

ANNUAL FINANCIAL REPORT

UNAUDITED

TEXAS WORKFORCE COMMISSION
Austin, Texas

Year Ended August 31, 2017

Texas Workforce Commission

A Member of Texas Workforce Solutions

Andres Alcantar, Chairman
Commissioner Representing
the Public

Ruth R. Hughs
Commissioner Representing
Employers

Julian Alvarez
Commissioner Representing
Labor

Larry E. Temple
Executive Director

November 17, 2017

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, State Comptroller
Ursula M. Parks, Director, Legislative Budget Board
Lisa R. Collier, CPA, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Workforce Commission for the year ended August 31, 2017, 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, Chief Financial Officer, at (512) 463-2698.

Sincerely,



Larry E. Temple
Executive Director

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TEXAS WORKFORCE COMMISSION

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

For the Year Ended August 31, 2017

	<u>Governmental Fund Types</u>		<u>Governmental Funds Total</u>
	<u>General Funds (Exhibit A-1)</u>	<u>Special Revenue Funds (Exhibit B-1)</u>	
ASSETS			
Current Assets:			
Cash and Cash Equivalents			
Cash on Hand	\$ 224,715.45	\$	224,715.45
Cash in Bank (Note 3)	566,239.13		566,239.13
Cash in State Treasury	196,946,310.50	4,371.77	196,950,682.27
Legislative Appropriations	68,862,142.66		68,862,142.66
Receivables:			
Federal Receivable	12,910,784.14		12,910,784.14
Interest and Dividends	4,113.09	18.93	4,132.02
Accounts Receivable (Note 24)	14,062,274.12		14,062,274.12
Interfund Receivable (Note 12)	3,331,576.93		3,331,576.93
Due from Other Funds (Note 12)	5,639,874.42		5,639,874.42
Due from Other Agencies (Note 12)	732,331.85		732,331.85
Consumable Inventories	841,522.87		841,522.87
Merchandise Inventories	165,714.84		165,714.84
Total Current Assets	<u>304,287,600.00</u>	<u>4,390.70</u>	<u>304,291,990.70</u>
Non-Current Assets:			
Accounts Receivable	1,490,791.87		1,490,791.87
Capital Assets (Note 2)			
Non-Depreciable			
Land and Land Improvements			-
Construction in Progress			-
Other Assets			-
Depreciable			
Building and Building Improvements			-
Accumulated Depreciation			-
Furniture and Equipment			-
Accumulated Depreciation			-
Vehicles, Boats & Aircraft			-
Accumulated Depreciation			-
Amortizable - Intangible			
Computer Software			-
Accumulated Depreciation			-
Total Non-Current Assets	<u>1,490,791.87</u>		<u>1,490,791.87</u>
Total Assets	<u>\$ 305,778,391.87</u>	<u>\$ 4,390.70</u>	<u>305,782,782.57</u>

<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustment</u>	<u>Statement of Net Assets</u>
		\$ 224,715.45
		566,239.13
		196,950,682.27
		68,862,142.66
		12,910,784.14
		4,132.02
		14,062,274.12
		3,331,576.93
		5,639,874.42
		732,331.85
		841,522.87
		165,714.84
<u>0.00</u>	<u>0.00</u>	<u>304,291,990.70</u>
		1,490,791.87
4,770,777.78		4,770,777.78
1,120,976.25		1,120,976.25
88,350.00		88,350.00
39,735,014.92		39,735,014.92
(33,657,500.32)		(33,657,500.32)
10,330,316.16		10,330,316.16
(8,164,825.05)		(8,164,825.05)
920,865.10		920,865.10
(859,181.90)		(859,181.90)
		0.00
32,435,867.60		32,435,867.60
<u>(24,950,475.41)</u>		<u>(24,950,475.41)</u>
<u>21,770,185.13</u>	<u>0.00</u>	<u>23,260,977.00</u>
		0.00
<u>\$ 21,770,185.13</u>	<u>\$ 0.00</u>	<u>\$ 327,552,967.70</u>

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

For the Year Ended August 31, 2017

	<u>Governmental Fund Types</u>		Governmental Funds Total
	General Funds (Exhibit A-1)	Special Revenue Funds (Exhibit B-1)	
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current Liabilities:			
Payables:			
Accounts Payable	\$ 21,489,338.14	\$	21,489,338.14
Payroll Payable	22,910,611.07		22,910,611.07
Interfund Payable (Note 12)	3,331,576.93		3,331,576.93
Unearned Revenues	18,340,139.22		18,340,139.22
Due to Other Funds (Note 12)	9,846,467.26		9,846,467.26
Due to Other Agencies (Note 12)	7,409,668.58		7,409,668.58
Employees Compensable Leave (Note 5)			
Total Current Liabilities	<u>83,327,801.20</u>		<u>83,327,801.20</u>
Non-Current Liabilities:			
Employees Compensable Leave (Note 5)			
Total Non-Current Liabilities	<u>-</u>		<u>-</u>
Deferred Inflows of Resources (Note 28)	1,490,791.87		1,490,791.87
Total Liabilities and Deferred Inflows of Resources	<u>84,818,593.07</u>	<u>0.00</u>	<u>84,818,593.07</u>
Fund Financial Statement-Fund Balances			
Fund Balances (Deficits):			
Non-Spendable	\$ 1,007,237.71	\$	1,007,237.71
Restricted	13,268,527.73	4,390.70	13,272,918.43
Committed	139,530,739.78		139,530,739.78
Assigned	61,227,830.77		61,227,830.77
Unassigned	5,925,462.81		5,925,462.81
Total Fund Balances	<u>220,959,798.80</u>	<u>4,390.70</u>	<u>220,964,189.50</u>
Total Liabilities and Fund Balance	<u>\$ 305,778,391.87</u>	<u>4,390.70</u>	<u>305,782,782.57</u>
Government-wide Statement-Net Position			
Net Position:			
Inv. In Capital Assets, Net of Related Debt Unrestricted			
Total Net Position		\$	

Capital Asset Adjustments	Long-Term Liabilities Adjustment	Statement of Net Assets
\$	\$	\$
		21,489,338.14
		22,910,611.07
		3,331,576.93
		18,340,139.22
		9,846,467.26
		7,409,668.58
	14,939,023.47	14,939,023.47
0.00	14,939,023.47	98,266,824.67
	2,937,661.31	2,937,661.31
0.00	2,937,661.31	2,937,661.31
		1,490,791.87
0.00	17,876,684.78	102,695,277.85
\$	\$	\$
		1,007,237.71
		13,272,918.43
		139,530,739.78
		61,227,830.77
		5,925,462.81
0.00	0.00	220,964,189.50
		0.00
0.00	17,876,684.78	323,659,467.35
21,770,185.13		21,770,185.13
	(17,876,684.78)	(17,876,684.78)
\$ 21,770,185.13	\$ (17,876,684.78)	\$ 224,857,689.85

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

For the Year Ended August 31, 2017

	Governmental Fund Types		Governmental Funds Total
	General Funds (Exhibit A-2)	Special Revenue Funds (Exhibit B-2)	
REVENUES:			
Legislative Appropriations			
Original Appropriations (GR)	\$ 171,112,790.00	\$	\$ 171,112,790.00
Additional Appropriations (GR)	11,031,927.04		11,031,927.04
Federal Revenue	1,215,372,994.02		1,215,372,994.02
Federal Pass-Through Revenue	92,045,475.02		92,045,475.02
Licenses, Fees and Permits	130,233,663.52		130,233,663.52
Interest and Investment Income	318,515.81	270.88	318,786.69
Land Income	6,766.90		6,766.90
Sales of Goods and Services	2,776,691.40		2,776,691.40
Other Revenues	79,567,028.56	13,173.39	79,580,201.95
Total Revenue	1,702,465,852.27	13,444.27	1,702,479,296.54
EXPENDITURES			
Salaries and Wages	217,795,396.56		217,795,396.56
Payroll Related Costs	101,260,732.74		101,260,732.74
Professional Fees and Services	36,098,205.22		36,098,205.22
Travel	5,266,776.93		5,266,776.93
Materials and Supplies	12,516,961.61		12,516,961.61
Communication and Utilities	9,518,284.82		9,518,284.82
Repairs and Maintenance	9,148,912.17		9,148,912.17
Rentals and Leases	8,988,478.14		8,988,478.14
Printing and Reproduction	279,559.00		279,559.00
Claims and Judgements	74,000.00		74,000.00
Federal Pass-Through Expenditures	63,240,370.35		63,240,370.35
State Grant Pass-Through Expenditures	6,086,735.96		6,086,735.96
Intergovernmental Payments	60,724,861.34		60,724,861.34
Public Assistance Payments	1,052,185,910.83	22,875.82	1,052,208,786.65
Other Operating Expenditures	10,268,426.55		10,268,426.55
Capital Outlay	3,004,322.16		3,004,322.16
Depreciation Expense (Note 2)			
Amortization Expense (Note 2)			
Total Expenditures	1,596,457,934.38	22,875.82	1,596,480,810.20
EXCESS (DEFICIT) OF REVENUES			
OVER EXPENDITURES	\$ 106,007,917.89	\$ (9,431.55)	\$ 105,998,486.34

<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustment</u>	<u>Statement of Activities</u>
	\$	\$ 171,112,790.00
		11,031,927.04
		1,215,372,994.02
		92,045,475.02
		130,233,663.52
		318,515.81
		6,766.90
		2,776,691.40
		79,567,028.56
<u>0.00</u>	<u>0.00</u>	<u>1,702,479,296.54</u>
	7,829,833.30	225,625,229.86
		101,260,732.74
		36,098,205.22
		5,266,776.93
		12,516,961.61
		9,518,284.82
		9,148,912.17
		8,988,478.14
		279,559.00
		74,000.00
		63,240,370.35
		6,086,735.96
		60,724,861.34
		1,052,208,786.65
		10,268,426.55
(3,004,322.16)		0.00
1,422,107.76		1,422,107.76
<u>1,997,482.02</u>		<u>1,997,482.02</u>
<u>415,267.62</u>	<u>7,829,833.30</u>	<u>1,604,725,911.12</u>
<u>(415,267.62)</u>	<u>\$ (7,829,833.30)</u>	<u>\$ 97,753,385.42</u>

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

For the Year Ended August 31, 2017

	Governmental Fund Types		
	General Funds (Exhibit A-2)	Special Revenue Funds (Exhibit B-2)	Governmental Funds Total
OTHER FINANCING SOURCES (USES)			
Transfers In (Note 12)	\$ 321,977,627.11	\$ 13,822.25	\$ 321,991,449.36
Transfers Out (Note 12)	(501,058,586.99)		(501,058,586.99)
Gain (Loss) on Disposition of Capital Assets			
Legislative Financing Sources	<u>835,701.95</u>		<u>835,701.95</u>
Total Other Financing Sources (Uses)	<u>(178,245,257.93)</u>	<u>13,822.25</u>	<u>(178,231,435.68)</u>
Net Change in Fund Balances / Net Position	<u>(72,237,340.04)</u>	<u>4,390.70</u>	<u>(72,232,949.34)</u>
Fund Financial Statement-Fund Balances			
Fund Balances, September 1, 2016	293,766,235.26	0.00	293,766,235.26
Appropriations Lapsed	<u>(569,096.42)</u>		<u>(569,096.42)</u>
FUND BALANCES - August 31, 2017	<u>\$ 220,959,798.80</u>	<u>\$ 4,390.70</u>	<u>\$ 220,964,189.50</u>
GOVERNMENT-WIDE STATEMENT-NET POSITION			
Change in Net Position			<u>220,964,189.50</u>
Net Position, September 1, 2016			
Restatement - (Note 14)			
Net Position, September 1, 2016 as Restated			
Net Position, August 31, 2017	<u>\$</u>		<u>0.00</u>

<u>Capital Asset Adjustments</u>	<u>Long-Term Liabilities Adjustment</u>	<u>Statement of Activities</u>
	\$	\$ 321,991,449.36
		(501,058,586.99)
(2,125.70)		(2,125.70)
<u> </u>	<u> </u>	<u>835,701.95</u>
<u>(2,125.70)</u>	<u>0.00</u>	<u>(178,233,561.38)</u>
<u>(417,393.32)</u>	<u>(7,829,833.30)</u>	<u>(80,480,175.96)</u>
		293,766,235.26
		<u>(569,096.42)</u>
<u>(417,393.32)</u>	<u>\$ (7,829,833.30)</u>	<u>\$ 212,716,962.88</u>
<u>(417,393.32)</u>	<u>(7,829,833.30)</u>	<u>212,716,962.88</u>
32,087,263.15	(10,046,851.48)	22,040,411.67
(9,899,684.70)		(9,899,684.70)
22,187,578.45	(10,046,851.48)	12,140,726.97
<u>21,770,185.13</u>	<u>(17,876,684.78)</u>	<u>224,857,689.85</u>

EXHIBIT III
COMBINED STATEMENT OF NET POSITION - PROPRIETARY FUNDS

For the Year Ended August 31, 2017

	Total Proprietary Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 347,621.22
Cash in State Treasury	239,184.86
Restricted:	
Cash in State Treasury	368.75
Cash in Federal Treasury (Note 3)	1,319,866,041.19
Receivables:	
Federal Receivables (Note 24)	8,962,514.43
Interest and Dividends	5,096,092.70
Accounts Receivable (Note 24)	258,145,171.90
Due from Other Funds (Note 12)	101,364,145.34
Total Current Assets	<u>1,694,021,140.39</u>
Non-Current Assets:	
Receivables:	
Accounts Receivable (Note 24)	21,802,354.44
Total Non-Current Assets	<u>21,802,354.44</u>
Total Assets	<u>1,715,823,494.83</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	46,218,842.74
Federal Payable	1,041,808.44
Due to Other Funds (Note 12)	97,157,552.50
Unearned Revenues	140,979,736.25
Total Current Liabilities	<u>285,397,939.93</u>
Non-Current Liabilities:	
	-
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	<u>285,397,939.93</u>
NET POSITION	
Restricted For:	
Unemployment Trust Fund	1,430,425,554.90
Total Net Position	<u>\$ 1,430,425,554.90</u>

