

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2005

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2005



Bob Riley
Governor

Kay Ivey
State Treasurer

James Main
Director of Finance

Beth Chapman
State Auditor

Prepared by the
Department of Finance, Office of the State Comptroller
Robert L. Childree • State Comptroller

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STATE OF ALABAMA

INTRODUCTORY SECTION



STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

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BOB RILEY
Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

March 31, 2006

To the Honorable Governor,
Members of the State Legislature, and
the Citizens of Alabama:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Alabama for the year ended September 30, 2005. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Report

The Comprehensive Annual Financial Report is divided into three sections:

- **The Introductory Section** contains this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the September 30, 2004 CAFR, a list of principal officials at September 30, 2005, and the State organization chart.
- **The Financial Section** includes the Independent Auditor's Report, management's discussion and analysis, basic financial statements including notes, required supplementary information, combining and individual fund financial statements, and supplemental statements and schedules.
- **The Statistical Section** includes selected financial and demographic information about the State, with an emphasis on multi-year trends.

Internal Controls

The internal controls in the State's accounting system have been designed to comply with Alabama statutes requiring the audit of receipts and receivables; the determination of legality and correctness of each claim and expenditure; and that funds are appropriated, allotted, and on deposit in the State Treasury before any warrant is issued. The internal controls include manual pre-audit and automated system edits. As an additional control, the State Auditor's Office is responsible for a post-audit of the accounts and records of the Department of Finance and the State Treasurer's Office. These internal accounting controls provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

Audit

This CAFR has been audited by the Department of Examiners of Public Accounts. The Examiners conducted their audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The Examiners' unqualified opinion appears at the beginning of the financial section of this report. The State will also undergo an audit of federal programs to conform to the requirements of the *Single Audit Act Amendments of 1996* and the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Information relating to the single audit, including the schedule of expenditures of federal awards, and audit findings and recommendations, is issued in a separate report and will be available at a later date from the Department of Examiners of Public Accounts.

Management's Discussion and Analysis

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Profile of the Government

Reporting Entity

This report presents financial information on all of State government as a single reporting entity. While State law allows many State organizations to operate largely independent of the daily central control and scrutiny of the Department of Finance, State Auditor, and State Treasurer, this report combines the financial data of all State organizations in order to present a comprehensive picture of State finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities, and other organizational units of the State are included in this report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations which are considered to be part of the primary government of the State and those which are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization, and the potential for the organization to be a financial benefit or financial burden to the State. The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges, or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government, but most of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Federal Aid Highway Finance Authority, State Parks Improvement Corporation, and the Building Renovation Finance Authority. The major discretely presented component units are the Alabama Public School and College Authority, the Department of Mental Health and Mental Retardation, the Alabama Housing Finance Authority, the Alabama Water Pollution Control Authority, the University of Alabama, Auburn University, and the University of South Alabama. Note 1 to the financial statements provides a more complete description of the State's reporting entity.

Budgetary Controls

Budgetary control is exercised through the Executive Budget Office of the Department of Finance based on the Appropriation Acts of the State Legislature. Alabama's annual Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund, and other budgeted funds. The Appropriation Acts identify the source of funding and the programmatic (functional) areas for which expenditures are authorized. Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. In the event that revenue collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft in any fiscal year for which appropriations are made. Allotments of appropriations are made quarterly based on plans of operations submitted by the departments and agencies. These appropriations and allotments are enforced by automated edits that prevent allotments in excess of appropriations and expenditures in excess of allotments. Encumbrance accounting is utilized as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. Controls are further tightened at fiscal year-end by verifying that the total of purchase orders plus expenditures plus any obligations (accounts payable) incurred against fiscal year appropriations do not exceed allotments, and remaining allotments do not exceed cash in the Treasury.

Cash Controls

The State's controls on cash are fiscally very conservative. Constitutional Amendment 26 prohibits the State Comptroller from drawing warrants on the State Treasury unless there is money on hand to cover those warrants. This is more restrictive at the end of the fiscal year when obligations (encumbrances and accounts payable) cannot exceed the available cash balance (cash less warrants payable). This control is enforced by automated edits and tends to result in positive fund balances, even when GAAP basis accruals are made in the financial statements. Compliance with Amendment 26 is demonstrated in the following exhibits for the General Fund and the Education Trust Fund.

Summary of Receipts, Disbursements, and Cash Balances
General Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Beginning Cash Balance, October 1	\$ 187,411	\$ 137,471	\$ 65,176	\$ 100,229	\$ 126,108
Receipts	1,437,230	1,297,452	1,313,934	1,144,313	1,163,254
Disbursements	<u>1,409,989</u>	<u>1,247,512</u>	<u>1,241,639</u>	<u>1,179,366</u>	<u>1,189,133</u>
Net Increase (Decrease) in Cash Balance	27,241	49,940	72,295	(35,053)	(25,879)
Ending Cash Balance, September 30	214,652	187,411	137,471	65,176	100,229
Cash Balance Reserved for Obligations	<u>45,945</u>	<u>30,704</u>	<u>33,216</u>	<u>35,133</u>	<u>38,637</u>
Unobligated Cash Balance, September 30	<u>\$ 168,707</u>	<u>\$ 156,707</u>	<u>\$ 104,255</u>	<u>\$ 30,043</u>	<u>\$ 61,592</u>

Summary of Receipts, Disbursements, and Cash Balances
Education Trust Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Beginning Cash Balance, October 1	\$ 216,210	\$ 32,078	\$ 33,084	\$ 32,619	\$ 44,044
Receipts	4,969,255	4,456,027	4,249,955	4,133,349	4,014,710
Disbursements	<u>4,598,351</u>	<u>4,271,895</u>	<u>4,250,961</u>	<u>4,132,884</u>	<u>4,026,135</u>
Net Increase (Decrease) in Cash Balance	370,904	184,132	(1,006)	465	(11,425)
Ending Cash Balance, September 30	587,114	216,210	32,078	33,084	32,619
Cash Balance Reserved for Obligations	<u>16,455</u>	<u>26,304</u>	<u>24,578</u>	<u>28,890</u>	<u>26,818</u>
Unobligated Cash Balance, September 30	<u>\$ 570,659</u>	<u>\$ 189,906</u>	<u>\$ 7,500</u>	<u>\$ 4,194</u>	<u>\$ 5,801</u>

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund (ETF) for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year. The drop in ETF fund balance in 2002 was the result of a drop in tax revenues combined with a delay in payment of corporate tax refunds in that year.

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund	\$ 293.9	\$ 236.7	\$ 163.0	\$ 152.0	\$ 112.0
Education Trust Fund	1,016.1	543.1	409.2	81.8	326.9

Economic Condition and Outlook

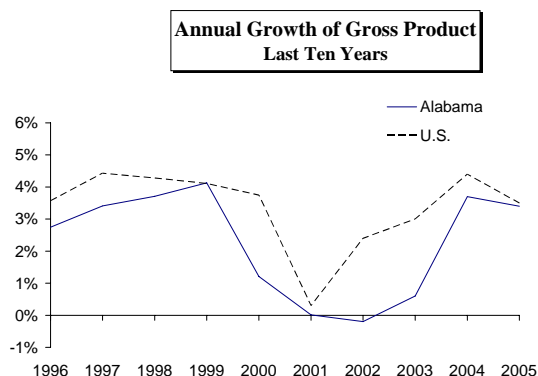
Alabama's gross state product grew 3.4 percent in 2005, which nearly paralleled the national gross domestic product (GDP) growth of 3.5 percent. Alabama also experienced a 1.6 percent increase in total nonagricultural employment. Rapid growth in the State's manufacturing and construction sectors contributed to this increase. The 17 percent jump in motor vehicle manufacturing was the primary driver behind the 3.7 percent increase in manufacturing output. This resulted in 3,200 new jobs added by the manufacturing industry. This sector continues to face intense domestic and foreign competition which places additional pressure on manufacturers to cut costs. Strong residential construction in the major metro areas and expanding automotive plants fueled the 4.3 percent increase in construction output. This growth raised employment in the construction sector by 3 percent, adding 3,100 jobs.

Wholesale and retail trade grew 4.1 percent in 2005. However, rising interest rates, slowing housing sales and higher energy prices will lesson consumers' disposable income in 2006, causing competition among retailers to increase. The services sector output rose approximately 3 percent, with the fastest growing segments including business and professional services, administrative support services and education and health-related services. This sector has also been dealing with higher energy costs and increased competition. The finance, insurance and real estate sector output grew by 3.6 percent. Banking output grew 2.8 percent, and nonbanking output increased by 3.9 percent. This was primarily due to strong new and used home sales.

Alabama's unemployment rate fell to 4.1 percent, which is significantly below the nation's 5.0 percent unemployment rate. This is due to the 24,800 new jobs that were added in 2005, with the service providing sectors accounting for 18,700 of these and the goods producing sectors accounting for 6,100. This huge growth in Alabama jobs resulted from 25,000 jobs gained in the metro areas, while nonmetro areas lost 200 jobs. The Montgomery metro area added the most jobs of 5,300, while Mobile was close behind with 5,100.

Alabama experienced remarkable growth in tax receipts in fiscal year 2005. The State tax receipts grew 10.9 percent, which increased receipts to \$7.6 billion. Sales tax revenues went up by 6.1 percent or \$103 million over the previous fiscal year. Corporate income tax revenues rose 42.8 percent. This was partially due to the increase in motor vehicle manufacturing and also the expiration of the bonus depreciation deduction. Individual income taxes also jumped 11.4 percent or \$302 million in 2005.

Higher interest rates and energy prices present the biggest risks to Alabama's outlook for the future. Higher interest rates could harm sectors of the economy that are highly sensitive to increases, such as durable goods, housing and corporate borrowing. However, the State's economy is forecasted to grow 3.0 percent in 2006 and 2.9 percent in 2007. Motor vehicle manufacturing is expected to increase 27.7 percent in 2006, resulting in a predicted 5.1 percent rise in manufacturing output. Trade, construction, professional and business services, educational and health services, and transportation and warehousing should also see strong gains.



Source: Center for Business and Economic Research, University of Alabama
University Outreach, Auburn University Montgomery

Major Initiatives

Alabama Development Office

The Alabama Development Office (ADO) was chosen as the number one state-level economic development agency in the nation by Site Selection magazine. This award is a reflection of Alabama's growing economy and reduced unemployment rate. The Governor and the ADO are focusing on helping existing industries expand and recruiting new businesses to the State. Forming partnerships between State, local and corporate leaders will strengthen opportunities to bring new projects and jobs to Alabama. The ADO is also concentrating on expanding projects to more rural parts of the State.

