u>
Unemployment Compensation	2007	\$ -	\$ 10,420,000
Obligation Assessment	2008	-	10,380,000
Taxable Variable Rate	2009	-	10,290,000
Series 2003D	2010	200,000,000	5,200,000
		<u>\$ 200,000,000</u>	<u>\$ 36,290,000</u>

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TEXAS WORKFORCE COMMISSION (320)

SCHEDULE 2D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 For Fiscal Year Ended August 31, 2006

Business-Type Activities

<u>Description of Issue</u>	<u>Pledged and Other Sources and Related Expenditures for FY 2006</u>					
	<u>Net Available for</u>		<u>Debt Service</u>			
	<u>Total Pledged</u>	<u>Operating Expenses/</u>	<u>Debt Service</u>			
			<u>and Other Sources</u>	<u>Expenditures and</u>	<u>Principal</u>	<u>Interest</u>
	<u>Capital Outlay</u>					
Revenue Bonds						
Texas Public Finance Authority						
Unemployment Compensation	\$ 335,526,383	\$ -	\$ 305,905,000	\$ 27,084,913		
Obligation Assessment						
Series 2003A, B, C, & D	<u>\$ 335,526,383</u>	<u>\$ -</u>	<u>\$ 305,905,000</u>	<u>\$ 27,084,913</u>		

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TEXAS WORKFORCE COMMISSION (320)

ADDENDA
ORGANIZATION, RESPONSIBILITIES AND GENERAL COMMENTS
For the Year Ended August 31, 2006

The Texas Workforce Commission was created by the 74th Legislature with the passage of House Bill 1863. The Commission is comprised of three full-time members appointed by the Governor, with the advice and consent of the Senate, to serve six-year overlapping terms. Board members serving the Commission at August 31, 2006:

<u>Commission Member</u>	<u>Dates of Term</u>	<u>Hometown</u>
Diane Rath (Chair and Commissioner Representing the Public)	October 1996 – February 2007 (June 2, 1998 named TWC Chair)	San Antonio
Ron Lehman (Commissioner Representing Employers)	July 1998 – February 2003	Round Rock
Ronald G. Congleton (Commissioner Representing Labor)	October 2003 – February 2011	Austin

Larry E. Temple was named Executive Director on September 12, 2003.

The Commission had a total of 2,947 full-time employees at August 31, 2006

TEXAS WORKFORCE COMMISSION
AUGUST 2006

Our mission is to promote and support a workforce system that offers employers, individuals and communities the opportunity to achieve and sustain economic prosperity.