EXHIBIT IV
COMBINED STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS

For the Year Ended August 31, 2017

	Total Proprietary Funds (Exhibit F-2)
OPERATING REVENUES	
Unemployment Assessment	\$ 2,687,903,299.02
Federal Revenue	83,639,686.35
Other Operating Revenue	150,350,051.05
Total Operating Revenue	<u>2,921,893,036.42</u>
OPERATING EXPENSES	
Unemployment Benefit Payments	2,682,908,778.71
Total Operating Expenses	<u>2,682,908,778.71</u>
OPERATING INCOME (LOSS)	<u>238,984,257.71</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Expense	(1,873,346.97)
Interest and Investment Income	21,761,021.69
Other Non-Operating Expenses	(15,431.25)
Total Non-Operating Revenues (Expenses)	<u>19,872,243.47</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>258,856,501.18</u>
OTHER REVENUES (EXPENSES), GAINS/ (LOSSES) AND TRANSFERS	
Transfers In (Note 12)	7,180,568,101.58
Transfers Out (Note 12)	(6,991,496,836.38)
Total Other Revenues (Expenses), Gains/(Losses) and Transfers	<u>189,071,265.20</u>
CHANGE IN NET POSITION	<u>447,927,766.38</u>
NET POSITION, September 1, 2016	982,497,788.52
NET POSITION, August 31, 2017	<u>\$ 1,430,425,554.89</u>

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EXHIBIT V**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

For the Year Ended August 31, 2017

	Total Proprietary Funds (Exhibit F-3)
CASH FLOWS FROM OPERATING ACTIVITIES	
Unemployment Assessments	\$ 2,671,150,079.47
Proceeds from Federal Revenue	76,491,987.38
Proceeds from Other Revenue	155,921,790.01
Unemployment Benefit Payments	(2,690,670,219.10)
Net Cash Provided by Operating Activities	212,893,637.76
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Payment of Principal on Bonds	(304,786,636.38)
Payment of Interest Expense	(3,951,688.63)
Payment of Other Costs of Debt Issuance	(19,631.25)
Transfers from Other Funds	7,154,911,159.49
Transfers to Other Funds	(6,967,082,369.59)
Net Cash Provided by Non-Capital Financing Activities	(120,929,166.36)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Investment Income	21,529,693.77
Net Cash Provided by Investing Activities	21,529,693.77
Net Increase (Decrease) in Cash and Cash Equivalents	113,494,165.17
Cash and Cash Equivalents, September 1, 2016	1,206,959,050.86
Net Cash and Cash Equivalents, August 31, 2017	\$ 1,320,453,216.03
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	238,984,257.71
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories	
Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(10,020,587.51)
Increase (Decrease) in Payables	(19,359,757.76)
Increase (Decrease) in Deferred Revenue	3,289,725.31
Total Adjustments	(26,090,619.95)
Net Cash Provided by Operating Activities	\$ 212,893,637.76

EXHIBIT VI
COMBINED STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

For the Year Ended August 31, 2017

	Private Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	TOTALS
ASSETS			
Cash and Cash Equivalents			
Cash on Hand	\$ 26,130.77	\$	\$ 26,130.77
Cash in State Treasury	1,949,463.03	108,474.72	2,057,937.75
Receivables:			
Interest and Dividends	2,679.14		2,679.14
Accounts Receivable (Note 24)	94,567.72		94,567.72
Total Assets	<u>2,072,840.66</u>	<u>108,474.72</u>	<u>2,181,315.38</u>
LIABILITIES			
Payables:			
Accounts Payable	849,117.18		849,117.18
Interest Payable	8,739.08		8,739.08
Funds Held For Others		108,474.72	108,474.72
Total Liabilities	<u>857,856.26</u>	<u>108,474.72</u>	<u>966,330.98</u>
NET POSITION			
Held in Trust For:			
Individuals, Organizations, and Other Governments	1,214,984.40	0.00	1,214,984.40
Total Net Position	<u>\$ 1,214,984.40</u>	<u>\$ 0.00</u>	<u>\$ 1,214,984.40</u>

EXHIBIT VII
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2017

	Private Purpose Trust Funds (Exhibit I-2)	TOTALS
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 28,327.98	\$ 28,327.98
Net Income From Investing Activities	28,327.98	28,327.98
Total Net Investment Income (Loss)	28,327.98	28,327.98
Other Additions		
Settlement of Claims	4,270,499.54	4,270,499.54
Other Revenue	429,774.24	429,774.24
Transfer In	1,206,714.89	1,206,714.89
Total Other Additions	5,906,988.67	5,906,988.67
Total Additions	5,935,316.65	5,935,316.65
DEDUCTIONS		
Employee/Participant Benefit Payments	435,970.17	435,970.17
Interest Expense	8,200.31	8,200.31
Claims and Judgement Expense	4,276,161.77	4,276,161.77
Total Deductions	4,720,332.25	4,720,332.25
INCREASE (DECREASE) IN NET POSITION	1,214,984.40	1,214,984.40
Net Position, September 1, 2016	0.00	0.00
NET POSITION, August 31, 2017	\$ 1,214,984.40	\$ 1,214,984.40

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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. In 2015, Senate Bill 208 moved the Vocational Rehabilitation, Business Enterprises of Texas and Older Blind Independent Living Services as well as the Criss Cole Rehabilitation Center from the Texas Department of Assistive and Rehabilitative Services (DARS) to the Commission effective September 1, 2016. The Rehabilitation Council of Texas was also included in the transfer.

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.

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.

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 Funds

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.

Business Enterprise Program (Fund 0492) receives revenue and receipts from vending facilities for the operation of vending machine facilities by blind persons. This fund was created by TEX. HUM. RES.CODE ANN. § 91.014 and TEX. LAB.CODE ANN § 355.011.

Career School or College Tuition Trust Account (Fund 0925) holds in trust 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.

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.

Jobs and Education For Texans (JET) (Fund 5143) was created to receive legislative appropriations, gifts, grants and donations. Used to provide grants to public junior colleges and public technical institutes under the Jobs and Education for Texans Grant Program. This fund was created by TEX. EDUC. CODE ANN. §134.002.

International Association of Workforce Professionals – Texas Chapter Conference Account (Fund 7999). The IAWP-TC co-hosts the Texas Workforce Conference with the Commission. Although the IAWP-TC is an organization legally separate from the Commission, the financial activities of the IAWP-TC Conference Account are included in the Annual Financial Report of the Commission since these activities are generally initiated and approved by Commission staff. A memo of understanding exists between the IAWP-TC and the Commission that outlines the roles and responsibilities of both parties. This fund is used to record the financial activity of the Conference Account that the IAWP-TC maintains in local bank accounts.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

The Endowment Fund for the Blind (Fund 0493) was established to receive donations and gifts from individuals and private organizations. State agencies may accept money from private and federal sources that is designated by the source as money to be used in establishing and equipping facilities for assisting the handicapped in becoming gainfully employed, in rehabilitating the handicapped and in providing other services essential for better care and treatment of the handicapped. Authority for accepting such donations is contained in TEX. HUM.RES.CODE Chapter 91 and in TEX. CONST. Article XVI Section 6(b).

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. However, the proceeds and expenses related to the Series 2014 Revenue Refunding Bonds, as noted in Exhibits F-2 and F-3, were received and paid in the Texas Treasury Safekeeping Trust Company. 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 and to hold in escrow, wages and penalties assessed by the Commission if the party required to pay said wages or penalties files a petition for judicial review in a court of competent jurisdiction contesting the final order. Claims that are not appealed are paid from this fund by processing separate claims through the Comptroller, plus any accrued interest. Appealed claims, after judicial review, are remitted to either the claimant or the party assessed the wage payment or the penalty plus the interest accrued on the escrowed amount. This fund was created by TEX. GOV'T CODE ANN. § 403.031(a) and TEX. LAB. CODE ANN. § 61.056.

The Business Enterprise Program Trust Account (Fund 5043) was established to record receipts from vending machines located on federal property. This trust fund is used for a retirement/benefit program to benefit people who are licensed managers in the program that meet certain eligibility requirements based upon the availability of funds. This fund was created by TEX. LAB. CODE ANN § 355.016.

Agency Funds

Child Labor Penalty (Fund 1000) accumulates administrative penalties assessed under Sec. 51.033. of the Texas Labor Code until they are remitted to the Comptroller of Public Accounts for deposit in the general revenue fund.

Child Support Employee Deductions – Offset Account (Fund 0807) accumulates money withheld from the salaries of state officers and employees for child support deductions for distribution to the statewide disbursement unit through a single direct deposit. This fund was created by TEX. GOV'T CODE ANN. § 403.011.

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.

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.

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.

Basis conversion adjustment fund types convert modified accrued basis to full accrued basis of accounting. The following activities are recognized when the related liability is incurred. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave
- The outstanding debt service principal on long-term liabilities
- Capital leases
- Long-term claims and judgements
- Full accrual revenues and expenses
- Pension amounts in governmental activities

Proprietary fund types (enterprise funds and internal service fund) and fiduciary fund types (pension and other employee benefit trust funds, external investment trust funds and private-purpose trust funds) except agency funds are accounted for on the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the 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 and internal services 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).

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 POSITION

Assets

Cash and Cash Equivalents

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

Securities Lending Collateral

Investments are generally stated at fair value with certain exceptions in accordance with GASB Statement No. 72 Fair

Value Measurement and Application.

Invested security lending collaterals are measured at fair value.

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expense on the operating statement. These costs are reported at gross.

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 and Prepaid Items

Consumable inventories, including supplies and postage on hand at year-end, are valued at cost generally using the last-in, first-out method. 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 that meet the reporting threshold and useful life are capitalized. The capitalization threshold and the estimated useful life vary depending on the asset type. These assets are capitalized at cost or, if purchased, at 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. 'Inexhaustible' assets (such as works of art and historical treasures) are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Other Receivables –Current and Noncurrent

The disaggregation of other receivables as reported in the financial statements is disclosed in Note 24.

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. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in proprietary funds for business-type activities and in the long-term liabilities adjustment column for governmental activities. These payables are reported as current portion (amounts due within one year) and non-current (amounts due thereafter) of long-term liabilities in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts and gains/losses) on bond refunding activities.

For governmental activities, bond proceeds are accounted for when received as an 'other financing source' in the governmental fund receiving the proceeds. Payment of principal and interest is an expenditure recorded in the debt service fund. All bond transactions and balances for business-type activities are reported in proprietary funds.

Fund Balance/Net Position

'Fund balance' is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. 'Net position' is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements.

The resources are used in the following order. When both restricted and unrestricted resources are available use restricted resources first and unrestricted resources (as they are needed). When only restricted resources are available for use in governmental funds use committed resources first, assigned resources second and unassigned resources last.

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

Non-spendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance includes those resources that have constraints placed on their use through external parties - such as creditors, grantors, contributors, laws or regulations of other governments - or by law through constitutional provisions or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed through legislation passed into law by a formal action of the Texas Legislature, the state's highest level of decision making authority.

Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not restricted, committed or assigned to specific purposes within the general fund.

Net Investment in Capital Assets

Net investments in capital assets, 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 Position

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

Restricted for Unemployment Trust Fund represents designated funds available for payment of unemployment benefit claims.

Restricted for Debt Retirement represents designated funds available for retirement of debt.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

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'. Balances for repayment due in two (or more) years are classified as 'Non-Current'.

The composition of the agency's interfund activities and transactions is presented in Note 12.

NOTE 2: CAPITAL ASSETS

	PRIMARY GOVERNMENT							
	Balance 09/01/16	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/17
			Completed Construction In Progress	Increase Interagency Transfers	Decrease Interagency Transfers			
Governmental Activities:								
Non-Depreciable or Non-Amortizable Assets								
Land and Land Improvements	\$ 4,770,777.78	\$	\$	\$	\$	\$	\$	\$ 4,770,777.78
*Construction In Progress	12,198,826.52	(9,899,684.70)	(3,054,044.49)			1,875,878.92		1,120,976.25
Other Capital Assets	88,350.00							88,350.00
Total Non-Depreciable or Non Amortizable Assets:	17,057,954.30	(9,899,684.70)	(3,054,044.49)	0.00	0.00	1,875,878.92	0.00	5,980,104.03
Depreciable Assets:								
Buildings and Building Improvements	39,735,014.92							39,735,014.92
Infrastructure	0.00							0.00
Furniture and Equipment	9,813,236.57					1,128,443.24	(611,363.65)	10,330,316.16
Vehicles, Boats & Aircraft	843,306.10	77,559.00						920,865.10
Total Depreciable Assets at Historical cost	50,391,557.59	77,559.00	0.00	0.00	0.00	1,128,443.24	(611,363.65)	50,986,196.18
Less Accumulated Depreciation For:								
Buildings and Building Improvements	(32,938,129.69)					(719,370.63)		(33,657,500.32)
Infrastructure	0.00							0.00
Furniture and Equipment	(8,130,964.82)					(643,098.18)	609,237.95	(8,164,825.05)
Vehicles, Boats & Aircraft	(721,983.95)					(59,638.95)		(859,181.90)
Total Accumulated Depreciation	(41,791,078.46)	(77,559.00)	0.00	0.00	0.00	(1,422,107.76)	609,237.95	(42,681,507.27)
Depreciable Assets, Net	8,600,479.13	(77,559.00)	0.00	0.00	0.00	(293,664.52)	(2,125.70)	8,304,688.91
Amortizable Assets – Intangible:								
Computer Software	29,381,823.11		3,054,044.49					32,435,867.60
Total Amortizable Assets – Intangible	29,381,823.11	0.00	3,054,044.49	0.00	0.00	0.00	0.00	32,435,867.60
Less Accumulated Amortization for:								
Computer Software	(22,952,993.39)					(1,997,482.02)		(24,950,475.41)
Total Accumulated Amortization	(22,952,993.39)	0.00	0.00	0.00	0.00	(1,997,482.02)	0.00	(24,950,475.41)
Amortizable Assets – Intangible, Net	6,428,829.72	0.00	3,054,044.49	0.00	0.00	(1,997,482.02)	0.00	7,485,392.19
Governmental Activities Capital Assets, Net:	\$ 32,087,263.15	(9,899,684.70)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (415,267.62)	\$ (2,125.70)	\$ 21,770,185.13

* The Construction in Progress of the Tax Modernization Program was canceled due to the inability to complete the project. In addition, the Benefits Electronic Correspondence Claim project came in under the capitalization threshold. The Construction in Progress is for the Rehabilitation Works Enhancements project.