Alabama Commission for the Prevention and Treatment of Substance Abuse

On December 9, 2004, Governor Riley launched the Alabama Commission for the Prevention and Treatment of Substance Abuse. Alabama spends approximately \$1.2 billion a year in State funds on treatment, prevention and other services related to drug and alcohol abuse. The goals of the commission are to increase the efficiency, effectiveness and accountability of substance abuse programs that are State funded. The commission will develop and implement a strategic plan that identifies opportunities for better use of existing resources for Alabama's substance abuse prevention and treatment systems.

State Health Insurance Assistance Program

The State Health Insurance Assistance Program (SHIP) is receiving a 40 percent increase in its budget to support efforts to educate Alabamians about the new Medicare prescription drug benefit program. SHIP provides counseling to Alabama's seniors about Medicare benefits and health insurance. Trained counselors will help Medicare beneficiaries understand Medicare, supplemental Medicare insurance policies, Medicare Savings Programs, long-term care insurance, prescription drug coverage, and other public and private health insurance coverage options.

The Governor's Congress on School Leadership

In November 2004, the Governor launched an effort focused on improving the quality of educational leaders in Alabama's public schools. The Governor's Congress on School Leadership will examine school leadership issues and make recommendations for improvements to Governor Riley, the State Board of Education, and the State Legislature. Some of the main issues expected to be examined are the standards for preparing principals as instructional leaders, the selection and preparation of school leaders, the certification and professional development of instructional leaders, and the incentives needed to attract and retain a quality principal in every school.

Teacher Testing Agreement

The Alabama Board of Education approved a second amended consent decree to require high quality subject-matter testing for those who want to teach in the State. This testing will help ensure that the State's public school teachers are highly qualified as required by the federal No Child Left Behind law. Alabama will use the PRAXIS II series of tests developed by Educational Testing Service to measure subject-matter knowledge of teachers.

Hurricane Insurance Task Force

The Hurricane Insurance Task Force is a panel of local business leaders, insurers and legislators appointed to study hurricane insurance issues in coastal Alabama. The task force will recommend strategies to the Governor and the State Legislature that will bring stability to the market. Their proposals are intended to result in hurricane insurance that is available and affordable to Alabamians on the Gulf Coast.

Governor's Office of Faith-Based and Community Initiatives

On August 11, 2005, Governor Riley signed an Executive Order aimed at developing a statewide plan to prevent and end chronic homelessness in Alabama. The Governor's Office of Faith-Based and Community Initiatives will be in charge of the effort and will oversee the work being done by the Interagency Council on Homelessness. Members of the Interagency Council include leaders of 14 State agencies, the Alabama Alliance to End Homelessness, faith-based and non-profit agencies, two members of the Alabama Senate, and two members of the Alabama House of Representatives. The Governor expects the development of an action plan that will end chronic homelessness in Alabama within ten years.

Illegal Immigration

On September 30, 2005, Governor Riley announced that Alabama will more than double the number of state troopers it can use to arrest illegal immigrants. These state troopers will go through federal immigration law enforcement training at the Center for Domestic Preparedness in Anniston. Alabama is one of only three states in the country with the authority to use state troopers as federal immigration enforcement officers. In 2003, Governor Riley signed an agreement with the U.S. Department of Homeland Security which gave Alabama this authority.

Financial Information

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, the MD&A focuses on the State's major funds, such as the General Fund, Education Trust Fund, Alabama Trust Fund, and Unemployment Compensation Trust Fund.

Cash Management

The State Treasurer has the responsibility for the investment of cash balances. Due to statutory requirements, treasury cash is primarily invested in time deposit - open accounts and repurchase agreements with Alabama banks.

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all available funds being invested. Interest earnings during the 2004-2005 fiscal year were as follows:

Time Deposit - Open Accounts - Regular	\$ 17.0 million
Repurchase Agreements	\$ 26.3 million
Other Investments	\$ 2.8 million

Interest income is deposited in the State's General Fund to be appropriated by the State Legislature for government operations. In addition to the management of the investment of these funds, the State Treasurer has statutory authority to invest for several state agencies, with interest earnings being credited to those agencies.

Debt Administration

Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service due in large part to the commitment to sound fiscal management. Currently, the exception is the upper medium bond ratings for the Tobacco Settlement Revenue Bonds issued by the Alabama Twenty-first Century Authority, a component unit of the State. Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Constitution prohibits the issuance of debt. Therefore, the only way to issue general obligation debt is by amending the Constitution through a statewide vote of the people. The State does issue revenue bonds which are limited obligations of public corporations governed by state officials. Those revenue bonds are backed by a pledge of specific revenue sources for which the annual collections are generally predictable. The total outstanding general obligation bond indebtedness as of September 30, 2005, was \$507.5 million, and the total outstanding revenue bond indebtedness for the primary government was \$762.8 million. The total outstanding revenue bond indebtedness for component units was \$4.9 billion. The total outstanding bond indebtedness for the reporting entity at September 30, 2005, was \$6.2 billion. The State's general obligation bond debt per capita increased to \$111 during the year. The ratio of general obligation bond debt to assessed property valuation inclined to .99 percent, and the ratio of general obligation debt to personal income increased to 0.38 percent.

The State of Alabama issued \$103,920,000 in general obligation bonds in fiscal year 2005. The Alabama Public School and College Authority issued \$84,980,000 in new bonds. The Mental Health Finance Authority issued \$26,595,000 in refunding bonds. The refunding bonds were issued for the purpose of refunding the outstanding 1995 bonds. The Public Health Care Authority issued \$57,975,000 in refunding bonds. Proceeds from the refunding bonds were used to refund the outstanding 1996 bonds. The Alabama Drinking Water Authority issued \$24,880,000 in new bonds. The Space Science Exhibit Commission issued \$4,400,000 in new bonds. The Space Science Exhibit Commission issued \$12,580,000 in refunding bonds. The refunding bonds were issued for the purpose of refunding the outstanding 1992, 1995, and 2001 bonds. The Housing Finance Authority issued \$78,895,000 in new bonds and called approximately \$214,604,000 of bonds in advance of their scheduled maturities. The University of Alabama in Birmingham issued \$60,375,000 in refunding bonds. The refunding bonds were used to refund all outstanding Series 1999 bonds. The University of South Alabama issued \$1,330,000 in new bonds. The Alabama College System issued \$87,945,000 in new bonds. Troy University issued \$785,000 in new bonds.

Pension Trust Funds

The State operates three major pension funds, the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the respective retirement systems' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the respective system is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the retirement system. Percentages funded as of the latest actuarial valuation date, September 30, 2004, for ERS (State employees and State policemen) and JRF were 90.1 and 85.9 percent, respectively. The percentage funded for TRS as of June 30, 2004, was 89.6 percent.

Risk Management

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk control is managed by such means as encouraging that automatic sprinkler systems in insured properties are adequate and in full functioning order, carefully investigating and defending claims to minimize loss potential, managing care programs, and promoting healthy employee programs. Risk financing includes self-insurance plus excess insurance and reinsurance through several different funds. The State Insurance Fund, which insures property against fire and casualty losses, has excess insurance and reinsurance to cover any additional damage amounts, plus earthquake and flood damage. The General Liability Trust Fund protects state employees against the risk of loss from employment-related liability claims. Automobile liability is fully reinsured. The State Employee Injury Compensation Trust Fund, which provides benefits to eligible state employees for job-incurred injuries, is self-insured. The State Employees' Insurance Fund, which provides health insurance benefits for current and retired state employees and their dependents, is self-insured. The Public Education Employees' Health Insurance Fund, which provides health insurance benefits for current and retired employees and their dependents of state educational institutions, is also self-insured.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004. This was the seventh consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Production of this report would not have been possible without the assistance of all State organizations which supplied financial information vital to the accuracy of this report. As we strive to produce this report in future years and to further enhance its quality, the continued support and cooperation of all agencies remain essential. I also express my appreciation to my entire staff in the Division of Control and Accounts, whose daily efforts to improve the accountability of state government make the quality of this report possible.

Respectfully submitted,



Robert L. Childree
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

STATE OF ALABAMA

PRINCIPAL STATE OFFICIALS

September 30, 2005

EXECUTIVE BRANCH

Bob Riley
Governor

Lucy Baxley
Lt. Governor

Kay Ivey
State Treasurer

Nancy Worley
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Beth Chapman
State Auditor

JUDICIAL BRANCH

Drayton Nabers, Jr.
Chief Justice of the Supreme Court

Justices of the Supreme Court

Robert Bernard Harwood, Jr.

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Harold F. See, Jr.

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Lowell Ray Barron
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

James Allen Main
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation
and Natural Resources

Col. Mike Coppage
Department of Public Safety

James K. Lyons
Alabama State Port Authority

William C. Segrest
Board of Pardons and Paroles

Bill Johnson
ADECA

Maj. Gen. Mark Bowen
State Military Department

Dr. Page Walley
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health
and Mental Retardation