The schedule below shows the ending balances for the Texas Workforce Commission (TWC) and the Department of Assistive and Rehabilitative Services (DARS) as of August 31, 2016. Since DARS ceased to exist on September 1, 2016, capital assets for DARS were transferred and combined with TWC capital assets as of August 31, 2016. These amounts established the September 1, 2016 beginning balances as reflected in Note 2.

	TWC Balance 08/31/2016	DARS Balance 08/31/2016	Combined Balance 09/01/2016
ACTIVITIES			
Non-Depreciable or Non-Amortizable Assets			
Land and Land Improvements	4,701,957.23	68,820.55	4,770,777.78
Construction In Progress	12,198,826.52	0.00	12,198,826.52
Other Capital Assets	0.00	88,350.00	88,350.00
Total Non-Depreciable or Non-Amortizable Assets:	16,900,783.75	157,170.55	17,057,954.30
Depreciable Assets:			
Buildings and Building Improvements	32,864,760.95	6,870,253.97	39,735,014.92
Infrastructure	0.00	0.00	0.00
Furniture and Equipment	6,796,035.34	3,017,201.23	9,813,236.57
Vehicle, Boats & Aircraft	259,938.52	583,367.58	843,306.10
Total Depreciable Assets at Historical Cost	39,920,734.81	10,470,822.78	50,391,557.59
Less Accumulated Depreciation For:			
Buildings and Building Improvements	(27,413,881.06)	(5,524,248.63)	(32,938,129.69)
Infrastructure	0.00	0.00	0.00
Furniture and Equipment	(5,832,842.02)	(2,298,122.80)	(8,130,964.82)
Vehicle, Boats & Aircraft	(205,210.15)	(516,773.80)	(721,983.95)
Total Accumulated Depreciation	(33,451,933.23)	(8,339,145.23)	(41,791,078.46)
Depreciable Assets, Net	6,468,801.58	2,131,677.55	8,600,479.13
Intangible Capital Assets - Amortizable			
Computer Software - Intangible	20,743,723.74	8,638,099.37	29,381,823.11
Total Intangible Capital Assets - Amortizable	20,743,723.74	8,638,099.37	29,381,823.11
Less Accumulated Amortization for:			
Computer Software - Intangible	(15,404,781.81)	(7,548,211.58)	(22,952,993.39)
Total Accumulated Amortization	(15,404,781.81)	(7,548,211.58)	(22,952,993.39)
Intangible Capital Assets - Amortizable, Net	5,338,941.93	1,089,887.79	6,428,829.72
Activities Capital Assets, Net:	28,708,527.26	3,378,735.89	32,087,263.15

NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

DEPOSITS OF CASH IN BANK

As of August 31, 2017, the carrying amount of deposits was \$566,239.13 as presented below.

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING AMOUNT	\$ 566,239.13
Total Cash in Bank per AFR	\$ 566,239.13
Governmental Funds Current Assets Cash in Bank – Travel Advance	\$ 248,456.36
Governmental Funds Current Assets Cash in Bank International Association of Workforce Professionals - Texas Chapter Conference Account	
Star of Texas Credit Union	237,094.53
Public Employees Credit Union	80,688.24
Cash in Bank per AFR	\$ 566,239.13

As of August 31, 2017, the total bank balance was as follows.

Governmental and Business-Type Activities	\$ 516,239.13
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Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency does not have a deposit policy for custodial credit risk. There were no bank balances that were exposed to custodial credit risks.

Restricted Cash in State Treasury

Warrants issued from Fund 0937 reduce the Restricted Cash in State Treasury account when they are issued. Funds to cover these warrants are not drawn down until they are presented for payment.

Cash in Federal Treasury

Deposits in the Federal Treasury at August 31, 2017, were \$1,319,866,041.19. 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.

FAIR VALUE MEASUREMENT

GASB 72 states fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. TWC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The agency has no recurring fair value measurements as of August 31, 2017.

NOTE 4: SHORT-TERM DEBT

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).

Governmental Activities	Balance 09-01-16	Additions	Reductions	Balance 08-31-17	Amount Due Within One Year
General Revenue Advances	\$ 0.00	\$ 285,665,735.00	\$ 285,665,735.00	\$ 0.00	\$ 0.00
Total Governmental Activities	\$ 0.00	\$ 285,665,735.00	\$ 285,665,735.00	\$ 0.00	\$ 0.00

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities reported in the general long-term debt account.

Employee’s Compensable Leave

If a state employee has had continuous employment with the state for at least six months, the state employee is entitled to payment for all unused vacation time accrued in the event of the employee’s resignation, dismissal or separation from state employment. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net position. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee’s salary or wage compensation was paid.

The changes in Employee’s Compensable Leave are reflected in the table below.

Governmental Activities	Balance 09-01-16	Additions	Reductions	Balance 08-31-17	Amount Due Within One Year	Amount Due Thereafter
Compensable Leave	\$ 10,046,851.48	\$ 24,139,347.19	\$ (16,309,513.89)	\$ 17,876,684.78	\$ 14,939,023.47	\$ 2,937,661.31
Total Governmental Activities	\$ 10,046,851.48	\$ 24,139,347.19	\$ (16,309,513.89)	\$ 17,876,684.78	\$ 14,939,023.47	\$ 2,937,661.31

Revenue Bonds Payable

Under the provisions of Title IV, Subtitle A, Section 203.251 of the Labor Code, the Texas Workforce Commission is authorized to seek alternative methods of replenishing the unemployment compensation fund that can reduce the costs of providing these benefits and employers’ cost of doing business in the state. With the coordination of the Texas Public Finance Authority (TPFA), the state issued three series of bonds in 2010 to finance the unemployment insurance program. During 2014, as discussed in Note 6, the 2010 bonds were partially refunded with the issuance of two series of refunding bonds.

Detailed information on the bond issuance can be found in Note 6: Bonded Indebtedness.

The following page includes the changes in Bonded Indebtedness table.

The changes in Bonded Indebtedness are reflected in the table below.

Business-Type Activities	Balance 09-01-16	Additions	Reductions	Other Changes (Premium Amortization)	Balance 08-31-17	Amount Due Within One Year	Amount Due Thereafter
Revenue Bonds Payable	304,786,636.38	0.00	304,786,636.38	0	0	0	0
Total Business-Type Activities	\$ 304,786,636.38	\$ 0.00	\$ 304,786,636.38	\$ 0	\$ 0	\$ 0	\$ 0

NOTE 6: BOND 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, Schedule 2D – Analysis of Funds Available for Debt Service, Schedule 2E – Defeased Bonds Outstanding and Schedule 2F – Early Extinguishment and Refunding.

General information related to bonds is summarized below

Revenue Bonds

In November and December of 2010 the Texas Public Finance Authority (TPFA) sold Texas Public Finance Authority Unemployment Compensation Obligation Assessment Bond Revenue Bonds for \$2.1 billion with a net combined prospective interest rate of 2.8%. The bonds were sold in three separate tranches. Series 2010A had a par value of \$1,110,415,000, Series 2010B had a par value of \$549,465,000 and Series 2010C had a par value of \$300,000,000. The Series 2010A and Series 2010B issues were marketed with significant premiums.

These bonds had been issued as a result of the severe economic downturn that began in 2008 which had caused the Texas Unemployment Trust Fund to become insolvent by July 2009. At that time Texas began receiving advances from the federal government under Title XII of the Social Security Act in order to continue to pay unemployment benefits. The Title XII advances that were originally interest free were scheduled to increase to 4.1% in January 2011. Additionally under Title XII of the same act the federal unemployment tax that Texas employers pays to the federal government under the Federal Unemployment Tax Act (FUTA), was scheduled to increase unless Texas paid off the balance of the outstanding federal advances. Of the 2.1 billion in bond proceeds collected, \$1.7 billion was utilized to pay off all outstanding federal advances and the remaining \$400 million was deposited to the Unemployment Trust Fund. This action achieved a significant interest savings as well as avoiding a prospective FUTA tax increase to Texas employers.

On May 15, 2014, the Texas Workforce Commission in coordination with the Texas Public Finance Authority implemented a current and an advanced refunding of a portion of the Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Bonds Series 2010A and 2010B. The Series 2010C bonds had been paid off in January 2013. The purpose of the refunding was to achieve a present value cost savings by refunding a portion of the Series 2010 Bonds, with a combined par value of \$707.8 million and an effective interest rate of 2.54%, and issuing the Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds Series 2014A and 2014B with a combined par value of \$709.8 million and an effective interest rate of 1.04%.

The estimated principal and interest payments of the Series 2014 bonds were \$24.7 million less than the related principal and interest payments of the Series 2010 bonds that were refunded. This achieved an economic gain of \$24.1 million. This amount is the cash flow difference, above, discounted at the effective interest rate of the Series 2014 bonds.

On January 1, 2016, the remaining Series 2010A were retired. On January 1, 2017, the remaining Series 2014A were retired. Finally, on July 1, 2017 the remaining Series 2014B were retired through an early extinguishment. Thus, at August 31, 2017 all the Unemployment Compensation Obligation Assessment Bond Revenue Bonds and any related defeased bonds had been retired.

NOTE 7: DERIVATIVE INSTRUMENTS

Not Applicable.

NOTE 8: LEASES

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases.

Fund Type	Amount
General Fund	\$ 2,770,594.42

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows.

Year Ended August 31	Amount
2018	\$ 2,352,506.80
2019	1,616,913.73
2020	1,190,674.47
2021	780,248.56
2022	514,111.72
Total Minimum Future Lease Rental Payments	\$ 6,454,455.28

NOTE 9: PENSION PLANS

Not Applicable

NOTE 10: DEFERRED COMPENSATION

Not Applicable

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on Interfund Transactions and Balances there are 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, 2017, were as follows.

	INTERFUND RECEIVABLE	INTERFUND PAYABLE	PURPOSE
GENERAL			
Appd Fund 0001, D23 Fund 0001			
(Agency 320, Fund 5026)	\$	\$ 2,892,923.69	Allocation
Total Appropriated Fund 0001	0.00	2,892,923.69	
Appd Fund 0165, D23 Fund 0165			
(Agency 320, Fund 5026)		408,736.08	Allocation
Total Appropriated Fund 0165	0.00	408,736.08	
Appd Fund 0492, D23 Fund 0492			
(Agency 320, Fund 0492)		29,917.16	Allocation
Total Appropriated Fund 0492	0.00	29,917.16	
Appd Fund 5026, D23 Fund 5026			
(Agency 320, Fund 0001)	2,892,923.69		Allocation
(Agency 320, Fund 0165)	408,736.08		Allocation
(Agency 320, Fund 0492)	29,917.16		
Total Appropriated Fund 5026	3,331,576.93	0.00	
TOTAL CURRENT INTERFUND RECEIVABLE/PAYABLE	\$ 3,331,576.93	\$ 3,331,576.93	

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	SOURCE
GENERAL			
Appd Fund 0001, Fund 0001			
(Agency 320, Fund 5026)		4,386,527.81	Interfund Loan
(Agency 320, Fund 0925)		867,116.61	Tuition Trust Fund Transfer
Total Appropriated Fund 0001	0	5,253,644.42	
Appd Fund 0165, D23 Fund 0165			
(Agency 320, Fund 0936)		4,206,592.84	UC Reimbursement
Total Appropriated Fund 0165	0.00	4,206,592.84	
Appd Fund 0925, D23 Fund 0925			
(Agency 320, Fund 0001)	867,116.61		Tuition Trust Transfer
Total Appropriated Fund 0925	867,116.61	0.00	
Appd Fund 5026, D23 Fund 5026			
(Agency 320, Fund 0001)	4,386,527.81		Inter-Fund Loan
(Agency 320, Fund 5128)	386,230.00		Inter-Fund Loan
Total Appropriated Fund 5026	4,772,757.81	0	
Appd Fund 5128, D23 Fund 5128			
(Agency 320, Fund 0001)		386,230.00	Inter-Fund Loan
Total Appropriated Fund 518		386,230.00	
PROPRIETARY			
Appd Fund 0844, D23 Fund 0844			
(Agency 320, Fund 0938)		372.99	Transfer to UI Trust Fd
Total Appropriated Fund 0844		372.99	Inter-Fund Loan
Appd Fund 0936, D23 Fund 0936			
(Agency 320, Fund 0165)	4,206,592.84		UC Reimbursement
(Agency 320, Fund 0938)		93,117,485.58	UI Trust Fund Transfer
Total Appropriated Fund 0936	4,206,592.84	93,117,485.58	
Appd Fund 0937, D23 Fund 0937			
(Agency 320, Fund 0938)	4,039,693.93		UI Trust Fund Transfer
Total Appropriated Fund 0937	4,039,693.93	0.00	
Appd Fund 0938, D23 Fund 0938			
(Agency 320, Fund 0844)	372.99		Transfer to UI Trust Fd
(Agency 320, Fund 0936)	93,117,485.58		UI Trust Fund Transfer
(Agency 320, Fund 0937)		4,039,693.93	UI Trust Fund Transfer
Total Appropriated Fund 0938	93,117,858.57	4,039,693.93	
TOTAL DUE FROM/DUE TO OTHER FUNDS	\$ 107,004,019.76	\$ 107,004,019.76	

	DUE FROM OTHER AGENCIES	DUE TO OTHER AGENCIES	SOURCE
GENERAL			
Appd Fund 0001, D23 Fund 0001			
(Agency 711, Fund 7999)	\$	\$ 283,451.21	State Pass Through
(Agency 719, Fund 7999)		341,876.36	State Pass Through
(Agency 787, Fund 7999)		115,684.40	State Pass Through
(Agency 789, Fund 7999)		20,757.50	State Pass Through
Total Appropriated Fund 0001	0.00	761,769.47	
Appd Fund 0165, D23 Fund 0165			
(Agency 308, Fund 0001)	1,821.50		
(Agency 332, Fund 0896)	1,851.20		
(Agency 808, Fund 0139)	(1,252.00)		
Total Appropriated Fund 0165	2,420.70		
Appd Fund 5026, D23 Fund 5026			
(Agency 300, Fund 2138)		(19,169.68)	Federal Pass Through
(Agency 300, Fund 2139)		79,270.64	Federal Pass Through
(Agency 529, Fund 0001)	729,911.15		Federal Pass Through
(Agency 530, Fund 0037)		1,263,112.45	Federal Pass Through
(Agency 701, Fund 0148)		5,022,259.55	Federal Pass Through
(Agency 711, Fund 7999)		21,932.03	Federal Pass Through
(Agency 712, Fund 7999)		28,451.23	Federal Pass Through
(Agency 716, Fund 7999)		14,433.53	Federal Pass Through
(Agency 719, Fund 7999)		407.17	Federal Pass Through
(Agency 721, Fund 7999)		13,891.68	Federal Pass Through
(Agency 723, Fund 7999)		8,263.72	Federal Pass Through
(Agency 729, Fund 7999)		31,189.02	Federal Pass Through
(Agency 743, Fund 7999)		146,382.90	Federal Pass Through
(Agency 744, Fund 7999)		13,574.08	Federal Pass Through
(Agency 754, Fund 7999)		10,089.88	Federal Pass Through
(Agency 759, Fund 7999)		(1,906.34)	Federal Pass Through
(Agency 784, Fund 7999)		(383.20)	Federal Pass Through
Total Appropriated Fund 5026	729,911.15	6,631,798.66	
Appd Fund 5128, D23 Fund 5128			
(Agency 719, Fund 7199)		16,100.45	State Pass Through
Total Appropriated Fund 5128		16,100.45	
TOTAL DUE FROM/ DUE TO OTHER AGENCIES	\$ 732,331.85	\$ 7,409,668.58	

	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT	PURPOSE
GOVERNMENTAL			
Appd Fund 0001, D23 Fund 0001	\$	\$	
(Agency 538, Fund 0001)	178,732.66		Transfer from DARS
(Agency 320, Fund 0925)		56,002.04	Tuition Transfer Trust
(Agency 320, Fund 5128)	24,352,069.00		ETIA Transfer to Skills
(Agency 902, Fund 0001)		1,913,515.76	Transfer Lapsed Cash
Total Appropriated Fund 0001	24,530,801.66	1,969,517.80	
Appd Fund 0492, D23 Fund 0492			
(Agency 538, Fund 0492)	1,095,410.27		Transfer from DARS
Total Appropriated Fund 0492	1,095,410.27	0.00	
Appd Fund 0493, D23 Fund 0493			
(Agency 538, Fund 0493)	13,822.25		Transfer from DARS
Total Appropriated Fund 0493	13,822.25	0.00	
Appd Fund 0925, D23 Fund 0925			
(Agency 320, Fund 0001)	56,002.04		Tuition Trust Transfer
Total Appropriated Fund 0925	56,002.04	0.00	
Appd Fund 5026, D23 Fund 5026			
(Agency 903, Fund 5026)	285,665,735.00	285,665,735.00	CMIA Loan and Repayment
(Agency 538, Fund 5026)	10,629,678.14		Transfer from DARS
Total Appropriated Fund 5026	296,295,413.14	285,665,735.00	
Appd Fund 5128, D23 Fund 5128			
(Agency 320, Fund 0001)		24,352,069.00	ETIA Transfer to Skills
(Agency 320, Fund 0936)		189,071,265.19	ETIA Transfer to Trust Fund
Total Appropriated Fund 5128	0.00	213,423,334.19	

	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT	PURPOSE
PROPRIETARY			
Appd Fund 0367, D23 Fund 1367			
(Agency 320, Fund 2844)	215,851,636.38		Bond Fund Transfer
(Agency 320, Fund 3844)	88,935,000.00		Bond Fund Transfer
Total Appropriated Fund 0367	304,786,636.38		
Appd Fund 0844, D23 Fund 0844			
(Agency 320, Fund 1844)		20,000.00	Bond Fund Transfer
(Agency 320, Fund 2844)		308,738,325.00	Bond Fund Transfer
(Agency 320, Fund 3844)		63,844,954.08	Bond Fund Transfer
(Agency 320, Fund 0938)		372.99	Transfer to UI Trust Fund
Appd Fund 0844, D23 Fund 1844			
(Agency 320, Fund 0844)	20,000.00		Bond Fund Transfer
Appd Fund 0844, D23 Fund 2844			
(Agency 320, Fund 0844)	308,738,325.00		Bond Fund Transfer
(Agency 320, Fund 1367)		215,851,636.38	Bond Fund Transfer
(Agency 320, Fund 3844)	63,844,954.08		Bond Fund Transfer
Appd Fund 0844, D23 Fund 3844			
(Agency 320, Fund 1367)		88,935,000.00	Bond Fund Transfer
Total Appropriated Fund 0844	372,603,279.08	677,390,288.44	
Appd Fund 0936, D23 Fund 0936			
(Agency 320, Fund 0937)	383,162,000.00		UI Trust Fund Transfer
(Agency 320, Fund 0938)		2,927,541,958.12	UI Trust Fund Transfer
Total Appropriated Fund 0936	383,162,000.00	2,927,541,958.12	
Appd Fund 0937, D23 Fund 0937			
(Agency 320, Fund 0936)		383,162,000.00	UI Trust Fund Transfer
(Agency 320, Fund 0938)	3,003,402,589.82		UI Trust Fund Transfer
Total Appropriated Fund 0937	3,003,402,589.82	383,162,000.00	
Appd Fund 0938, D23 Fund 0938			
(Agency 320, Fund 0844)	372.99		Obligation Assessment Transfer
(Agency 320, Fund 0936)	2,927,541,958.12		UI Trust Fund Transfer
(Agency 320, Fund 0937)		3,003,402,589.82	UI Trust Fund Transfer
(Agency 320, Fund 5128)		189,071,265.19	ETIA Transfer
Total Appropriated Fund 0938	3,116,613,596.30	3,003,402,589.82	
FIDUCIARY			
Appd Fund 5043, D23 Fund 5043			
(Agency 538, Fund 5043)	1,206,714.89		Transfer from DARS
Total Appropriated Fund 5043	1,206,714.89		
TOTAL OPERATING TRANSFERS	\$ 7,503,766,265.83	7,492,555,423.37	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the *Texas Sunset Act*, the Commission will be abolished effective September 1, 2027, unless continued in existence by the 90th Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2028, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

The restatement of beginning Net Position of Capital Assets in Exhibit II of \$9,899,684.70 was the result of two events:

- The cancellation of the Tax Modernization Project due to the inability to complete the project. The construction in progress value of the project at the time of cancellation was \$8,931,332.02.
- In addition, the Benefits Electronic Correspondence Claim project was completed for \$968,352.68 which is under the capitalization threshold of \$1 million and therefore needed to be removed from the construction in progress account.

Note that the unadjusted beginning net position of Capital Assets includes \$3,378,735.89 in capital assets that had been transferred from the Department of Assistive and Rehabilitative Services. Details regarding this transfer are reflected in Note 2.

NOTE 15: CONTINGENCIES AND COMMITMENTS

At fiscal year end the Commission was not involved in any law suits that would likely materially affect the financial position of the Commission

The Career School or College Tuition Trust Fund (0925) provides refunds to students when the school or college they are attending closes and alternative training cannot be obtained. At the end of the year the Commission accrues a liability for these potential refunds, if any, and reflects them in Exhibit A-1. However in some cases the Commission has been unable to obtain any records from certain closed schools. Because the likelihood of refunding tuition in these situations is uncertain, the potential liability to these students is considered contingent. At year end the potential liability arising from these schools is estimated at \$467,884.

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, 2017, records of the Audit Resolution Unit indicate that federal grantor agency audits identified no questionable cost for which the Texas Workforce Commission is contingently liable.

NOTE 16: SUBSEQUENT EVENTS

In October 2017, in accordance with Section 204.123 of the Labor Code, \$47.2 million was transferred from the Employment Training Investment Act (ETIA) Holding Fund to the Skills Development program since the amount in the Unemployment Trust Fund Account was above the statutorily defined floor as computed under Section 204.061, that is, one percent of the total taxable wages for the four calendar quarters ending June 30, 2017.

NOTE 17: RISK MANAGEMENT

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

The agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance nor is the agency involved in any risk pools with other government entities.

The agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 2017 and 2016 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2017	\$ 55,000.00	\$ 19,000.00	\$ 74,000.00	\$ 0.00
2016	\$ 185,000.00	\$ 323,320.00	\$ 453,320.00	\$ 55,000.00

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

At August 31, 2017, the Texas unemployment rate was 4.2% as compared to the U.S. unemployment rate of 4.4%. The Texas unemployment rate of 4.2% for August 2017 represents the lowest unemployment rate for Texas since July 2007. At August 31, 2016, the Texas and U.S. rates stood at 4.7% and 4.9% respectively. The Texas Workforce Commission paid unemployment benefits of \$2.7 billion during state fiscal year 2017 which represents a decrease of \$400 million, or 13 percent, as compared to state fiscal year 2016.

In November 2016, as required by House Bill 2732 of the 84th Texas Legislature Regular Session, the Texas Workforce Commission began utilizing the Treasury Offset Program (TOP). The TOP program is administered by the U.S. Department of the Treasury's Bureau of Fiscal Service and assists in the collection of debt by matching a database of certain TWC delinquent debtors against payments scheduled to be paid, generally income tax refunds, from the U.S. Treasury. During the 2017 fiscal year almost \$33 million was collected through the TOP program.

On August 25, 2017 Hurricane Harvey made landfall near Rockport, Texas, as a Category 4 storm. Afterwards, it stalled near the coastline of the state, dropping torrential and unprecedented amounts of rainfall over southeast Texas. On September 3, Governor Greg Abbott estimated that damages from the storm could range from \$150 billion to \$180 billion. The storm caused a significant loss in jobs. Initial unemployment claims related to the storm through September 30, 2017 exceeded 147,000. It is estimated that the related benefits that will be paid by the Texas Workforce Commission during FY 2018 could be as high as \$200 million.

The Texas 84th Legislative Session, Regular Session (2015) passed House Bill 2463 and Senate Bill 208, resulting in Vocational Rehabilitation and related programs being transferred from the Department of Assistive and Rehabilitative Services to the Texas Workforce Commission, effective September 1, 2016. These programs resulted in an increase of \$338 million of state and federal expenditures, as reported by the Texas Workforce Commission, during state fiscal year 2017.

As discussed in Note 6, the Texas Workforce Commission retired all outstanding Unemployment Revenue Bonds during the 2017 fiscal year. The Unemployment Trust Fund had become insolvent in July 2009 because of the severe economic downturn at that time. The Commission faced the choice of borrowing funds from the federal government at relatively high interest rates or issuing Revenue bonds. By issuing bonds in December 2010 and subsequently taking advantage of the call and refunding features contained within the Bond covenants, it is estimated that the Commission achieved interest savings totaling \$60 million.

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As of October 31, 2017, management is unaware of any material violations of finance-related contract provisions. With regard to compliance and accountability there are the following:

- 1) No expenditures exceeded appropriations in individual funds.
- 2) There were no changes in accounting principles during the year.

NOTE 21: RESERVED FOR COMPTROLLER

Not Applicable

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Not Applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not Applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE BALANCES

Receivables represent amounts due to the State at August 31, 2017, 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 disaggregation of those amounts is as follows.

A. Accounts Receivable Current

General Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0001 – General	\$ 8,177,541.63	\$ (124,965.37)	\$ 8,052,576.26
Fund 0165 – Penalty & Interest	13,465,691.85	(8,231,658.12)	5,234,033.73
Fund 5026 – Performance Contracts	0	(0.00)	0
Fund 5128 – ETIA	1,442,179.78	(666,515.65)	775,664.13
Total General Funds	\$ 23,065,413.26	\$ (9,023,139.14)	\$ 14,062,274.12

Proprietary Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0936 – Unemployment Assessment	235,790,212.97	(17,109,148.53)	218,681,064.44
Fund 0937 – Benefit Overpayments	201,787,800.90	(183,864,109.00)	17,923,691.90
Fund 0938 – Unemployment Trust Fund Account	21,540,415.56	(0.00)	21,540,415.56
Total Proprietary Funds	\$ 459,118,429.43	\$ (200,973,257.53)	\$ 258,145,171.90

Fiduciary Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0894 – Payday Law Collections	\$ 17,005,443.73	\$ (16,910,876.01)	\$ 94,567.72
Total Fiduciary Funds	\$ 17,005,443.73	\$ (16,910,876.01)	\$ 94,567.72

B. Accounts Receivable Non-Current

General Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0165 – Penalty & Interest	\$ 5,243,573.90	\$ (4,143,988.51)	\$ 1,099,585.39
Fund 5128 – ETIA	730,872.12	(339,655.64)	391,206.48
Total General Funds	\$ 5,974,446.02	\$ 4,483,654.15	\$ 1,490,791.87

Proprietary Funds:

Fund	Accounts Receivable	Allowance for Doubtful	Net Receivables
Fund 0936 – Unemployment Assessment	19,329,276.16	(8,641,662.84)	10,687,613.32
Fund 0937 – Benefit Overpayments	72,887,780.61	61,773,039.49	11,114,741.12
Total Proprietary Funds	\$ 92,217,056.77	\$ 53,131,376.65	\$ 21,802,354.44

C. Federal Receivables

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

Federal Receivable Program	Federal Receivable	Allowance for Doubtful	Net Federal Receivable
Department of Agriculture	\$ 148,958.67	\$ 0.00	\$ 148,958.67
Department of Education	1,657,179.85	0.00	1,657,179.85
Department of Health and Human Services	3,448,867.03	0.00	3,448,867.03
Department of Labor	7,655,778.59	0.00	7,655,778.59
Total Federal Receivables	\$ 12,910,784.14	\$ 0.00	\$ 12,910,784.14

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

Federal Receivable Program	Federal Receivables	Allowance for Doubtful	Net Federal Receivable
Department of Labor	\$ 8,962,514.43	\$ 0.00	\$ 8,962,514.43
Total Federal Receivables	\$ 8,962,514.43	\$ 0.00	\$ 8,962,514.43

NOTE 25: TERMINATION BENEFITS

Not Applicable.