Lee Sentell
Bureau of Tourism and Travel

Richard H. Dorrough
Department of Children's Affairs

Donal Campbell
Department of Corrections

Bruce Baughman
Emergency Management Agency

Joe McInnes
Department of Transportation

Phyllis Kennedy
Department of Industrial
Relations

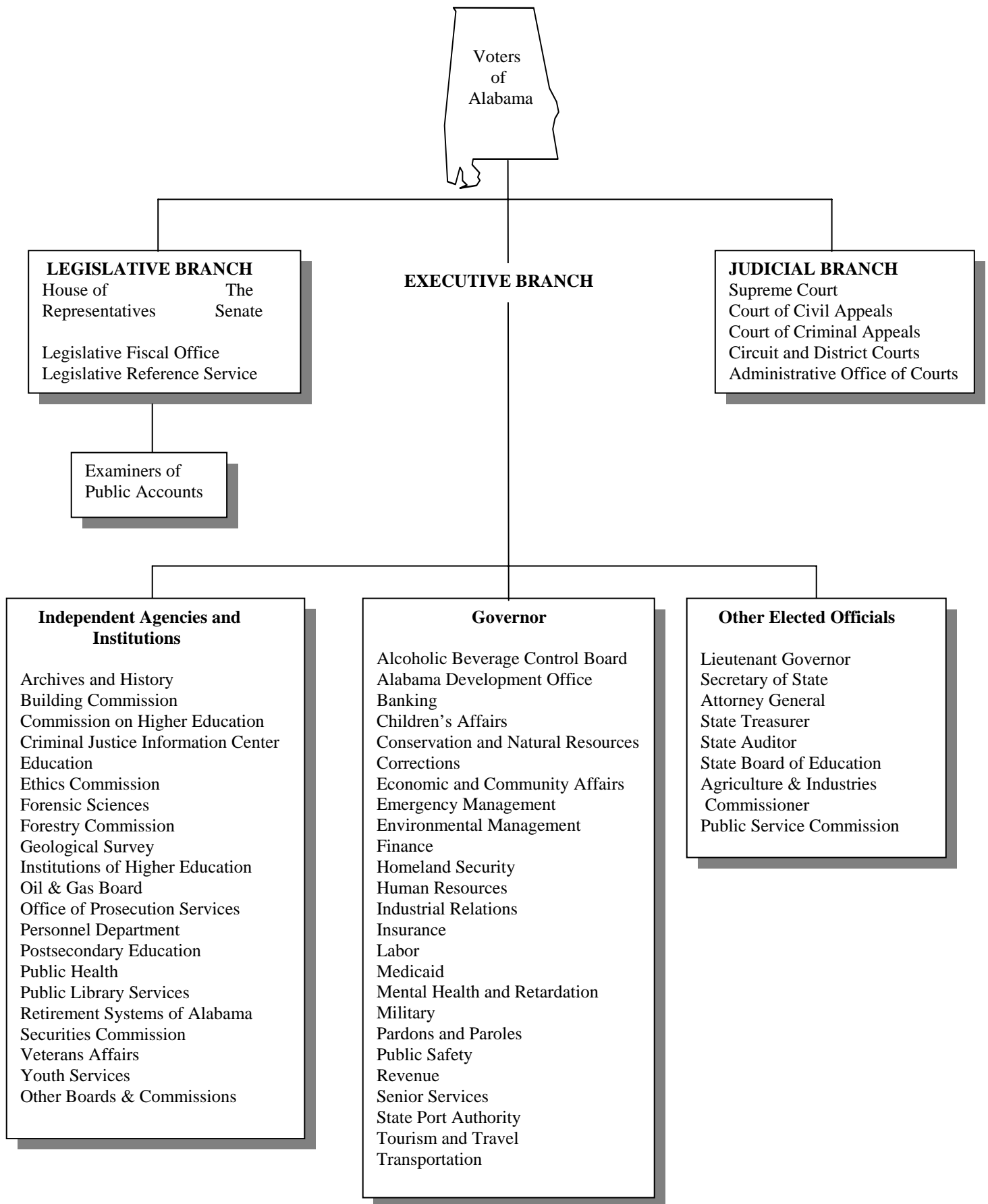
Carol Herrmann
Alabama Medicaid Agency

Tom Surtees
Department of Revenue

Walter A. Bell
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART







State of Alabama
Department of
Examiners of Public Accounts

Ronald L. Jones
 Chief Examiner

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2005, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: State Employees' Insurance Fund Alabama Educational Television Foundation Authority Alabama Public Health Authority	0.53%	2%
Business-Type Activities: Public Education Employees' Health Insurance Fund Local Government Health Insurance Program Alabama Health Insurance Plan Alabama State Port Authority	32%	47%
Aggregate Discretely Presented Component Units: Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	84%	71%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Proprietary/Enterprise Fund: Public Education Employees' Health Insurance Fund	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Prepaid Affordable College Tuition Program State Employees' Insurance Fund Alabama Educational Television Foundation Authority Local Government Health Insurance Program Alabama Health Insurance Plan Alabama College Education Savings Plan Alabama Public Health Authority	93%	59%

The financial statements of these agencies and funds were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Retirement Systems of Alabama, the Employees' Savings Plans (Public Employees' Individual Retirement Account Fund and the Public Employees' Individual Retirement Fund/RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Fund, the Alabama Health Insurance Plan, the Local Government Health Insurance Program, the Alabama Educational Television Foundation Authority, the Alabama Higher Education Loan Corporation, and the Alabama College Education Savings Plan, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alabama's basic financial statements. The introductory section, the combining and individual fund statements and schedules, and the statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Ronald L. Jones". The signature is written in a cursive, flowing style.

RONALD L. JONES
Chief Examiner of Public Accounts

March 31, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2005. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net assets increased by \$1.6 billion during fiscal year 2005. The assets of the State exceeded its liabilities at the close of the fiscal year by \$22.5 billion (*net assets*). Of this amount, \$16.2 billion was invested in capital assets (net of related debt), \$2.4 billion was in the Alabama Trust Fund, and another \$3 billion was restricted for various purposes. The remaining \$859 million in net assets was unrestricted.
- The Change in Net Assets in governmental activities was a positive \$1.3 billion. However, \$503 million of this can be attributed to the capitalization of infrastructure and construction in progress. Cash increased by \$495 million, primarily the result of the State's booming economy which resulted in large increases in tax collections. Investments increased by \$312 million, \$217 of which was in the Alabama Trust Fund which by law invests most of the money it takes in.
- The business-type activities reported net assets at year-end of \$1.27 billion, an increase of \$254 million for the fiscal year.
- The State's total bonded debt at the end of the fiscal year was \$1.27 billion, an increase of \$140 million, which represents the net difference between new issuances and payments and refundings of outstanding debt. During the year the State issued \$145 million in new revenue bonds. The State also issued \$109 million in general obligation bonds during fiscal year 2005, and the payments on general obligation bonds totaled \$50 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$5.6 billion. Approximately \$2.7 billion of this amount is unreserved fund balance.
- On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$21 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$41 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

This discussion and analysis is an introduction to the State of Alabama's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the State's financial position and activities measured in a manner similar to a private-sector business. Assets, liabilities, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and accrual basis of accounting. The government-wide financial statements exclude fiduciary activities.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities at the end of the fiscal year. The difference between the State's assets and its liabilities is its net assets. Increases or decreases in net assets from year to year may serve as a useful indicator of whether the financial position of the State is improving or not.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health- physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of

the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and services for shippers at the Port of Mobile.

The government-wide financial statements include not only the State of Alabama itself (known as the *primary government*), but also legally separate *component units* for which the State is financially accountable. The major *component units* include the Public School and College Authority, Housing Finance Authority, Water Pollution Control Authority, Department of Mental Health and Mental Retardation, University of Alabama, Auburn University, and University of South Alabama. Financial information for the *component units* is reported in a separate column from the financial information presented for the primary government. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Most of the State's basic services are reported in governmental funds. The governmental fund financial statements focus on near-term inflows and outflows of resources of these funds and the balances of those resources available at year-end. These funds are measured and reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances are followed by a reconciliation to the government-wide statements.

The types of funds which are categorized as governmental funds are the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Alabama Trust Fund, Education Trust Fund, Public Road and Bridge Fund, Public Welfare Trust Fund, and Alabama Medicaid Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated column on the basic financial statements. Individual fund data for each of the nonmajor governmental funds can be found in the combining and individual fund statements and schedules section of this report.

Proprietary funds

Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds: enterprise funds and internal service funds. Like the government-wide statements, proprietary funds use the accrual basis of accounting.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds report activities that provide supplies and services to the general public in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, Alabama College System, Public Education Employees' Health Insurance Plan, and the Alcoholic Beverage Control Board. The major enterprise funds are each presented in separate columns, but the nonmajor enterprise funds are aggregated in a single column.

Internal service funds report activities that provide supplies and services to other state agencies on a cost-reimbursement basis. These funds are reported as governmental activities on the government-wide financial statements. These funds provide computer services, information technology, telecommunications, rental of office buildings, janitorial services, building maintenance, printing services, manufacturing activities, health insurance coverage for state employees, and liability protection. The internal service funds are aggregated in a single column on the proprietary fund statements.

Fiduciary funds

The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension and other employee benefits, private-purpose, and agency funds are reported using accrual accounting. The government-wide financial statements exclude fiduciary fund activities and balances because the resources of those funds are not available to support the State's own programs.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to the fair presentation of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedule reconciling the budgetary fund balances and generally accepted accounting principles fund balances at fiscal year-end, (2) ten year loss development information for the State Insurance Fund, (3) a schedule of funding progress for the Employees' Retirement System, and (4) information about infrastructure assets reported using the modified approach.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$22.4 billion as of September 30, 2005.

The largest component (72%) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

About 86 percent of the State's net assets that are unrelated to capital assets are restricted and represent resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance of \$859 million is unrestricted net assets and may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. Internally imposed designations of resources are not presented as restricted net assets.

At the end of fiscal year 2005, the State was able to report positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities. The prior year has been restated.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 7,609,764	\$ 6,349,805	\$ 1,143,388	\$ 860,209	\$ 8,753,152	\$ 7,210,014
Capital Assets	16,302,529	15,752,165	840,665	770,171	17,143,194	16,522,336
Total Assets	23,912,293	22,101,970	1,984,053	1,630,380	25,896,346	23,732,350
Long-term Liabilities	1,123,551	1,030,292	448,332	354,351	1,571,883	1,384,643
Other Liabilities	1,676,601	1,273,940	265,654	260,142	1,942,255	1,534,082
Total Liabilities	2,800,152	2,304,232	713,986	614,493	3,514,138	2,918,725
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	15,702,091	15,192,120	508,280	459,250	16,210,371	15,651,370
Restricted	4,960,154	4,245,991	352,524	351,847	5,312,678	4,597,838
Unrestricted	449,896	359,627	409,263	204,790	859,159	564,417
Total Net Assets	\$ 21,112,141	\$ 19,797,738	\$ 1,270,067	\$ 1,015,887	\$ 22,382,208	\$ 20,813,625

STATE OF ALABAMA

The following table was derived from the government-wide Statement of Activities. As a result of the excess of revenues over expenses, the State's net assets increased by \$1.3 billion during fiscal year 2005. \$556 million of this increase was the result of increases in the amount of capital assets reported, of which \$503 million of the increase came from routine infrastructure construction of roads and bridges. Cash and investments increased by \$566 million, primarily because a booming economy resulted in sales and income taxes being collected far in excess of the amount that was authorized to be spent in the budget. Taxes provided \$6.7 billion, or approximately 38 percent, of the State's total revenue. Education and Cultural Resources made up \$5.1 billion, or 31 percent, of the State's expenses. \$4.5 billion, or 28 percent, was spent on Health-Physical and Mental; over \$3.4 billion was spent on Medicaid programs. Spending in Protection of Persons and Property increased by \$289 million, an increase of over 38%. \$208 million of this increase was by the Department of Emergency Management, as a result of several recent hurricanes.