NOTE 26: SEGMENT INFORMATION

Not Applicable.

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Applicable.

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In fiscal 2017 the deferred inflow of resources in governmental activities reflected in Exhibit I and Exhibit A-1 represent accounts receivables arising from tax and penalties assessed for Fund 5128, the Employment and Training Investment Holding Fund, and Fund 0165, the Unemployment Compensation Special Admin Fund, respectively, which are not considered available at fiscal year-end. That is, the \$1,490,791.87 recorded as Deferred Inflows of Resources in those exhibits represents amounts earned that will not be available to pay current liabilities.

Governmental Funds	Deferred Outflows of Resources	Deferred Inflows of Resources
Revenue Earned But Not Available	\$ 0.00	\$ 1,490,791.87
Total	\$ 0.00	\$ 1,490,791.87

NOTE 29: TROUBLED DEBT RESTRUCTURING

Not Applicable.

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Applicable.

NOTE 31: TAX ABATEMENTS

Not Applicable.

NOTE 32: FUND BALANCES

The following restrictions/covenants cause fund balances to be committed and restricted.

GAAP Fund	Fund	AFR 54 Class	Citation	Comments
5026	5026	Restricted	Various	As reflected in the Schedule of Expenditures of Federal Awards, the TWC administers 29 separate federal grants which impose restrictions on the spending of these awards.

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

For the Year Ended August 31, 2017

		Consolidated Accounts	Consolidated Accounts	Consolidated Accounts
	General Revenue (Fund 0001) U/F (0001)	Unemployment Compensation Special Admin (Fund 0165) U/F (0165, 9000)	Business Enterprise Program Fund (Fund 0492) U/F (0492, 8492)	Career School or College Tuition Trust Account (Fund 0925) U/F (0925)
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
Cash on Hand	\$ 90,939.61	\$ 43,670.88	\$ 37,104.84	\$
Cash in Bank (Note 3)				
Cash in State Treasury		25,678,279.93	723,250.87	1,474,723.07
Legislative Appropriations	68,862,142.66			
Receivables:				
Federal Receivables (Note 24)				
Interest and Dividends	4,113.09			
Accounts Receivable (Note 24)	8,052,576.26	5,234,033.73		
Interfund Receivable (Note 12)				
Due from Other Funds (Note 12)				867,116.61
Due from Other Agencies (Note 12)		2,420.70		
Consumable Inventories				
Merchandise Inventories			165,714.84	
Total Current Assets	<u>77,009,771.62</u>	<u>30,958,405.24</u>	<u>926,070.55</u>	<u>2,341,839.68</u>
Non-Current Assets:				
Accounts Receivable		1,099,585.39		
Total Non-Current Assets	<u>0.00</u>	<u>1,099,585.39</u>		<u>0.00</u>
Total Assets	\$ <u>77,009,771.62</u>	\$ <u>32,057,990.63</u>	\$ <u>926,070.55</u>	\$ <u>2,341,839.68</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Payables:				
Accounts Payable	1,179,298.23	63,694.63	26,331.22	1,341,839.68
Payroll Payable				
Interfund Payable (Note 12)	2,892,923.69	408,736.08	29,917.16	
Unearned Revenues				
Due to Other Funds (Note 12)	5,253,644.42	4,206,592.84		
Due to Other Agencies (Note 12)	761,769.47			
Total Current Liabilities	<u>10,087,635.81</u>	<u>4,679,023.55</u>	<u>56,248.38</u>	<u>1,341,839.68</u>
Total Liabilities	<u>10,087,635.81</u>	<u>4,679,023.55</u>	<u>56,248.38</u>	<u>1,341,839.68</u>
Deferred Inflows of Resources				
		1,099,585.39		
Total Liabilities and Def. Inflow of Res.	<u>10,087,635.81</u>	<u>5,778,608.94</u>	<u>56,248.38</u>	<u>1,341,839.68</u>

Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	TOTALS
Workforce Commission Federal (Fund 5026) U/F (5026)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	Jobs and Education for Texans (JET) (Fund 5143) U/F (5143)	International Association of Workforce Professionals Texas Chapter Conference Account (Fund 7999) U/F (9999)	
\$ 53,000.12	\$	\$	\$	\$ 224,715.45
248,456.36			317,782.77	566,239.13
57,896,139.55	110,025,373.45	1,148,543.63		196,946,310.50
				68,862,142.66
12,910,784.14				12,910,784.14
	775,664.13			4,113.09
				14,062,274.12
3,331,576.93				3,331,576.93
4,772,757.81				5,639,874.42
729,911.15				732,331.85
841,522.87				841,522.87
				165,714.84
<u>80,784,148.93</u>	<u>110,801,037.58</u>	<u>1,148,543.63</u>	<u>317,782.77</u>	<u>304,287,600.00</u>
	391,206.48			1,490,791.87
0.00	391,206.48	0.00	0.00	1,490,791.87
<u>\$ 80,784,148.93</u>	<u>\$ 111,192,244.06</u>	<u>\$ 1,148,543.63</u>	<u>\$ 317,782.77</u>	<u>\$ 305,778,391.87</u>
18,878,174.38				21,489,338.14
22,910,611.07				22,910,611.07
18,253,514.22			86,625.00	3,331,576.93
	386,230.00			18,340,139.22
6,631,798.66	16,100.45			9,846,467.26
<u>66,674,098.33</u>	<u>402,330.45</u>	<u>0.00</u>	<u>86,625.00</u>	<u>7,409,668.58</u>
<u>66,674,098.33</u>	<u>402,330.45</u>	<u>0.00</u>	<u>86,625.00</u>	<u>83,327,801.20</u>
	391,206.48			1,490,791.87
<u>66,674,098.33</u>	<u>793,536.93</u>	<u>0.00</u>	<u>86,625.00</u>	<u>84,818,593.07</u>

EXHIBIT A-1
COMBINING BALANCE SHEET - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2017

	General Revenue (Fund 0001) U/F (0001)	Unemployment Compensation Special Admin (Fund 0165) U/F (0165, 9000)	Business Enterprise Program Fund (Fund 0492) U/F (0492, 8492)	Career School or College Tuition Trust Account (Fund 0925) U/F (0925)
		Consolidated Accounts	Consolidated Accounts	Consolidated Accounts
Fund Financial Statement-Fund Balances				
Fund Balances (Deficits):				
Non-Spendable			165,714.84	
Restricted				
Committed		26,279,381.69	704,107.33	1,000,000.00
Assigned	60,996,673.00			
Unassigned	5,925,462.81			
Total Fund Balances	<u>66,922,135.81</u>	<u>26,279,381.69</u>	<u>869,822.17</u>	<u>1,000,000.00</u>
Total Liabilities and Fund Balance	\$ <u>77,009,771.62</u>	\$ <u>32,057,990.63</u>	\$ <u>926,070.55</u>	\$ <u>2,341,839.68</u>

<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>Consolidated Accounts</u>	<u>TOTALS</u>
Workforce Commission Federal (Fund 5026) U/F (5026)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	Jobs and Education for Texans (JET) (Fund 5143) U/F (5143)	International Association of Workforce Professionals Texas Chapter Conference Account (Fund 7999) U/F (9999)	
841,522.87				1,007,237.71
13,268,527.73				13,268,527.73
	110,398,707.13	1,148,543.63		139,530,739.78
			231,157.77	61,227,830.77
				5,925,462.81
<u>14,110,050.60</u>	<u>110,398,707.13</u>	<u>1,148,543.63</u>	<u>231,157.77</u>	<u>220,959,798.80</u>
\$ <u>80,784,148.93</u>	\$ <u>111,192,244.06</u>	\$ <u>1,148,543.63</u>	\$ <u>317,782.77</u>	\$ <u>305,778,391.87</u>

EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCES - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2017

	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts
	Unemployment Compensation Special Admin (Fund 0165) U/F (0165, 9000)	Business Enterprise Program Fund (Fund 0492) U/F (0492, 8492)	Career School or College Tuition Trust Account (Fund 0925) U/F (0925)
REVENUES:	General Revenue (Fund 0001) U/F (0001) *		
Legislative Appropriations			
Original Appropriations (GR)	171,112,790.00		
Additional Appropriations (GR)	11,031,927.04		
Federal Revenue			
Federal Pass-Through Revenue			
Licenses, Fees and Permits	2,678,101.98	17,090,213.54	
Interest and Investment Income	277,986.67		
Land Income			
Sales of Goods and Services	252,842.12		1,618,334.03
Other Revenues	79,526,669.50		48,080.69
Settlement of Claims			
Total Revenue	264,880,317.31	17,090,213.54	1,666,414.72
			0.00
EXPENDITURES			
Salaries and Wages	25,691,341.59	3,324,907.57	902,317.72
Payroll Related Costs	8,598,317.03	7,197,186.05 **	455,838.73
Professional Fees and Services	2,093,806.40	323,112.72	77,446.79
Travel	241,610.83	87,246.24	49,863.20
Materials and Supplies	260,647.57	343,920.55	110,576.98
Communication and Utilities	308,688.14	433,381.43	4,091.26
Repairs and Maintenance	205,559.68	218,525.12	67,209.74
Rentals and Leases	487,218.68	85,818.92	88,920.67
Printing and Reproduction	99,496.94	1,732.03	
Claims and Judgements	55,000.00		
Federal Pass-Through Expenditures			
State Grant Pass-Through Expenditures	5,364,916.65		
Intergovernmental Payments	29,208,019.94		
Public Assistance Payments	196,205,510.86	231.85	56,002.04
Other Operating Expenditures	764,868.51	242,312.98	121,527.14
Capital Outlay	4,123.13	16,743.06	14,210.59
Total Expenditures	269,589,125.95	12,275,118.52	1,892,002.82
			56,002.04
EXCESS (DEFICIT) OF REVENUES			
OVER EXPENDITURES	(4,708,808.64)	4,815,095.02	(225,588.10)
			(56,002.04)

*Expenditures totaling \$204,960.87 along with revenues collected from the Texas Industries for the Blind, are included in Fund 0001 of the accompanying financial statements, related to the Purchasing from People with Disabilities Program.

** This amount includes \$5,276,033.66 in Unemployment Insurance payments made to former state employees on behalf of other agencies.

Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	TOTALS
Workforce Commission Federal (Fund 5026) U/F (5026)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	Jobs and Education for Texans (JET) (Fund 5143) U/F (5143)	International Association of Workforce Professionals Texas Chapter Conference Account (Fund 7999) U/F (9999)	
				171,112,790.00
				11,031,927.04
1,215,372,994.02				1,215,372,994.02
92,045,475.02				92,045,475.02
172,409.83	109,980,173.17		312,765.00	130,233,663.52
40,276.83			252.31	318,515.81
6,766.90				6,766.90
841,940.25			63,575.00	2,776,691.40
(7,721.63)				79,567,028.56
<u>1,308,472,141.22</u>	<u>109,980,173.17</u>	<u>0.00</u>	<u>376,592.31</u>	<u>1,702,465,852.27</u>
187,876,829.68				217,795,396.56
85,009,390.93				101,260,732.74
33,553,933.02			49,906.29	36,098,205.22
4,879,992.66			8,064.00	5,266,776.93
11,392,378.58	84,759.22		324,678.71	12,516,961.61
8,772,123.99				9,518,284.82
8,646,033.03			11,584.60	9,148,912.17
8,025,049.09	301,470.78			8,988,478.14
177,682.03			648.00	279,559.00
19,000.00				74,000.00
63,240,370.35				63,240,370.35
	721,819.31			6,086,735.96
31,319,149.81	172,505.88	25,185.71		60,724,861.34
855,924,166.08				1,052,185,910.83
9,115,469.27			24,248.65	10,268,426.55
2,969,245.38				3,004,322.16
<u>1,310,920,813.90</u>	<u>1,280,555.19</u>	<u>25,185.71</u>	<u>419,130.25</u>	<u>1,596,457,934.38</u>
<u>(2,448,672.68)</u>	<u>108,699,617.98</u>	<u>(25,185.71)</u>	<u>(42,537.94)</u>	<u>106,007,917.89</u>

EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCES - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2017

	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts
General Revenue (Fund 0001) U/F (0001)	Unemployment Compensation Special Admin (Fund 0165) U/F (0165, 9000)	Business Enterprise Program Fund (Fund 0492) U/F (0492, 8492)	Career School or College Tuition Trust Account (Fund 0925) U/F (0925)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets			
Transfers In (Note 12)	24,530,801.66		56,002.04
Transfers Out (Note 12)	(1,969,517.80)	1,095,410.27	
Legislative Financing Sources	835,701.95		
Total Other Financing Sources (Uses)	23,396,985.81	0.00	56,002.04
Net Change in Fund Balances	18,688,177.17	4,815,095.02	869,822.17
Fund Financial Statement-Fund Balances			
Fund Balances, September 1, 2016	48,803,055.06	21,464,286.67	-
Appropriations Lapsed	(569,096.42)		1,000,000.00
FUND BALANCES - August 31, 2017	66,922,135.81	26,279,381.69	869,822.17

Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	Consolidated Accounts	TOTALS
Workforce Commission Federal (Fund 5026) U/F (5026)	Employment and Training Investment Holding (Fund 5128) U/F (5128)	Jobs and Education for Texans (JET) (Fund 5143) U/F (5143)	International Association of Workforce Professionals Texas Chapter Conference Account (Fund 7999) U/F (9999)	
296,295,413.14				321,977,627.11
(285,665,735.00)	(213,423,334.19)			(501,058,586.99)
				835,701.95
10,629,678.14	(213,423,334.19)	0.00	0.00	(178,245,257.93)
8,181,005.46	(104,723,716.21)	(25,185.71)	(42,537.94)	(72,237,340.04)
5,929,045.14	215,122,423.34	1,173,729.34	273,695.71	293,766,235.26
				(569,096.42)
14,110,050.60	110,398,707.13	1,148,543.63	231,157.77	220,959,798.80

EXHIBIT B-1
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2017

Endowment Fund
 For the Blind
 (Fund 0493)
U/F (0493,8493)

ASSETS

Cash and Cash Equivalents	
Cash in State Treasury	4,371.77
Interest and Dividends Receivables	18.93
Total Assets	<u>4,390.70</u>

LIABILITIES

Payables:	
Accounts Payable	0.00

Total Liabilities	<u>0.00</u>
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Fund Balances

Restricted	4,390.70
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Total Fund Balances	<u>4,390.70</u>
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Total Liabilities and Fund Balance	<u><u>\$ 4,390.70</u></u>
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EXHIBIT B-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - SPECIAL REVENUE FUND
 For the Year Ended August 31, 2017

Endowment Fund
 For the Blind
 (Fund 0493)
 U/F (0493,8493)

REVENUES:

Interest, Dividend and Other Income	270.88
Other Revenue	\$ 13,173.39

Total Revenue	13,444.27
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EXPENDITURES:

Public Assistance Payments	22,875.82
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Total Expenditures	22,875.82
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EXCESS (DEFICIT) REVENUES
OVER EXPENDITURES

(9,431.55)

OTHER FINANCING SOURCES (USES)

Transfers In (Note 12)	13,822.25
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Total Other Financing Sources (Uses)	13,822.25
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Fund Financial Statement - Fund Balances

Fund Balance September 1, 2016	-
Fund Balance August 31, 2017	4,390.70

EXHIBIT F-1

COMBINING STATEMENT OF NET POSITION - ENTERPRISE FUNDS

For the Year Ended August 31, 2017

	TWC Unemployment Compensation Revenue Bond Fund (Fund 0367) U/F (0367, 1367, 3367)	TWC Obligation Trust Fund (Fund 0844) U/F (0844, 1844, 2844, 3844)
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Cash on Hand	\$	\$
Cash in State Treasury		
Restricted:		
Cash in State Treasury		368.75
Cash in Federal Treasury (Note 3)		
Receivables:		
Federal Receivables (Note 24)		
Interest and Dividends		4.24
Accounts Receivable (Note 24)		
Due from Other Funds (Note 12)		
Total Current Assets	<u>0.00</u>	<u>372.99</u>
Non-Current Assets:		
Receivables:		
Accounts Receivable (Note 24)		
Total Non-Current Assets	<u>0.00</u>	<u>0.00</u>
Total Assets	<u>0.00</u>	<u>372.99</u>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable		
Federal Payable		
Interest Payable		
Due to Other Funds (Note 12)		372.99
Revenue Bonds Payable (Note 5)		
Unearned Revenues		
Total Current Liabilities	<u>0.00</u>	<u>372.99</u>
Non-Current Liabilities:		
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>0.00</u>	<u>372.99</u>
NET POSITION		
Restricted For:		
Unemployment Trust Fund		
Debt Retirement		
Total Net Position	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Unemployment Compensation Clearance Account (Fund 0936) U/F (0936, 9001)	Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$ 282,474.61	\$ 65,146.61	\$	\$ 347,621.22
239,184.86			239,184.86
			368.75
		1,319,866,041.19	1,319,866,041.19
	8,962,514.43		8,962,514.43
291.76	5,951.85	5,089,844.85	5,096,092.70
218,681,064.44	17,923,691.90	21,540,415.56	258,145,171.90
4,206,592.84	4,039,693.93	93,117,858.57	101,364,145.34
<u>223,409,608.51</u>	<u>30,996,998.72</u>	<u>1,439,614,160.17</u>	<u>1,694,021,140.39</u>
10,687,613.32	11,114,741.12		21,802,354.44
<u>10,687,613.32</u>	<u>11,114,741.12</u>	<u>0.00</u>	<u>21,802,354.44</u>
234,097,221.83	42,111,739.84	1,439,614,160.17	1,715,823,494.83
	42,111,739.84	4,107,102.90	46,218,842.74
		1,041,808.44	1,041,808.44
			0.00
93,117,485.58		4,039,693.93	97,157,552.50
			0.00
140,979,736.25			140,979,736.25
<u>234,097,221.83</u>	<u>42,111,739.84</u>	<u>9,188,605.27</u>	<u>285,397,939.93</u>
			0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
234,097,221.83	42,111,739.84	9,188,605.27	285,397,939.93
		1,430,425,554.90	1,430,425,554.90
			0.00
\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>1,430,425,554.90</u>	\$ <u>1,430,425,554.90</u>

EXHIBIT F-2**COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS**

For the Year Ended August 31, 2017

	TWC Unemployment Compensation Revenue Bond Fund (Fund 0367) U/F (0367, 1367, 3367)	TWC Obligation Trust Fund (Fund 0844) U/F (0844, 1844, 2844, 3844)
OPERATING REVENUES		
Unemployment Assessment	\$	\$ 205,695,425.73
Federal Revenue		
Other Operating Revenue		
Total Operating Revenue	<u>0.00</u>	<u>205,695,425.73</u>
OPERATING EXPENSES		
Unemployment Benefit Payments		
Total Operating Expenses	<u>0.00</u>	<u>0.00</u>
OPERATING INCOME (LOSS)	<u>0.00</u>	<u>205,695,425.73</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Expense		(1,873,346.97)
Interest and Investment Income	0.00	647,046.31
Other Non-Operating Expenses	0.00	(15,431.25)
Total Non-Operating Revenues (Expenses)	<u>0.00</u>	<u>(1,241,731.91)</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>0.00</u>	<u>204,453,693.82</u>
OTHER REVENUES (EXPENSES), GAINS/ (LOSSES) AND TRANSFERS		
Transfers In (Note 12)	304,786,636.38	372,603,279.08
Transfers Out (Note 12)	<u>0.00</u>	<u>(677,390,288.44)</u>
Total Other Revenues (Expenses), Gains/(Losses) and Transfers	<u>304,786,636.38</u>	<u>(304,787,009.36)</u>
CHANGE IN NET POSITION	<u>304,786,636.38</u>	<u>(100,333,315.54)</u>
NET POSITION, September 1, 2016	(304,786,636.38)	100,333,315.54
NET POSITION, August 31, 2017	\$ <u><u>0.00</u></u>	\$ <u><u>(0.00)</u></u>

Unemployment Compensation Clearance Account (Fund 0936) U/F (0936, 9001)	Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$ 2,482,207,873.29	\$ 32,300,047.62	\$ 51,339,638.73	\$ 2,687,903,299.02
62,094,554.48	183,044.61	88,072,451.96	150,350,051.05
<u>2,544,302,427.77</u>	<u>32,483,092.23</u>	<u>139,412,090.69</u>	<u>2,921,893,036.42</u>
	2,652,746,981.00	30,161,797.71	2,682,908,778.71
0.00	<u>2,652,746,981.00</u>	<u>30,161,797.71</u>	<u>2,682,908,778.71</u>
<u>2,544,302,427.77</u>	<u>(2,620,263,888.77)</u>	<u>109,250,292.98</u>	<u>238,984,257.71</u>
			(1,873,346.97)
77,530.35	23,298.95	21,013,146.08	21,761,021.69
<u>77,530.35</u>	<u>23,298.95</u>	<u>21,013,146.08</u>	<u>(15,431.25)</u>
			19,872,243.47
<u>2,544,379,958.12</u>	<u>(2,620,240,589.82)</u>	<u>130,263,439.06</u>	<u>258,856,501.18</u>
383,162,000.00	3,003,402,589.82	3,116,613,596.30	7,180,568,101.58
<u>(2,927,541,958.12)</u>	<u>(383,162,000.00)</u>	<u>(3,003,402,589.82)</u>	<u>(6,991,496,836.38)</u>
<u>(2,544,379,958.12)</u>	<u>2,620,240,589.82</u>	<u>113,211,006.48</u>	<u>189,071,265.20</u>
0.00	0.00	243,474,445.54	447,927,766.38
0.00	0.00	1,186,951,109.36	982,497,788.52
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,430,425,554.90</u>	<u>\$ 1,430,425,554.89</u>

EXHIBIT F-3**COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**

For the Year Ended August 31, 2017

	TWC Unemployment Compensation Revenue Bond Fund (Fund 0367) U/F (0367, 1367, 3367)	TWC Obligation Trust Fund (Fund 0844) U/F (0844, 1844, 2844, 3844)
CASH FLOWS FROM OPERATING ACTIVITIES		
Unemployment Assessments	\$	\$ 233,227,019.49
Proceeds From Federal Revenue		
Proceeds From Other Revenue		
Unemployment Benefit Payments		
Net Cash Provided By Operating Activities	<u>0.00</u>	<u>233,227,019.49</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payment of Principal and Refunding on Bonds	(304,786,636.38)	
Payment of Interest Expense		(3,951,688.63)
Payment of Other Costs of Debt Issuance		(19,631.25)
Transfers From Other Funds	304,786,636.38	372,603,279.08
Transfers To Other Funds		(677,389,915.45)
Net Cash Provided by Non-Capital Financing Activities	<u>0.00</u>	<u>(308,757,956.25)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Investment Income		681,028.21
Net Cash Provided by Investing Activities	<u>0.00</u>	<u>681,028.21</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>0.00</u>	<u>(74,849,908.55)</u>
Cash and Cash Equivalents, September 1, 2016	<u>0.00</u>	<u>74,850,277.30</u>
Net Cash and Cash Equivalents, August 31, 2017	\$ <u>0.00</u>	\$ <u>368.75</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)		<u>205,695,425.73</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Operating Income and Cash Flow Categories		
Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		27,531,593.76
Increase (Decrease) in Payables		
Increase (Decrease) in Deferred Income		
Total Adjustments	<u>0.00</u>	<u>27,531,593.76</u>
Net Cash Provided by Operating Activities	\$ <u>0.00</u>	\$ <u>233,227,019.49</u>

Unemployment Compensation Clearance Account (Fund 0936) U/F (0936, 9001)	Unemployment Compensation Benefit Account (Fund 0937) U/F (0937)	Unemployment Trust Fund Account (Fund 0938) U/F (0938)	TOTALS
\$ 2,437,923,059.98	\$ 24,877,440.80	\$ 51,614,546.58	\$ 2,671,150,079.47
66,041,326.43	183,044.61	89,697,418.97	76,491,987.38
	(2,658,195,714.93)	(32,474,504.18)	155,921,790.01
<u>2,503,964,386.41</u>	<u>(2,633,135,229.52)</u>	<u>108,837,461.37</u>	<u>212,893,637.75</u>
			(304,786,636.38)
			(3,951,688.63)
			(19,631.25)
381,919,524.70	3,020,766,670.92	3,074,835,048.41	7,154,911,159.49
(2,885,763,783.22)	(383,162,000.00)	(3,020,766,670.92)	(6,967,082,369.59)
<u>(2,503,844,258.52)</u>	<u>2,637,604,670.92</u>	<u>54,068,377.49</u>	<u>(120,929,166.36)</u>
80,145.23	17,347.10	20,751,173.23	21,529,693.77
<u>80,145.23</u>	<u>17,347.10</u>	<u>20,751,173.23</u>	<u>21,529,693.77</u>
200,273.12	4,486,788.50	183,657,012.09	113,494,165.16
<u>321,386.35</u>	<u>(4,421,641.89)</u>	<u>1,136,209,029.10</u>	<u>1,206,959,050.86</u>
\$ <u>521,659.47</u>	\$ <u>65,146.61</u>	\$ <u>1,319,866,041.19</u>	\$ <u>1,320,453,216.02</u>
2,544,302,427.77	(2,620,263,888.77)	109,250,292.98	238,984,257.71
(43,627,766.67)	4,450,618.39	1,624,967.01	(10,020,587.51)
	(17,321,959.14)	(2,037,798.62)	(19,359,757.76)
3,289,725.31			3,289,725.31
<u>(40,338,041.36)</u>	<u>(12,871,340.75)</u>	<u>(412,831.61)</u>	<u>(26,090,619.95)</u>
\$ <u>2,503,964,386.41</u>	\$ <u>(2,633,135,229.52)</u>	\$ <u>108,837,461.37</u>	\$ <u>212,893,637.76</u>

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EXHIBIT I-1
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PRIVATE PURPOSE TRUST FUNDS
For the Year Ended August 31, 2017

	Payday Law Wage Determination Trust Fund (Fund 0894) U/F (0894)	Business Enterprises Program Trust Fund (Fund 5043) U/F (5043)	TOTALS
ASSETS			
Cash and Cash Equivalents			
Cash on Hand	\$ 17,311.13	\$ 8,819.64	\$ 26,130.77
Cash in State Treasury	744,605.82	1,204,857.21	1,949,463.03
Receivables:			
Interest and Dividends	1,371.59	1,307.55	2,679.14
Accounts Receivable (Note 24)	94,567.72		94,567.72
Total Assets	<u>857,856.26</u>	<u>1,214,984.40</u>	<u>2,072,840.66</u>
LIABILITIES			
Payables:			
Accounts Payable	849,117.18		849,117.18
Interest Payable	8,739.08		8,739.08
Total Liabilities	<u>857,856.26</u>	<u>-</u>	<u>857,856.26</u>
NET POSITION			
Held in Trust For:			
Individuals, Organizations, and Other Governments	-	1,214,984.40	1,214,984.40
Total Net Position	<u>\$ 0.00</u>	<u>\$ 1,214,984.40</u>	<u>\$ 1,214,984.40</u>

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EXHIBIT I-2
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Year Ended August 31, 2017

	Payday Law Wage Determination Trust Fund (Fund 0894) U/F (0894)	Business Enterprises Program Trust Fund (Fund 5043) U/F (5043)	TOTALS
ADDITIONS			
Investment Income			
From Investing Activities			
Interest and Investment Income	\$ 13,862.54	\$ 14,465.44	\$ 28,327.98
Total Investment Income (Loss)	13,862.54	14,465.44	28,327.98
Other Additions			
Settlement of Claims	4,270,499.54		4,270,499.54
Other Revenue		429,774.24	429,774.24
Transfer In		1,206,714.89	1,206,714.89
Total Other Additions	4,270,499.54	1,636,489.13	5,906,988.67
Total Additions	4,284,362.08	1,650,954.57	5,935,316.65
DEDUCTIONS			
Employee/Participant Benefit Payments		435,970.17	435,970.17
Interest Expense	8,200.31		8,200.31
Claims and Judgement Expense *	4,276,161.77		4,276,161.77
Total Deductions	4,284,362.08	435,970.17	4,720,332.25
INCREASE DECREASE IN			
NET POSITIONS			
	0.00	1,214,984.40	1,214,984.40
Net Position September 1, 2016	0.00	0.00	0.00
Net Position August 31, 2017	\$ 0.00	\$ 1,214,984.40	\$ 1,214,984.40

* In addition to the amount shown above for Settlement of Claims, the Texas Workforce Commission was instrumental in resolving another \$1,658,411.43 in claims where the claimant was paid directly by the employer.