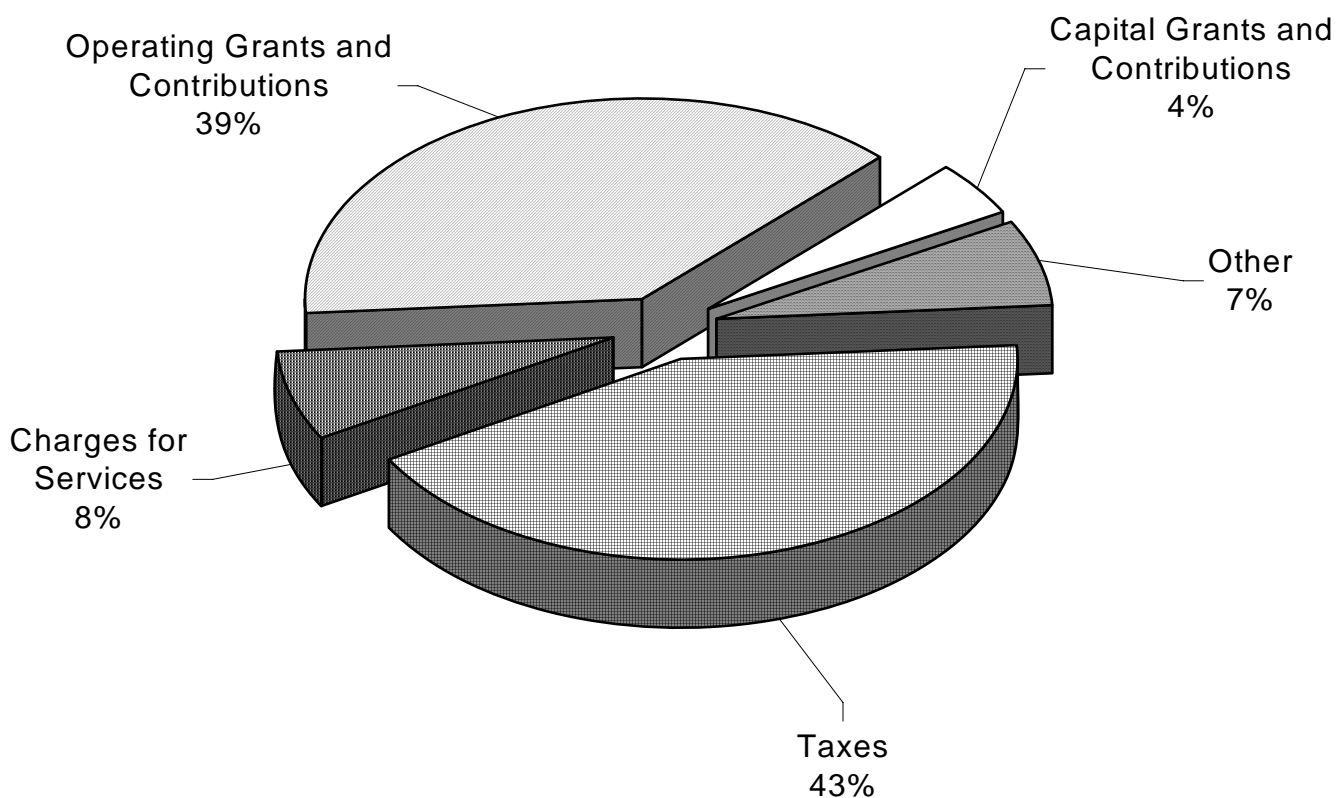
Changes in Net Assets
For the Fiscal Year Ended September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,105,654	\$ 1,157,709	\$ 1,779,316	\$ 1,554,517	\$ 2,884,970	\$ 2,712,226
Operating Grants and Contributions	6,076,172	5,584,314	269,617	297,858	6,345,789	5,882,172
Capital Grants and Contributions	673,977	565,871	22,776	6,479	696,753	572,350
General Revenues:						
Taxes	6,688,435	5,824,681	8,598	8,492	6,697,033	5,833,173
Grants and Contributions Not Restricted to Specific Programs	6,159	75,741	-	-	6,159	75,741
Investment Earnings	240,717	173,657	31,344	22,658	272,061	196,315
Miscellaneous	839,804	858,777	4,554	2,765	844,358	861,542
Total Revenues	<u>15,630,918</u>	<u>14,240,750</u>	<u>2,116,205</u>	<u>1,892,769</u>	<u>17,747,123</u>	<u>16,133,519</u>
Expenses:						
Economic Development and Regulation	63,097	59,894			63,097	59,894
Education and Cultural Resources	5,092,756	4,724,935			5,092,756	4,724,935
Natural Resources and Recreation	90,500	95,032			90,500	95,032
Health- Physical and Mental	4,479,975	4,296,802			4,479,975	4,296,802
Social Services	1,608,627	1,496,160			1,608,627	1,496,160
Protection of Persons and Property	1,035,732	746,763			1,035,732	746,763
Transportation	884,601	856,603			884,601	856,603
General Government	757,106	726,150			757,106	726,150
Debt Service - Interest and Other Charges	43,052	42,083			43,052	42,083
Unemployment Compensation			251,137	308,281	251,137	308,281
State Port Authority			85,984	74,679	85,984	74,679
Alabama College System			646,868	627,846	646,868	627,846
Alcoholic Beverage Control Board			192,278	184,391	192,278	184,391
Public Education Employees' Health Insurance			788,019	736,669	788,019	736,669
Nonmajor Proprietary Funds			159,007	144,714	159,007	144,714
Total Expenses	<u>14,055,446</u>	<u>13,044,422</u>	<u>2,123,293</u>	<u>2,076,580</u>	<u>16,178,739</u>	<u>15,121,002</u>
Increase (Decrease) in Net Assets Before Contributions and Transfers	1,575,472	1,196,328	(7,088)	(183,811)	1,568,384	1,012,517
Contributions to Permanent Funds & Endowments	2	-	201	6	203	6
Transfers	<u>(261,067)</u>	<u>(229,114)</u>	<u>261,067</u>	<u>229,114</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,314,407	967,214	254,180	45,309	1,568,587	1,012,523
Net Assets- Beginning	<u>19,797,734</u>	<u>18,830,520</u>	<u>1,015,887</u>	<u>970,578</u>	<u>20,813,621</u>	<u>19,801,098</u>
Net Assets- Ending	<u>\$ 21,112,141</u>	<u>\$ 19,797,734</u>	<u>\$ 1,270,067</u>	<u>\$ 1,015,887</u>	<u>\$ 22,382,208</u>	<u>\$ 20,813,621</u>

Governmental Activities

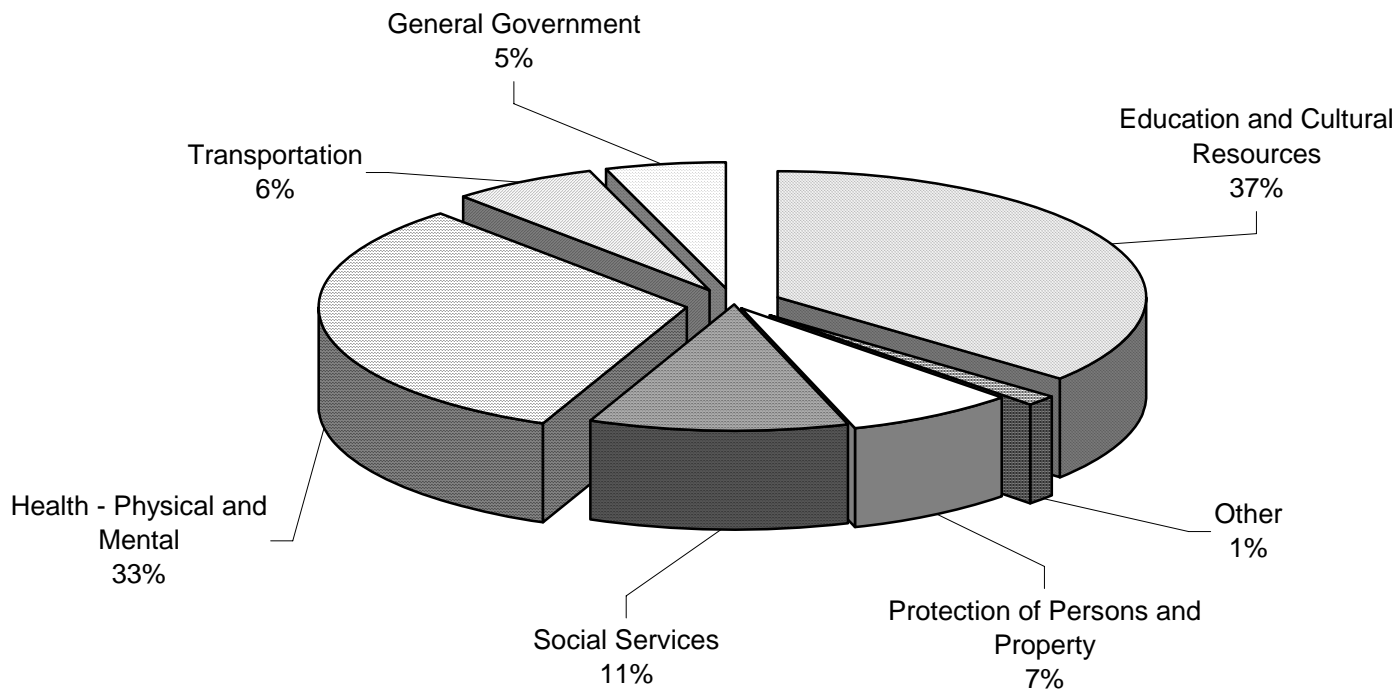
Revenue from all tax types represents 43 percent of total governmental revenues earned during fiscal year 2005. Tax revenue was up by \$864 million, an increase of 15%. \$655 million of the increase in tax revenues was from sales and income taxes, reflecting the booming economy and the effects of the expiration of the federal bonus depreciation. Total revenues for governmental activities in fiscal year 2005 were \$15.6 billion. General revenues of the governmental activities were \$7.8 billion. The largest components of these revenues were income taxes of \$2.9 billion and sales and use taxes of \$2 billion. Operating grants and contributions make up 39 percent, or \$6.3 billion, of total governmental revenues. Operating grants and contributions increased \$492 million over the previous year, \$180 million of which was through the Emergency Management Department, which was largely for hurricane assistance. \$105 million of the increase was for increased Medicaid costs, \$93 million of the increase was for road construction projects, and \$100 million was for social programs. Nearly all of the operating grants and contributions were received from the Federal government.