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

For the Year Ended August 31, 2017

	Balances September 1, 2016	Additions	Deductions	Balances August 31, 2017
Child Labor Penalty (0001) U/F (1000)				
ASSETS:				
Cash in State Treasury	0.00	32,764.78	32,764.78	0.00
Total Assets	\$ 0.00	\$ 32,764.78	\$ 32,764.78	\$ 0.00
LIABILITIES:				
Funds Held for Others	0.00	32,764.78	32,764.78	0.00
Total Liabilities	\$ 0.00	\$ 32,764.78	\$ 32,764.78	\$ 0.00
Inventory Security Deposit fund 0492 (U/F 0491)				
ASSETS:				
Cash in State Treasury	0.00	8,270.49	8,270.49	0.00
Total Assets	\$ 0.00	\$ 8,270.49	\$ 8,270.49	\$ 0.00
LIABILITIES:				
Vouchers Payable	0.00	0.00	0.00	0.00
Funds Held for Others	0.00	8,270.49	8,270.49	0.00
Total Liabilities	\$ 0.00	\$ 8,270.49	\$ 8,270.49	\$ 0.00
Child Support Employee Deducts (0807) U/F (8070)				
ASSETS:				
Cash in State Treasury	32,278.04	575,666.55	569,276.05	38,668.54
Total Assets	\$ 32,278.04	\$ 575,666.55	\$ 569,276.05	\$ 38,668.54
LIABILITIES:				
Vouchers Payable	0.00	528,421.67	528,421.67	0.00
Funds Held for Others	32,278.04	575,666.55	569,276.05	38,668.54
Total Liabilities	\$ 32,278.04	\$ 1,104,088.22	\$ 1,097,697.72	\$ 38,668.54
Departmental Suspense (0900) U/F (0900, 9015, 9016)				
ASSETS:				
Cash in State Treasury	0.00	29,000,204.89	28,955,153.43	45,051.46
Accounts Receivable	0.00	0.00	0.00	0.00
Total Assets	\$ 0.00	\$ 29,000,204.89	\$ 28,955,153.43	\$ 45,051.46
LIABILITIES:				
Vouchers Payable	0.00	24,108,386.13	24,108,386.13	0.00
Accounts Payable	0.00	0.00	0.00	0.00
Funds Held for Others	0.00	29,000,204.89	28,955,153.43	45,051.46
Total Liabilities	\$ 0.00	\$ 53,108,591.02	\$ 53,063,539.56	\$ 45,051.46
Direct Deposit Correction Account (0980) UF (0980, 9014)				
ASSETS:				
Cash in State Treasury	0.00	183,647.68	158,892.96	24,754.72
Total Assets	\$ 0.00	\$ 183,647.68	\$ 158,892.96	\$ 24,754.72
LIABILITIES:				
Funds Held for Others	0.00	183,647.68	158,892.96	24,754.72
Total Liabilities	\$ 0.00	\$ 183,647.68	\$ 158,892.96	\$ 24,754.72

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

For the Year Ended August 31, 2017

	Balances September 1, 2016	Additions	Deductions	Balances August 31, 2017
TOTALS - ALL AGENCY FUNDS				
ASSETS:				
Cash in State Treasury	32,278.04	29,792,283.90	29,716,087.22	108,474.72
Accounts Receivable (Note 24)	0.00	0.00	0.00	0.00
Total Assets	\$ <u>32,278.04</u>	\$ <u>29,792,283.90</u>	\$ <u>29,716,087.22</u>	\$ <u>108,474.72</u>
LIABILITIES:				
Vouchers Payable	0.00	24,636,807.80	24,636,807.80	0.00
Accounts Payable	0.00	0.00	0.00	0.00
Funds Held for Others	32,278.04	29,800,554.39	29,724,357.71	108,474.72
Total Liabilities	\$ <u>32,278.04</u>	\$ <u>54,437,362.19</u>	\$ <u>54,361,165.51</u>	\$ <u>108,474.72</u>

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From		
		Agency/ Univ. #	Identifying Number	Agencies or Univ Amount
U.S. Department of Housing and Urban Development				
Direct Programs:				
Fair Housing Assistance Program State and Local	14.401			
Pass-Through To:				
Other Non-State Entities				
Total, U.S. Department of Housing and Urban Development			0.00	0.00
U.S. Department of Homeland Security				
Direct Program:				
Disaster Unemployment Assistance	97.034			
Total, U.S. Department of Homeland Security			0.00	0.00
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002			
Unemployment Insurance	17.225			
Pass-Through To:				
Other Non-State Entities				
Senior Community Service Employment Program	17.235			
Pass-Through To:				
Other Non-State Entities				
Trade Adjustment Assistance	17.245			
Pass-Through To:				
Other Non-State Entities				
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261			
Incentive Grants - WIA Section 503	17.267			
Pass-Through To:				
Other Non-State Entities				
Work Opportunity Tax Credit Program	17.271			
Temporary Labor Certification For Foreign Workers	17.273			
Pass-Through To:				
Other Non-State Entities				
WIA/WIOA - National Emergency Grants	17.277			
Pass-Through To:				
Other Non-State Entities				
WIA/WIOA Dislocated Worker National Reserve Tech Assist. and Trng	17.281			
Apprenticeship USA Grants	17.285			
Pass-Through To:				
Other Non-State Entities				
Subtotal, Non-Clustered Programs			0.00	0.00
Employment Services Cluster				
U.S. Department of Labor				
Direct Program:				
Employment Service	17.207			
Pass-Through To:				
Texas State Technical College System				
University of Houston - Downtown				
Other Non-State Entities				
Subtotal, Employment Services Cluster			0.00	0.00

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		
1,267,338.37	1,267,338.37				1,267,338.37	1,267,338.37
0.00	0.00			0.00		0.00
1,267,338.37	1,267,338.37		0.00	0.00	1,267,338.37	1,267,338.37
7,097.34	7,097.34				7,097.34	7,097.34
7,097.34	7,097.34		0.00	0.00	7,097.34	7,097.34
3,510,893.15	3,510,893.15				3,510,893.15	3,510,893.15
2,824,930,865.19	2,824,930,865.19				2,824,930,865.19	2,824,930,865.19
46,061.84	46,061.84			46,061.84		46,061.84
59,534.68	59,534.68			59,534.68		59,534.68
4,585,174.83	4,585,174.83			4,585,174.83		4,585,174.83
3,871,387.19	3,871,387.19			3,871,387.19		3,871,387.19
11,485,610.70	11,485,610.70			11,485,610.70		11,485,610.70
552,784.43	552,784.43			552,784.43		552,784.43
25.16	25.16			25.16		25.16
0.00	0.00			0.00		0.00
1,087,425.21	1,087,425.21			1,087,425.21		1,087,425.21
875,467.12	875,467.12			875,467.12		875,467.12
7,145.61	7,145.61			7,145.61		7,145.61
287,096.15	287,096.15			287,096.15		287,096.15
9,808,907.38	9,808,907.38			9,808,907.38		9,808,907.38
290,365.01	290,365.01			290,365.01		290,365.01
213,774.15	213,774.15			213,774.15		213,774.15
691.17	691.17			691.17		691.17
2,861,613,208.97	2,861,613,208.97		0.00	25,933,591.53	2,835,679,617.44	2,861,613,208.97
37,190,468.74	37,190,468.74				37,190,468.74	37,190,468.74
(825.93)	(825.93)	712	(825.93)			(825.93)
330,794.73	330,794.73	784	330,794.73			330,794.73
11,174,530.91	11,174,530.91			11,174,530.91		11,174,530.91
48,694,968.45	48,694,968.45		329,968.80	11,174,530.91	37,190,468.74	48,694,968.45

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From		
		Agency/ Univ. #	Identifying Number	Agencies or Univ Amount
Workforce Investment Act / Workforce Innovation and Opportunity Act Cluster				
U.S. Department of Labor				
Direct Programs:				
WIA/WIOA - Adult Program	17.258			
Pass-Through To:				
Texas Education Agency				
Texas State Technical College				
Texas Higher Education Coordinating Board				
Other Non-State Entities				
WIA/WIOA - Youth Activities	17.259			
Pass-Through To:				
Other Non-State Entities				
WIA/WIOA Dislocated Worker Formula Grants	17.278			
Pass-Through To:				
Office of the Governor				
Texas Education Agency				
Texas A&M University				
Texas State Technical College				
University of Texas at San Antonio				
Texas A&M University San Antonio				
Texas State University				
Lamar State College - Orange				
Other Non-State Entities				
WIA/WIOA Dislocated Worker National Reserve Demo. Grants	17.280			
Pass-Through To:				
Other Non-State Entities				
Subtotal, Workforce Investment Act Cluster			0.00	0.00
Total, U.S. Department of Labor			0.00	0.00
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002			
Pass-Through To:				
Texas State University				
Other Non-State Entities				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			
Pass-Through To:				
Health and Human Services Commission				
Rehab. Services - Independent Living for Older Individuals Who are Blind	84.177			
Supported Emp. Services for Ind. with the Most Significant Disabilities	84.187			
Total, U.S. Department of Education			0.00	0.00
U.S. Department of Health & Human Services				
Social Services Block Grant	93.667			
Pass-Through From:				
Health and Human Services Commission				
Pass-Through To:				
Other Non-State Entities		529	1,957,755.07	
Subtotal, Non-Clustered Programs			1,957,755.07	0.00

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		
744,660.65	744,660.65				744,660.65	744,660.65
485,071.61	485,071.61	701	485,071.61			485,071.61
407.17	407.17	719	407.17			407.17
555.13	555.13	781	555.13			555.13
48,319,684.04	48,319,684.04			48,319,684.04		48,319,684.04
6,806,997.69	6,806,997.69				6,806,997.69	6,806,997.69
45,603,317.13	45,603,317.13			45,603,317.13		45,603,317.13
977,801.06	977,801.06				977,801.06	977,801.06
598,081.54	598,081.54	300	598,081.54			598,081.54
732,986.95	732,986.95	701	732,986.95			732,986.95
7,344.03	7,344.03	711	7,344.03			7,344.03
85,599.03	85,599.03	719	85,599.03			85,599.03
73,863.54	73,863.54	743	73,863.54			73,863.54
150,411.75	150,411.75	749	150,411.75			150,411.75
10,089.88	10,089.88	754	10,089.88			10,089.88
119,331.30	119,331.30	787	119,331.30			119,331.30
46,101,537.61	46,101,537.61			46,101,537.61		46,101,537.61
645,723.55	645,723.55			645,723.55		645,723.55
151,463,463.66	151,463,463.66		2,263,741.93	140,670,262.33	8,529,459.40	151,463,463.66
3,061,771,641.08	3,061,771,641.08		2,593,710.73	177,778,384.77	2,881,399,545.58	3,061,771,641.08
2,636,653.16	2,636,653.16				2,636,653.16	2,636,653.16
85,348.85	85,348.85	754	85,348.85			85,348.85
53,096,757.02	53,096,757.02			53,096,757.02		53,096,757.02
259,153,212.67	259,153,212.67				259,153,212.67	259,153,212.67
7,373,323.84	7,373,323.84	529	7,373,323.84			7,373,323.84
481,833.38	481,833.38				481,833.38	481,833.38
1,577,948.55	1,577,948.55				1,577,948.55	1,577,948.55
324,405,077.47	324,405,077.47		7,458,672.69	53,096,757.02	263,849,647.76	324,405,077.47
	1,957,755.07			1,957,755.07		1,957,755.07
0.00	1,957,755.07		0.00	1,957,755.07	0.00	1,957,755.07

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2017

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 Cluster					
U.S. Department of Health & Human Services					
Child Care and Development Block Grant	93.575				
Pass-Through To:					
Department of Family and Protective Services					
Texas Education Agency					
University of Texas Health Science Center at Houston					
Other Non-State Entities					
Child Care and Development Fund	93.596				
Pass-Through To:					
Other Non-State Entities					
Development Disabilities Basic Support and Advocacy Grants	93.630	701		132,219.00	
Subtotal, Child Care Cluster				132,219.00	0.00
TANF Cluster					
U.S. Department of Health & Human Services					
Temporary Assistance for Needy Families	93.558				
Pass-Through From:					
Health and Human Services Commission		529		10,061,682.89	
Pass-Through To:					
Texas Department of Housing and Community Affairs		529		10,000.00	
Texas A&M University		529		63,435.44	
Texas A & M Engineering Experiment Station		529		12,451.15	
Tarleton State University		529		31,120.00	
Texas A & M Engineering Extension Services		529		42,431.40	
Texas Southern University		529		82,260.56	
University of Texas at Austin		529		81,508.67	
University of Texas Medical Branch at Galveston		529		73,270.33	
University of Texas Southwestern Medical Center		529		53,387.36	
Lamar University		529		24,278.26	
University of Texas at San Antonio		529		96,078.87	
University of North Texas		529		(3,937.50)	
University of Houston - Clear Lake		529		81,478.27	
University of Houston - Downtown		529		33,224.82	
Lamar State College - Orange		529		22,634.78	
Other Non-State Entities		529		79,190,195.65	
Subtotal, TANF Cluster				89,955,500.95	0.00
Total, U.S. Dept. of Health & Human Services				92,045,475.02	0.00
SNAP Cluster					
U.S. Department of Agriculture					
Direct Programs:					
State Admin. Match for Supplemental Nutrition Assist Prog.	10.561				
Pass-Through To:					
Lamar State College - Orange					
Other Non-State Entities					
Total, U. S. Department of Agriculture				0.00	0.00
TOTAL, FEDERAL FINANCIAL ASSISTANCE				92,045,475.02	0.00