Revenues - Governmental Activities Fiscal Year Ended September 30, 2005



The two largest activities (1) Education and Cultural Resources and (2) Health- Physical and Mental together accounted for 70 percent of the governmental activities expenses for fiscal year 2005. Social Services accounted for 11 percent of the governmental activities expenses. Overall expenditures increased by \$1.01 billion. Education spending increased \$368 million, which included a pay raise for teachers as well as increased spending on education programs such as the reading initiative. Health spending was up \$182 million, of which \$134 million was for Medicaid. Increases for Medicaid were needed to match the federal funds. Spending for Protection of Persons and Property rose \$288 million, bringing it from 6% of overall spending last year to 7% this year. Most of the increase was hurricane related, with the Department of Emergency Management alone spending \$199 million more than in 2004.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2005



Business-type Activities

The net assets of business-type activities increased by \$252 million in fiscal year 2005. Revenues of business-type activities totaled \$2.1 billion. These activities generated program revenues of \$2.07 billion while support from general revenues was only \$44 million. The program revenues consisted of \$1.78 billion of charges for services, \$270 million of operating grants and contributions, and \$23 million of capital grants and contributions. The total expenses for business-type activities were \$2.1 billion. The largest business-type activities involved the Public Education Employees' Health Insurance Plan, Alabama College System, and Unemployment Compensation services. The net assets of the Alabama College System increased by \$58 million, the net assets of the Unemployment Compensation Trust increased by \$79 million, and the Public Education Employees' Health Insurance Plan (PEEHIP) increased by \$85 million. The significant increase in net assets for PEEHIP was a result of a 22% increase in the employer rate and the implementation of new cost-saving measures. The net assets of the Unemployment Compensation Trust increased because of a decrease in unemployment in the State.

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2005, the governmental funds reported combined ending fund balances of \$5.58 billion. Of this total amount, \$2.89 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest total reserved amount of \$2.41 billion is for the Alabama Trust Fund which is a special revenue fund. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of an amendment to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. A portion of the reserved balance of the Alabama Trust Fund is \$140 million, and it is legally reserved as an Education Rainy Day Account for the Education Trust Fund. \$297.5 million of the Governmental Funds have been designated for various capital projects and debt service, leaving \$2.39 billion as unreserved and undesignated.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$288 million, and reserved fund balance was \$6 million. Protection of Persons and Property increased \$52 million, or 13%. \$25.5 million of this increase was for the Department of Corrections, \$17 million of which was spent on increased medical care costs for prisoners. The outlays for the Department of Emergency Management rose \$19.7 million for hurricane related costs. Health – Physical and Mental increased \$111 million, or 28%. \$101.8 million of that amount went to pay for the rapidly rising Medicaid costs. Cash and cash equivalents increased by \$39 million because revenue was greater than was anticipated when the budget was passed.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, various scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues from the State's booming economy for fiscal year 2005 were up approximately \$658 million as compared to fiscal year 2004, a 15% increase. Expenditures, as limited by the budget, were up only 7.6%, or \$288 million. As a result, the balance of cash and cash equivalents in the ETF jumped \$375 million to \$630 million. The fund balance rose \$470.8 million to \$1.016 billion.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. Revenues from royalties and other payments related to the production of oil and gas increased by \$34 million in 2005. This was partially due to the price increases of oil and natural gas resulting from hurricanes. Amendment 666 directs the Alabama Trust Fund Board of Trustees to transfer 35% of the oil and gas royalties received in a fiscal year to the Alabama Capital Improvement Fund and the County and Municipal Government Capital Improvement Trust Fund. Another one percent is entitled to the Division of Lands of the Department of Conservation and Natural Resources. During the 2005 fiscal year, the Alabama Trust Fund's total fund balance increased by \$245 million.

STATE OF ALABAMA

Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Total fund balance for Medicaid decreased by \$50 million to \$(103) million as compared to an increase in fiscal year 2004 of \$5 million. Federal revenues increased by about 4%, or \$105 million while expenditures increased by \$121 million, about 3.5%, reflecting the continued trend towards higher medical costs.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased by 17%, or \$93 million over 2004. Expenditures rose by 5.9%, or \$65 million. The fund balance decreased by \$5 million to a total fund balance of \$505 million. \$43 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$16 million is in inventory of materials on hand, and \$39 million is reserved by statute for replacement of equipment. The remaining \$407 million is unreserved but the management of DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective service programs that provide financial assistance to individuals. This is the major operating fund of the Department of Human Resources. It is funded mainly by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, beer tax, as well as federal funds. Over 1.2 billion was spent in the fund in 2005, but the fund balance at year end is a mere \$39 million, up \$14 million from 2004. The low fund balance is typical for this fund, since the predictable funding sources make it possible to budget fairly precisely.

The Medicaid Fund was the only major governmental fund that had a negative fund balance at September 30, 2005. This is typical for the State's major funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivables but not the State matching amounts which will come from next year's budget. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund is always positive.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets for all enterprise funds increased by \$252 million in fiscal year 2005. The net assets of the Unemployment Compensation Trust Fund increased by \$79 million in fiscal year 2005. This was due to the significant decrease in Alabama's unemployment rate in 2005. The State Port Authority's net assets increased by \$29 million. This was primarily due to increases in capital grants and contributions for a capital improvement plan, and federal grants for improvements to port security. Operating revenues increased by 12% from 2004. This was caused by many factors, including the continued increase in coal demand, import and export, an increase in cargo tonnage, and modifications to the tariff and rate structures. The Alabama College System's net assets increased \$58 million in 2005, compared to a \$46 million increase in 2004. The Alcoholic Beverage Control Board's net assets decreased by \$847 thousand in fiscal year 2005 resulting in a \$408 thousand deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets will generally remain very low. The Public Education Employees' Health Insurance Plan's net assets increased by \$85 million due to premium increases that resulted from an increase in the employer cost rate.

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by a net of \$22 million during fiscal year 2005. Expenditures were increased by \$36 million and Transfers Out decreased by \$14 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Conditional and other appropriations were approximately \$45 million. Conditional appropriations were mentioned in the original General Fund appropriation bill, but only \$5 million for hurricane related expenditures were included in the original budget. Conditional amounts are not included in the budget until the conditions have been met. There were \$22 million of conditional appropriations related to hurricanes Dennis, Ivan and Katrina which were added to the budget during the fiscal year. The Department of Corrections received a conditional appropriation and a supplemental appropriation in the amounts of \$20 million and \$22 million, respectively. These funds were needed because of the conditions of the overcrowded prison system. The appropriations made in Act 2004-562 to the Department of Public Health, Unified Judicial System, Department of Mental Health, Department of

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Corrections, and Department of Finance-Capitol Complex Revolving Fund from the State General Fund were reduced by \$21 million for the various finance authority debt service payments funded by the Alabama Capital Improvements Trust Fund. Also, the General Fund budget was decreased by \$25 million for general obligation debt service payments made by the Alabama Capital Improvement Trust Fund. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations cannot exceed two percent of the total amount appropriated. There were approximately \$1 million of emergency appropriations in fiscal year 2005 to various agencies. On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$21 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$41 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2005, the State had invested \$17.1 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$106 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Capital Assets Not Being Depreciated:						
Land	\$ 145,076	\$ 140,102	\$ 43,446	\$ 47,791	\$ 188,522	\$ 187,893
Construction In Progress	71,554	35,659	117,267	46,835	188,821	82,494
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress - Infrastructure	3,759,332	3,414,240	-	-	3,759,332	3,414,240
Infrastructure	11,602,717	11,444,614	-	-	11,602,717	11,444,614
Total Capital Assets Not Being Depreciated	15,581,337	15,037,273	163,063	96,976	15,744,400	15,134,249
Capital Assets Being Depreciated:						
Buildings	981,290	963,193	890,918	881,590	1,872,208	1,844,783
Machinery & Equipment	533,755	505,787	352,260	342,137	886,015	847,924
Total Capital Assets Being Depreciated	1,515,045	1,468,980	1,243,178	1,223,727	2,758,223	2,692,707
Less Accumulated Depreciation	793,853	763,458	565,576	550,513	1,359,429	1,313,971
Total Capital Assets Being Depreciated, Net	721,192	705,522	677,602	673,214	1,398,794	1,378,736
Capital Assets, Net	\$ 16,302,529	\$ 15,742,795	\$ 840,665	\$ 770,190	\$ 17,143,194	\$ 16,512,985

As allowed by GASB Statement No. 34, the State has adopted the modified approach to reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity, an improvement in the efficiency, or a replacement of a portion of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense.

Extensive project documentation is required to meet various federal and state guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed, and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed, and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

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The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered Good condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 76.48, which exceeds the State's goal.

The State maintains 5,321 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.66, in the upper end of the satisfactory range, down slightly from 6.79 the previous year

In fiscal years 2005, 2004, 2003, and 2002, the State estimated it would need to spend \$247.1 million, \$205 million, \$205 million and \$205 million, respectively, to maintain all roadway assets and \$10 million each year to preserve all bridges at or above the "Established Condition Levels" presented above. In fiscal years 2005, 2004, 2003 and 2002, the State spent \$179,902,767 for roadway preservation and \$3,082,943 for bridge preservation. In fiscal years 2004, 2003 and 2002, the State spent \$162,823,215, \$124,388,121, and \$186,391,931 respectively, for maintenance and preservation of the roadway and bridge assets. Even though actual spending on maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels," as supported by the most recent condition assessment.

More detailed information about the State's capital assets is presented in Note 3 to the financial statements and in the Required Supplementary Information section.

Long-term Debt

The only method under which general obligation debt can be incurred is by amendment to the *Constitution of Alabama of 1901*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Some of these corporations are blended with the primary government and some are reported discretely. The State and its component units issue serial and term bonds and capital appreciation bonds. Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service. Currently, the exception is the upper medium bond ratings for the Tobacco Settlement Revenue Bonds issued by the Alabama Twenty-first Century Authority, a component unit of the State.

Outstanding Bonded Debt as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 507,503	\$ 445,211	\$ -	\$ -	\$ 507,503	\$ 445,211
Revenue Bonds	351,139	347,429	411,633	337,291	762,772	684,720
Total	<u>\$ 858,642</u>	<u>\$ 792,640</u>	<u>\$ 411,633</u>	<u>\$ 337,291</u>	<u>\$ 1,270,275</u>	<u>\$ 1,129,931</u>

The State of Alabama issued new general obligation bonds in the amount of \$104 million. The Public Health Care Authority issued refunding bonds in the amount of \$58 million. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2006 budget has certain appropriation increases for the General Fund and Education Trust Fund, which amount to approximately \$115 million and \$778 million, respectively. The increases for the General Fund were spread among various agencies. The budgets for the Department of Corrections, the Medicaid Agency, and the Department of Mental Health increased by \$19 million, \$67 million, and \$18 million, respectively. Increases for the Medicaid Agency were needed to match the federal funds. Increases for

the Department of Mental Health were needed for the overcrowding problem in the prisons. \$330 million of the Education Trust Fund was an increase for K-12 Local Boards of Education. Other increases to the Education Trust Fund budget were for the Proration Prevention Fund, the two year colleges, and the universities in the amounts of \$200 million, \$54 million, and \$136 million, respectively. The Legislature is currently in session. Tax revenues have continued to be on an upward trend; therefore the Governor has proposed increases for fiscal year 2007 for the General Fund and the Education Trust Fund in the amounts of \$24 million and \$294 million, respectively. Real gross state product for Alabama is expected to grow by approximately 4 percent in 2006 and 3 percent in 2007. Personal income is expected to increase by approximately 6 percent in 2006 and in 2007.

Requests for Information

This financial report is designed to provide a general overview of the State of Alabama's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the State Comptroller, Financial Reporting Section, RSA Union, Suite 206, Montgomery, AL 36130-2602.

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STATEMENT OF NET ASSETS

September 30, 2005

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 2,830,186	\$ 605,381	\$ 3,435,567	\$ 904,590
Investments	2,924,073	313,319	3,237,392	4,555,823
Accounts Receivable	66,271	68,620	134,891	540,033
Internal Balances	9,748	(9,748)	-	-
Due from Primary Government	-	-	-	37,326
Due from Component Units	45,921	-	45,921	-
Due from Other Governments	362,976	6,296	369,272	696,771
Taxes Receivable	779,631	-	779,631	99,058
Interest and Dividends Receivable	37,361	5,268	42,629	17,577
Mortgages, Notes, and Loans Receivable	39	-	39	577,464
Securities Lending Collateral	521,415	-	521,415	3,148
Inventory	24,122	33,234	57,356	31,154
Other Assets	6,566	120,923	127,489	129,997
Restricted Assets	1,455	95	1,550	14,360
Capital Assets, Net of Accumulated Depreciation	721,192	677,602	1,398,794	3,057,913
Capital Assets Not Depreciated	15,581,337	163,063	15,744,400	525,848
TOTAL ASSETS	23,912,293	1,984,053	25,896,346	11,191,062
LIABILITIES				
Warrants Payable	36,135	12,963	49,098	1,779
Accounts Payable	496,202	53,217	549,419	377,065
Salaries Payable	108,795	4,384	113,179	14,420
Interest Payable	6,057	-	6,057	53,974
Due to Primary Government	-	-	-	45,922
Due to Component Units	32,245	5,082	37,327	-
Due to Other Governments	191,344	2,915	194,259	142,284
Securities Lending Obligation	521,415	-	521,415	3,148
Unearned Revenue	48,082	61,646	109,728	370,873
Amounts Held in Custody for Others	81,467	5,542	87,009	190,578
Noncurrent Liabilities:				
Due Within One Year	154,859	119,905	274,764	339,988
Due In More Than One Year	1,123,551	448,332	1,571,883	4,918,728
TOTAL LIABILITIES	2,800,152	713,986	3,514,138	6,458,759
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	15,702,091	508,280	16,210,371	2,087,844
Restricted for:				
Permanent - Expendable	-	39,095	39,095	860,544
Permanent - Non-expendable	27,747	5,789	33,536	745,918
Unemployment Compensation	-	287,239	287,239	-
Forever Wild Stewardship Account	11,033	-	11,033	-
Alabama Trust Capital	2,413,335	-	2,413,335	-
Education	1,232,773	-	1,232,773	-
Health	57,118	-	57,118	-
Social Services	96,605	-	96,605	-
Transportation	468,728	-	468,728	-
General Government	283,823	-	283,823	-
Debt Service	11,145	20,401	31,546	478,435
Other Purposes	357,847	-	357,847	7,636
Unrestricted	449,896	409,263	859,159	551,926
TOTAL NET ASSETS	\$ 21,112,141	\$ 1,270,067	\$ 22,382,208	\$ 4,732,303

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
Economic Development and Regulation	\$ 63,097	\$ 49,332	\$ 14,054	\$ 0
Education and Cultural Resources	5,092,756	10,952	769,771	-
Natural Resources and Recreation	90,500	60,111	19,702	-
Health - Physical and Mental	4,479,975	162,067	3,617,996	-
Social Services	1,608,627	4,141	1,182,482	17
Protection of Persons and Property	1,035,732	183,281	337,868	251
Transportation	884,601	174,509	16,653	672,841
General Government	757,106	460,811	115,902	288
Debt Service - Interest and Other Charges	43,052	450	1,744	580
Total Governmental Activities	14,055,446	1,105,654	6,076,172	673,977
Business-type Activities				
Unemployment Compensation	251,137	307,724	14,726	-
State Port Authority	85,984	87,022	-	6,523
Alabama College System	646,868	146,194	254,841	16,253
Alcoholic Beverage Control Board	192,278	202,959	-	-
Public Education Employees' Health Insurance	788,019	868,160	-	-
Nonmajor Proprietary Funds	159,007	167,257	50	-
Total Business-type Activities	2,123,293	1,779,316	269,617	22,776
Total Primary Government	16,178,739	2,884,970	6,345,789	696,753
Component Units:				
Public School and College Authority	155,750	-	-	-
Mental Health	642,971	8,814	48,741	-
Housing Finance Authority	65,096	33,638	-	-
Water Pollution Control Authority	34,804	16,458	16,833	-
University of Alabama	2,397,563	1,329,663	660,004	64,246
Auburn University	653,935	290,007	134,445	13,253
University of South Alabama	471,596	337,574	44,697	5,952
Nonmajor Component Units	864,541	468,262	173,517	7,318
Total Component Units	5,286,256	2,484,416	1,078,237	90,769
General Revenues:				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Tobacco and Cigarette Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Payments from State of Alabama				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets, October 1, 2004, as Restated				
Net Assets, September 30, 2005				

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total Primary Government	Component Units
\$ 289	\$ 0	\$ 289	\$ 0
(4,312,033)	-	(4,312,033)	-
(10,687)	-	(10,687)	-
(699,912)	-	(699,912)	-
(421,987)	-	(421,987)	-
(514,332)	-	(514,332)	-
(20,598)	-	(20,598)	-
(180,105)	-	(180,105)	-
(40,278)	-	(40,278)	-
(6,199,643)	0	(6,199,643)	0
-	71,313	71,313	-
-	7,561	7,561	-
-	(229,580)	(229,580)	-
-	10,681	10,681	-
-	80,141	80,141	-
-	8,300	8,300	-
0	(51,584)	(51,584)	0
(6,199,643)	(51,584)	(6,251,227)	0
-	-	-	(155,750)
-	-	-	(585,416)
-	-	-	(31,458)
-	-	-	(1,513)
-	-	-	(343,650)
-	-	-	(216,230)
-	-	-	(83,373)
-	-	-	(215,444)
0	0	0	(1,632,834)
1,975,512	-	1,975,512	110,559
2,938,046	-	2,938,046	-
534,696	-	534,696	-
447,191	-	447,191	109,020
269,496	-	269,496	5,202
251,960	-	251,960	-
125,160	8,598	133,758	12,084
146,374	-	146,374	8,791
6,159	-	6,159	295
240,717	31,344	272,061	329,910
839,804	4,554	844,358	62,401
2	201	203	26,407
-	-	-	1,434,219
(261,067)	261,067	-	-
7,514,050	305,764	7,819,814	2,098,888
1,314,407	254,180	1,568,587	466,054
19,797,734	1,015,887	20,813,621	4,266,249
\$ 21,112,141	\$ 1,270,067	\$ 22,382,208	\$ 4,732,303

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2005

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 245,482	\$ 629,992	\$ 147,878	\$ 6,094	\$ 424,731
Investments	-	-	2,480,029	-	46,486
Accounts Receivable	228	147	59,468	1,340	-
Due from Other Funds	13,088	284	-	11,500	377
Due from Component Units	-	-	-	10,167	51
Due from Other Governments	-	4	-	144,782	126,887
Taxes Receivable	181,777	410,816	-	-	30,565
Interest and Dividends Receivable	-	-	35,575	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	-	-	519,066	-	-
Inventory	2,240	-	-	-	16,430
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 442,815	\$ 1,041,243	\$ 3,242,016	\$ 173,883	\$ 645,527
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,846	\$ 5,738	\$ 0	\$ 50	\$ 5,312
Accounts Payable	13,110	9,862	77	209,270	98,480
Salaries Payable	33,311	5,323	-	1,386	13,379
Due to Other Funds	5,962	3,013	-	34,545	2,723
Due to Component Units	28	33	-	31,119	34
Due to Other Governments	3,827	1,026	-	6	5,331
Securities Lending Obligation	-	-	519,066	-	-
Deferred Revenue	89,495	-	18,449	-	342
Amounts Held in Custody for Others	193	2	-	1	14,331
Compensated Absences	1,163	109	-	88	438
Total Liabilities	148,935	25,106	537,592	276,465	140,370
Fund Balances					
Reserved for:					
Encumbrances	3,763	2,095	18	593	43,019
Inventory	2,240	-	-	-	16,430
Highway Equipment Replacement	-	-	-	-	38,515
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Education Rainy Day Account	-	-	140,007	-	-
Forever Wild Stewardship Account	-	-	11,033	-	-
Alabama Trust Capital	-	-	2,413,335	-	-
Local Government	-	-	28,006	-	-
Forever Wild Lands	-	-	4,552	-	-
General Fund	-	-	31,863	-	-
Capital Improvement Trust	-	-	75,610	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	287,877	-	-	-	-
Special Revenue Funds	-	1,014,042	-	(103,175)	407,193
Permanent Funds	-	-	-	-	-
Total Fund Balances	293,880	1,016,137	2,704,424	(102,582)	505,157
TOTAL LIABILITIES AND FUND BALANCES	\$ 442,815	\$ 1,041,243	\$ 3,242,016	\$ 173,883	\$ 645,527

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 80,937	\$ 1,229,417	\$ 2,764,531
-	199,500	2,726,015
453	2,242	63,878
24,438	49,202	98,889
-	302	10,520
-	91,303	362,976
34,100	122,373	779,631
-	618	36,193
-	39	39
-	2,349	521,415
-	1,150	19,820
-	1,455	1,455
\$ 139,928	\$ 1,699,950	\$ 7,385,362