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		
11,801,290.16	11,801,290.16				11,801,290.16	11,801,290.16
37,616,463.53	37,616,463.53	530	37,616,463.53			37,616,463.53
14,815,735.88	14,815,735.88	701	14,815,735.88			14,815,735.88
51,033.10	51,033.10	744	51,033.10			51,033.10
223,353,029.37	223,353,029.37			223,353,029.37		223,353,029.37
213,792,850.34	213,792,850.34			213,792,850.34		213,792,850.34
	132,219.00				132,219.00	132,219.00
501,430,402.38	501,562,621.38		52,483,232.51	437,145,879.71	11,933,509.16	501,562,621.38
	10,061,682.89				10,061,682.89	10,061,682.89
	10,000.00	332	10,000.00			10,000.00
	63,435.44	711	63,435.44			63,435.44
	12,451.15	712	12,451.15			12,451.15
	31,120.00	713	31,120.00			31,120.00
	42,431.40	716	42,431.40			42,431.40
	82,260.56	717	82,260.56			82,260.56
	81,508.67	721	81,508.67			81,508.67
	73,270.33	723	73,270.33			73,270.33
	53,387.36	729	53,387.36			53,387.36
	24,278.26	734	24,278.26			24,278.26
	96,078.87	743	96,078.87			96,078.87
	(3,937.50)	752	(3,937.50)			(3,937.50)
	81,478.27	759	81,478.27			81,478.27
	33,224.82	784	33,224.82			33,224.82
	22,634.78	787	22,634.78			22,634.78
	79,190,195.65			79,190,195.65		79,190,195.65
0.00	89,955,500.95		703,622.41	79,190,195.65	10,061,682.89	89,955,500.95
501,430,402.38	593,475,877.40		53,186,854.92	518,293,830.43	21,995,192.05	593,475,877.40
950,734.83	950,734.83				950,734.83	950,734.83
1,132.01	1,132.01	787	1,132.01			1,132.01
11,683,296.89	11,683,296.89			11,683,296.89		11,683,296.89
12,635,163.73	12,635,163.73		1,132.01	11,683,296.89	950,734.83	12,635,163.73
3,901,516,720.37	3,993,562,195.39		63,240,370.35	760,852,269.11	3,169,469,555.93	3,993,562,195.39

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2017

Note 1 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Expenditures of Federal Awards 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	\$	1,215,372,994.02
Federal Pass-Through Revenues		92,045,475.02
Federal Revenues - Proprietary		83,639,686.35
Subtotal		<u>1,391,058,155.39</u>

RECONCILING ITEMS

State UI funds		2,599,269,092.36
* Federal Fixed Fee & Other Contracts		(589,400.00)
Program Income & Non-Grant Expenditures		3,824,347.64
Per Federal Schedule	\$	<u>3,993,562,195.39</u>

Note 2 - Unemployment Insurance Funds

The expenditures in CFDA 17.225 consists of the following:

UI Administrative Grant Funds	\$	142,068,148.32
State UI Benefits Paid		2,599,269,092.36
Former Federal Employees		60,888,757.87
Disaster Unemployment Assistance		84,853.29
TRA Federal Benefits		24,749,618.50
Recoveries from Discontinued Federal Programs		(2,083,543.31)
Total	\$	<u>2,824,976,927.03</u>

Expenditure Amount		2,824,930,865.19
Pass-Through to Non-State Entity Amount		46,061.84
Total expenditures reported for CFDA 17.225 on Schedule 1A	\$	<u>2,824,976,927.03</u>

* The Civil Rights Division of the Texas Workforce Commission conducts investigations arising from complaints regarding employment. The Equal Employment Opportunity Commission (EEOC) pay for these investigations on a fixed fee basis.

Per the provisions of OMB Uniform Guidance 2 CFR Part 200, "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 Uniform Guidance 2 CFR Part 200. Thus, the fixed fee contracts that TWC maintains with EEOC is not considered a federal award, and therefore, are not included in the Schedule of Federal Financial Assistance.

Note 3-6 - Not Applicable

Note 7 - Federal Deferred Revenue

Program	CFDA	Federal Deferred Revenue August 31, 2016	Increase (Decrease)	Federal Deferred Revenue August 31, 2017
Fair Housing Assistance Program: State and Local	14.401	121,499.55	721,777.63	843,277.18
Voc Rehab Grants to States	84.126	-	17,292,156.73	17,292,156.73
Rehabilitation Svc	84.177	-	118,080.31	118,080.31
Total Deferred Revenue		<u>121,499.55</u>	<u>18,132,014.67</u>	<u>18,253,514.22</u>

CFDA 84.126 and 84.177 reflect funds drawn in advance. CFDA 14.401 represents amounts provided by Housing and Urban Development for services provided by the Texas Workforce Commission that will ultimately be expended by the program.

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2017

Note 3 - Summary of Federal Reimbursable Grants

Program Title	CFDA Number	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
		State Agency or Univ Amount	Non-State Entities Amount		
State Admin. Match for Supplemental Nutrition Assist Prog.	10.561	1,132.01	11,683,296.89	950,734.83	12,635,163.73
Fair Housing Assistance Program: State and Local	14.401		0.00	1,267,338.37	1,267,338.37
Labor Force Statistics	17.002			3,510,893.15	3,510,893.15
Employment Service	17.207	329,968.80	11,174,530.91	37,190,468.74	48,694,968.45
Unemployment Insurance	17.225		46,061.84	142,022,086.48	142,068,148.32
Senior Community Service Employment Program	17.235		4,585,174.83	59,534.68	4,644,709.51
Trade Adjustment Assistance	17.245		11,485,610.70	3,871,387.19	15,356,997.89
WIA/WIOA - Adult Program	17.258	486,033.91	48,319,684.04	744,660.65	49,550,378.60
WIA/WIOA - Youth Activities	17.259	0.00	45,603,317.13	6,806,997.69	52,410,314.82
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261			552,784.43	552,784.43
Incentive Grants - Workforce Investment Act Section 503	17.267		0.00	25.16	25.16
Work Opportunity Tax Credit Program	17.271			1,087,425.21	1,087,425.21
Temporary Labor Certification For Foreign Workers	17.273		7,145.61	875,467.12	882,612.73
WIOA National DW Grants / WIA National Emergency Grants	17.277		9,808,907.38	287,096.15	10,096,003.53
WIA/WIOA - Dislocated Worker Formula Grants	17.278	1,777,708.02	46,101,537.61	977,801.06	48,857,046.69
WIA/WIOA - DW National Reserve Demonstration Grants	17.280		645,723.55		645,723.55
WIA/WIOA Dislocated Worker National Reserve Tech Assist. an	17.281			290,365.01	290,365.01
Apprenticeship USA Grants	17.285		691.17	213,774.15	214,465.32
Adult Education - Basic Grant	84.002	85,348.85	53,096,757.02	2,636,653.16	55,818,759.03
Rehabilitation Services - Vocational Rehabilitation Grants to Stat	84.126	7,373,323.84		259,153,212.67	266,526,536.51
Rehabilitation Services - Independent Living for Older Individuals Who are Blind	84.177			481,833.38	481,833.38
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			1,577,948.55	1,577,948.55
Temporary Assistance for Needy Families	93.558	703,622.41	79,190,195.65	10,061,682.89	89,955,500.95
Child Care and Development Block Grant	93.575	52,483,232.51	223,353,029.37	11,801,290.16	287,637,552.04
Child Care and Development Fund	93.596		213,792,850.34		213,792,850.34
Development Disabilities Basic Support and Advocacy Grants	93.630			132,219.00	132,219.00
Social Services Block Grant	93.667		1,957,755.07		1,957,755.07
Disaster Unemployment Assistance	97.034			7,097.34	7,097.34
<i>Total</i>		<u>63,240,370.35</u>	<u>760,852,269.11</u>	<u>486,560,777.22</u>	<u>1,310,653,416.68</u>

Federal Revenues - Governmental	1,215,372,994.02
Federal Pass-Through Revenues	92,045,475.02
Program Income	3,824,347.64
Revenues recognized for Non Grant Activity	(589,400.00)
Total	<u><u>1,310,653,416.68</u></u>

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SCHEDULE 1B
SCHEDULE OF STATE PASS-THROUGH GRANT FROM/TO STATE AGENCIES
For the Year Ended August 31, 2017

Pass-Through To Other Agencies:

Apprenticeship	
Lamar State College - Orange (Agency 787)	737,473.30
Subtotal	\$ <u>737,473.30</u>
Workforce Development - HB939	
Texas Veterans Commission (Agency 403)	225,000.00
Subtotal	\$ <u>225,000.00</u>
Skills Development	
Lamar State College - Port Arthur (Agency 788)	4,308.00
Texas Engineering Extension Service (Agency 716)	5,275.00
Texas State Technical College System (Agency 719)	2,572,980.03
Texas State Technical College System (Agency 789)	197,600.00
Subtotal	\$ <u>2,780,163.03</u>
State Leadership - Adult Education & Literacy	
Texas A&M University (Agency 711)	2,344,099.63
Subtotal	\$ <u>2,344,099.63</u>
Total Pass-Through To Other Agencies	\$ <u><u>6,086,735.96</u></u>

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SCHEDULE 2A
MISCELLANEOUS BOND INFORMATION
 For Fiscal Year Ended August 31, 2017

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 Revenue Bonds, Series 2010A	\$1,110,415,000.00	2.00%	5.00%		2011	2017	01/01/2016
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A	\$ 212,145,000.00	3.00%	5.00%		2015	2017	N/A
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014B	\$ 497,640,000.00	3.50%	4.00%		2017	2019	01/01/2015
	<u>\$1,820,200,000.00</u>						

SCHEDULE 2B
CHANGES IN BONDED INDEBTEDNESS
 For Fiscal Year Ended August 31, 2017

Business-Type Activities

<u>Description of Issue</u>	<u>Bonds Outstanding 9/1/2016</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded or Extinguished</u>	<u>Adjustments</u>
Revenue Bonds					
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010A					
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A	\$ 54,285,000.00		\$ 54,285,000.00		
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014B	\$ 244,340,000.00		155,405,000.00	88,935,000.00	
	<u>\$ 298,625,000.00</u>	<u>\$ -</u>	<u>\$ 209,690,000.00</u>	<u>\$ 88,935,000.00</u>	<u>\$ -</u>

Bonds Outstanding 8/31/2017	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 8/31/2017	Amounts Due Within One Year
-				
-				
-				
\$ -				

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SCHEDULE 2C
DEBT SERVICE REQUIREMENTS
For Fiscal Year Ended August 31, 2017

Note: There are no prospective debt service requirements since the bonds were retired on July 1, 2017

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SCHEDULE 2D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 For Fiscal Year Ended August 31, 2017

Business-Type Activities

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2017			
	Net Available for			
	Debt Service			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
		Principal	Interest	
Revenue Bonds				
Texas Public Finance Authority				
Unemployment Compensation	\$ 206,342,467.80		\$ 209,690,000.00	\$ 10,113,325.00
Obligation Assessment Revenue				
Refunding Bonds, Series 2014 A & B				
	<u>\$ 206,342,467.80</u>	<u>\$ -</u>	<u>\$ 209,690,000.00</u>	<u>\$ 10,113,325.00</u>

Note: After the bonds were retired on July 1, 2017 obligation assessment taxes were deposited to the Unemployment Trust Fund Account.

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SCHEDULE 2E
DEFEASED BONDS OUTSTANDING
 For Fiscal Year Ended August 31, 2017

Business-Type Activities

<u>Description of Issue</u>	<u>Year Defeased</u>	<u>Par Value Outstanding</u>
Revenue Bonds		
Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010A	2014	
Total Revenue Bonds		<hr/> <hr/>

*All defeased bonds were
retired on January 1, 2016

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**SCHEDULE 2F
EARLY EXTINGUISHMENT AND REFUNDING**
For Fiscal Year Ended August 31, 2017

Business-Type Activities

<u>Description of Issue</u>	<u>Category*</u>	<u>Amount Extinguished or Refunded</u>
Revenue Bonds		
Texas Public Finance Authority Revenue Bonds, Series 2014B	Early Extinguishment	88,935,000.00 <u>\$ 88,935,000.00</u>
Total Business-Type Activities		<u><u>\$ 88,935,000.00</u></u>

*The Early Extinguishment utilized funds available in the Obligation Assessment Trust Fund to exercise a call feature of the Series 2014B issue.

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ADDENDA
ORGANIZATION, RESPONSIBILITIES AND GENERAL COMMENTS
 For the Year Ended August 31, 2017

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, 2017 are as follows.

<u>Commission Member</u>	<u>Dates of Term</u>	<u>Hometown</u>
Andres Alcantar (Chair and Commissioner Representing the Public)	August 2008 – February 2019 (May 1, 2012 named TWC Chair)	Leander
Ruth R. Hughs (Commissioner Representing Employers)	July 2015 – February 2021	Austin
Julian Alvarez (Commissioner Representing Labor)	March 2017 – February 2023	Harlingen

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

The Commission had a total of 4,234 full-time employees at August 31, 2017.

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TEXAS WORKFORCE COMMISSION
September 2017

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