\$ 2,130	\$ 19,845	\$ 34,921
43,710	115,366	489,875
14,092	39,470	106,961
9,836	52,130	108,209
30	971	32,215
544	178,710	189,444
-	2,349	521,415
29,086	96,612	233,984
1,497	65,412	81,436
481	1,313	3,592
101,406	572,178	1,802,052

4,141	42,317	95,946
-	1,150	19,820
-	-	38,515
-	7,876	7,876
-	33	33
-	-	140,007
-	-	11,033
-	-	2,413,335
-	-	28,006
-	-	4,552
-	-	31,863
-	-	75,610
-	27,747	27,747
-	292,934	292,934
-	4,606	4,606
-	-	287,877
34,381	738,962	2,091,403
-	12,147	12,147
38,522	1,127,772	5,583,310
\$ 139,928	\$ 1,699,950	\$ 7,385,362

STATE OF ALABAMA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

September 30, 2005

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$5,583,310

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	144,371	
Historical Exhibits	2,658	
Construction in progress	54,317	
Construction in progress - Infrastructure	3,759,332	
Infrastructure	11,602,717	
Buildings	815,828	
Equipment	470,349	
Accumulated Depreciation - Buildings	(335,773)	
Accumulated Depreciation - Equipment	(271,490)	
		16,242,309

Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 211,698

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 187,760

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Leases, Notes, and Mortgages	(31,855)	
Compensated Absences	(230,995)	
Forward Delivery Agreements	(907)	
Claims and Judgments	(57,335)	
		(321,092)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized discounts, unamortized premiums, unamortized loss, deferred debt financing costs, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the total effect of these balances on the statement.

General Obligation Bonds Payable	(500,591)	
Revenue Bonds Payable	(277,886)	
Unamortized Premiums	(9,211)	
Unamortized Loss	1,258	
Deferred Debt Financing Costs	643	
Accrued Interest Payable	(6,057)	
		(791,844)

Net Assets of Governmental Activities \$21,112,141

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,070,226	\$ 5,062,622	\$ 0	\$ 0	\$ 339,997
Licenses, Permits, and Fees	139,585	528	-	-	135,891
Fines, Forfeits, and Court Settlements	20,422	-	-	2,568	-
Investment Income	54,083	-	156,215	72	1,120
Federal Grants and Reimbursements	-	-	-	2,821,975	638,691
Other Revenues	7,801	242	291,555	664,981	43,691
Total Revenues	1,292,117	5,063,392	447,770	3,489,596	1,159,390
EXPENDITURES					
Current:					
Economic Development and Regulation	6,261	-	-	-	-
Education and Cultural Resources	6,022	4,108,185	-	-	-
Natural Resources and Recreation	2,018	-	104	-	-
Health - Physical and Mental	504,658	30,100	-	3,375,171	-
Social Services	16,016	38,399	-	-	-
Protection of Persons and Property	465,085	38,050	-	-	-
Transportation	-	-	-	-	1,171,378
General Government	246,739	8,729	12,703	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	27	8,456	-	-	17,298
Debt Service - Interest and Other Charges	938	443	-	-	909
Total Expenditures	1,247,764	4,232,362	12,807	3,375,171	1,189,585
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	44,353	831,030	434,963	114,425	(30,195)
OTHER FINANCING SOURCES (USES)					
Transfers In	174,401	841	37,226	119,678	59,803
Transfers Out	(177,713)	(360,997)	(227,607)	(284,456)	(34,579)
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Capital Leases	6	-	-	-	-
Premiums on Debt	-	-	-	-	-
Discounts on Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	(3,306)	(360,156)	(190,381)	(164,778)	25,224
Net Change in Fund Balances	41,047	470,874	244,582	(50,353)	(4,971)
Fund Balances, October 1, 2004, as Restated	253,349	545,263	2,459,842	(52,229)	509,218
Increase (Decrease) in Inventory	(516)	-	-	-	910
Fund Balances, September 30, 2005	\$ 293,880	\$ 1,016,137	\$ 2,704,424	\$ (102,582)	\$ 505,157

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 120,765	\$ 679,285	\$ 7,272,895
306	286,151	562,461
-	24,178	47,168
136	16,354	227,980
924,180	1,787,974	6,172,820
32,475	268,901	1,309,646
1,077,862	3,062,843	15,592,970
-	56,633	62,894
-	973,678	5,087,885
-	118,066	120,188
-	567,788	4,477,717
1,220,749	335,513	1,610,677
-	502,832	1,005,967
-	228,525	1,399,903
395	458,138	726,704
-	66,823	66,823
2,839	49,575	78,195
1,706	33,205	37,201
1,225,689	3,390,776	14,674,154
(147,827)	(327,933)	918,816
233,993	628,107	1,254,049
(73,295)	(368,769)	(1,527,416)
-	103,920	103,920
-	57,975	57,975
-	(27,949)	(27,949)
-	653	659
-	5,242	5,242
-	(580)	(580)
160,698	398,599	(134,100)
12,871	70,666	784,716
25,651	1,057,194	4,798,288
-	(88)	306
\$ 38,522	\$ 1,127,772	\$ 5,583,310

STATE OF ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

September 30, 2005

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds \$784,716

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	622,321	
Depreciation Expense	(60,813)	
		561,508

In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (9,493)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (659)

In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to reserved fund balance. 306

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 12,520

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 29,250

Long-term debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Bond proceeds	(103,920)	
Proceeds of refunding bonds	(57,975)	
Bond premium	(5,242)	
Bond discounts	580	
Payment to Refunded Bond Escrow Agent	27,949	
Repayment of bond principal	71,912	
Accrued interest	(3,103)	
		(69,799)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Capital lease payments	6,284	
Compensated absences payments	(8,593)	
Claims and judgments	7,099	
Other debt payments	1,268	
		6,058

Change in Net Assets of Governmental Activities \$1,314,407

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2005

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 362,433	\$ 4,898	\$ 187,100	\$ 31,746	\$ 275
Investments, Short-term	-	46,656	82,321	-	134,183
Accounts Receivable	2,532	21,421	42,661	645	700
Interest and Dividends Receivable	4,383	267	-	-	432
Due from Other Funds	-	9,462	-	40	43
Due from Component Units	-	-	-	-	-
Due from Other Governments	82	6,214	-	-	-
Inventory	-	4,075	8,433	20,076	-
Other Current Assets	12	1,205	58,941	-	1,804
Total Current Assets	369,442	94,198	379,456	52,507	137,437
Noncurrent Assets					
Investments, Long-term	-	-	13,300	-	2,046
Due From Other Funds, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	5,171	53,123	-	-
Restricted Assets	-	-	-	95	-
Capital Assets, Net of Accumulated Depreciation	-	269,206	398,624	6,385	-
Capital Assets Not Depreciated	-	70,599	89,799	35	-
Total Noncurrent Assets	0	344,976	554,846	6,515	2,046
TOTAL ASSETS	369,442	439,174	934,302	59,022	139,483
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	12,914	28
Accounts Payable	522	15,642	23,381	13,152	4
Salaries Payable	-	2,143	-	2,059	89
Due to Other Funds	75	-	-	18,122	-
Due to Component Units	-	-	-	5,081	-
Due to Other Governments	33	-	-	2,876	-
Deferred Revenue	-	1,090	50,616	79	-
Funds Held in Escrow	450	-	5,086	6	-
Compensated Absences	-	-	2,012	96	-
Claims Payable	-	-	-	-	77,904
Notes Payable	-	-	460	-	-
Revenue Bonds Payable	-	5,910	12,045	-	-
Capital Leases	-	957	1,219	-	-
Total Current Liabilities	1,080	25,742	94,819	54,385	78,025
Long-term Liabilities					
Deferred Revenue, Noncurrent	-	3,259	-	-	-
Compensated Absences	-	-	14,047	5,045	287
Notes Payable	-	-	3,397	-	-
Revenue Bonds Payable	-	169,798	223,880	-	-
Capital Leases Payable	-	21,101	5,331	-	-
Claims Payable	-	-	-	-	-
Other Long-term Liabilities	-	3,708	53	-	-
Total Long-term Liabilities	0	197,866	246,708	5,045	287
TOTAL LIABILITIES	1,080	223,608	341,527	59,430	78,312
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	163,021	333,910	6,420	-
Restricted for:					
Permanent - Expendable	-	-	39,095	-	-
Permanent - Non-expendable	-	-	5,789	-	-
Unemployment Compensation	287,239	-	-	-	-
Debt Service	-	20,401	-	-	-
Unrestricted	81,123	32,144	213,981	(6,828)	61,171
TOTAL NET ASSETS	\$ 368,362	\$ 215,566	\$ 592,775	\$ (408)	\$ 61,171

The Notes to the Financial Statements are an integral part of this statement.

<u>Governmental Activities</u>		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 18,929	\$ 605,381	\$ 65,655
27,917	291,077	108,511
661	68,620	2,305
186	5,268	1,166
3	9,548	12,164
-	-	35,487
-	6,296	-
650	33,234	4,302
667	62,629	5,265
49,013	1,082,053	234,855
6,896	22,242	89,546
-	-	9,524
-	58,294	658
-	95	-
3,387	677,602	42,278
2,630	163,063	17,943
12,913	921,296	159,949
61,926	2,003,349	394,804
21	12,963	1,214
517	53,218	6,274
93	4,384	1,834
1,099	19,296	2,622
1	5,082	81
6	2,915	1,900
6,602	58,387	25,796
-	5,542	31
-	2,108	95
19,207	97,111	56,754
94	554	-
-	17,955	5,140
-	2,176	83
27,640	281,691	101,824
-	3,259	-
259	19,638	4,272
1,426	4,823	-
-	393,678	67,071
-	26,432	161
-	-	33,716
-	3,761	-
1,685	451,591	105,220
29,325	733,282	207,044
4,929	508,280	(12,879)
-	39,095	-
-	5,789	-
-	287,239	-
-	20,401	-
27,672	409,263	200,639
\$ 32,601	\$ 1,270,067	\$ 187,760

STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 87,022	\$ 146,194	\$ 197,942	\$ 0
Investment Earnings	-	-	156	-	5,224
Premiums and Contributions	298,440	-	-	-	868,158
Rents and Leases	-	-	-	-	-
Interest from Mortgages and Loans Receivable	-	-	-	-	-
Total Operating Revenues	298,440	87,022	146,350	197,942	873,382
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	377,471	31,231	1,203
Utilities and Communications	-	-	17,863	1,720	-
Professional Services	-	-	-	1,045	1,635
Supplies, Materials, and Operating Expenses	-	2,286	152,034	147,566	522
Interest	-	-	1,702	-	-
Depreciation	-	14,791	20,055	1,064	-
Claims and Benefits	248,255	-	-	-	784,655
Operations and Maintenance	-	49,168	-	-	-
General and Administrative	-	7,901	-	-	-
Other	-	-	63,730	9,650	4
Total Operating Expenses	248,255	74,146	632,855	192,276	788,019
Operating Income (Loss)	50,185	12,876	(486,505)	5,666	85,363
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	8,590	-
Grants	14,726	-	254,841	-	-
Investment Income	16,125	1,916	6,690	-	-
Other Nonoperating Revenues	9,285	-	3,913	5,491	1
Interest Expense	-	(9,429)	-	-	-
Other Nonoperating Expenses	(2,883)	(2,410)	(14,013)	-	-
Total Nonoperating Revenues (Expenses)	37,253	(9,923)	251,431	14,081	1
Income (Loss) Before Contributions and Transfers	87,438	2,953	(235,074)	19,747	85,364
Capital Contributions	-	6,523	16,253	-	-
Additions to Endowments	-	-	201	-	-
Transfers In	-	19,217	276,792	857	-
Transfers Out	(9,285)	(18)	-	(21,451)	(2)
Increase (Decrease) in Net Assets	78,153	28,675	58,172	(847)	85,362
Total Net Assets, October 1, 2004, as Restated	290,209	186,891	534,603	439	(24,191)
Total Net Assets, September 30, 2005	\$ 368,362	\$ 215,566	\$ 592,775	\$ (408)	\$ 61,171

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 23,276	\$ 454,434	\$ 67,087
1,008	6,388	9,975
134,075	1,300,673	359,597
713	713	14,419
-	-	1,315
159,072	1,762,208	452,393
1,325	411,230	27,396
169	19,752	17,321
4,987	7,667	19,125
16,438	318,846	32,911
-	1,702	3,971
257	36,167	9,209
134,893	1,167,803	330,669
-	49,168	-
-	7,901	-
878	74,262	7,586
158,947	2,094,498	448,188
125	(332,290)	4,205
8,817	17,407	-
50	269,617	100
226	24,957	82
551	19,241	12,852
(61)	(9,490)	(46)
-	(19,306)	(8)
9,583	302,426	12,980
9,708	(29,864)	17,185
-	22,776	283
-	201	-
36	296,902	13,827
(5,078)	(35,834)	(2,045)
4,666	254,181	29,250
27,935	1,015,886	158,510
\$ 32,601	\$ 1,270,067	\$ 187,760

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 302,337	\$ 80,971	\$ 112,875	\$ 204,026	\$ 876,923
Receipts from Interfund Services	-	-	-	3	439
Receipts from Operating Grants	13,081	5,731	241,172	-	-
Receipts from Interfund Reimbursements	3,400	-	-	-	-
Receipts from Other Operating Activities	11	-	25,193	12,673	1
Payments for Goods Held for Resale	-	-	-	(143,529)	-
Payments for Other Goods & Services	-	(29,844)	(155,300)	(14,233)	(2,208)
Payments for Employees Services	-	(25,050)	(377,470)	(30,829)	(1,136)
Payments for Taxes, Fines, Penalties, & Similar Fees	(3,509)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,363)	(3)
Payments for Other Operating Activities	-	-	(63,730)	(2,460)	(5)
Payments for Claims	(251,732)	-	-	-	(797,732)
Net Cash Provided by (Used In) Operating Activities	63,588	31,808	(217,260)	24,288	76,279
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	1,774	-	10,596	-	-
Transfers from Other Funds for Noncapital Financing	-	-	276,792	912	-
Receipts from Noncapital Financing Taxes	9,285	-	-	-	-
Principal Paid on Program Bonds & Other Noncapital Debt	-	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(2,745)	-	(2,928)	-	-
Transfers to Other Funds for Noncapital Financing	(9,249)	-	-	(21,451)	(2)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	(935)	0	284,460	(20,539)	(2)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	69,274	-	-
Receipts from Capital Grants & Contributions	-	10,245	5,705	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	418	240	102	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(40,749)	(63,749)	(3,735)	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	(6,250)	(52,934)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(10,549)	(7,650)	-	-
Bond Issuance Cost	-	-	(1,950)	-	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	(46,885)	(51,064)	(3,633)	0
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	9,627	36,614	-	872,039
Receipts from Interest & Dividends on Investments & Loans	15,804	1,941	6,845	-	844
Purchase of Investments	-	(5,916)	(58,961)	-	(949,579)
Net Cash Provided By (Used In) Investing Activities	15,804	5,652	(15,502)	0	(76,696)
Net Increase (Decrease) In Cash and Cash Equivalents	78,457	(9,425)	634	116	(419)
Cash Balance, October 1, 2004	283,976	14,323	187,194	18,716	666
Restatements	-	-	(728)	-	-
Cash Balance, September 30, 2005	362,433	4,898	187,100	18,832	247
Add: Warrants Payable	-	-	-	12,914	28
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 362,433	\$ 4,898	\$ 187,100	\$ 31,746	\$ 275

The Notes to the Financial Statements are an integral part of this statement.

<u>Governmental Activities</u>		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 168,439	\$ 1,745,571	\$ 25,265
67	509	417,555
-	259,984	-
-	3,400	-
693	38,571	15,379
(15,890)	(159,419)	(13,820)
(30,963)	(232,548)	(56,748)
(1,266)	(435,751)	(26,893)
-	(3,509)	(1,508)
(117)	(1,483)	(6,425)
(3)	(66,198)	(6,820)
(103,564)	(1,153,028)	(317,791)
17,396	(3,901)	28,194
-	12,370	-
36	277,740	15,666
-	9,285	-
(38)	(38)	-
-	(5,673)	-
(7,376)	(38,078)	(894)
(7,378)	255,606	14,772
-	69,274	-
-	15,950	-
224	984	2,613
(47)	(108,280)	(6,905)
(90)	(59,274)	(9,631)
(61)	(18,260)	(3,946)
-	(1,950)	-
26	(101,556)	(17,869)
136,246	1,054,526	706,249
515	25,949	5,611
(147,698)	(1,162,154)	(739,850)
(10,937)	(81,679)	(27,990)
(893)	68,470	(2,893)
19,801	524,676	67,334
-	(728)	-
18,908	592,418	64,441
21	12,963	1,214
\$ 18,929	\$ 605,381	\$ 65,655

Continued on next page...

STATE OF ALABAMA

STATEMENT OF CASH FLOWS (Continued from Previous Page) Proprietary Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	50,185	12,876	(486,505)	5,666	85,363
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	726	(321)	(3,207)	286	9,213
Due from Other Funds	-	-	-	3	(10)
Due From Other Governments	-	-	-	-	-
Inventory	-	(748)	373	(3,057)	-
Other Assets	-	(194)	186	-	(524)
Accounts Payable	(317)	3,442	4,365	1,519	(53)
Salaries Payable	-	-	-	223	27
Due to Other Funds	-	-	-	23,024	-
Due to Other Governments	-	-	-	(17,104)	-
Claims Payable	-	-	-	-	(12,554)
Deferred Revenue	-	-	(89)	-	-
Amounts Held in Custody for Others	11	-	1,471	(188)	-
Compensated Absences	-	-	-	219	40
Other Liabilities	-	(306)	487	-	-
Investment Income	-	-	-	-	(5,224)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	14,791	20,055	1,064	-
Amortization Expense	-	2,286	-	-	-
Nonoperating Revenues	12,983	(18)	245,604	12,633	1
Nonoperating Expenses	-	-	-	-	-
Total Adjustments	13,403	18,932	269,245	18,622	(9,084)
Net Cash Provided (Used) by Operating Activities	\$ 63,588	\$ 31,808	\$ (217,260)	\$ 24,288	\$ 76,279
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	-	22,000	-	3,666	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	(7,308)	(3,406)	-
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	(321)	-	-	-	(4,448)
Unrealized Gains (Losses) in Investment Fair Value	-	-	(568)	-	68
Transfers In (Out)	-	-	-	(46)	-

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
125	(332,290)	4,205
2,399	9,096	23,553
151	144	2,212
-	-	(523)
(107)	(3,539)	578
(67)	(599)	(92)
7,873	16,829	3,453
20	270	253
45	23,069	(1,124)
(3)	(17,107)	(1,508)
(1,464)	(14,018)	4,756
(90)	(179)	(23,786)
-	1,294	39
41	300	316
-	181	-
(996)	(6,220)	(10,388)
-	-	3,971
257	36,167	9,209
-	2,286	-
9,212	280,415	8,813
-	-	4,257
17,271	328,389	23,989
\$ 17,396	\$ (3,901)	\$ 28,194

28	25,694	3,554
-	(10,714)	(8,036)
-	-	22
(768)	(5,537)	(3,381)
49	(451)	(547)
(2,300)	(2,346)	2,720

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS Fiduciary Funds

September 30, 2005

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 55,509	\$ 23,401	\$ 152,375
Investments			
Time Deposits	-	132	4,037
U.S. Treasury Securities	511,425	29,651	29,802
U.S. Agency Securities	1,504,576	29,286	-
State and Local Government Securities	-	1,020	4,485
Mortgage Backed Securities	134,581	57,618	8,407
Corporate Stocks	12,450,702	384,074	-
Corporate Bonds	5,975,437	56,940	7,050
Real Estate	1,703,261	849	-
Commercial Paper	1,274,871	-	-
International Stocks	3,550,499	99,345	-
International Bonds	97,266	-	-
Mutual and Money Market Funds	321,787	416,495	253
Other	29,025	-	-
Receivables			
Accounts Receivable	449	1,337	16
Due from Other Funds	-	36	6
Due from Primary Government	52	-	-
Employer Contributions Receivable	44,706	-	-
Member Contributions Receivable	32,216	-	-
Interest and Dividends Receivable	211,229	1,892	-
Securities Lending Collateral	2,257,500	238	-
Capital Assets, Net of Accumulated Depreciation	4,346	-	-
Capital Assets Not Depreciated	1,190	-	-
TOTAL ASSETS	30,160,627	1,102,314	206,431
LIABILITIES			
Warrants Payable	\$ 37,580	\$ 534	\$ 18,339
Accounts Payable	1,603	1,972	181
Salaries Payable	1,205	22	-
Due to Other Funds	2	38	-
Due to Primary Government	85	-	-
Due to Other Governments	-	-	4,390
Securities Lending Obligation	2,257,500	238	-
Deferred Revenue	2,722	-	-
Amounts Held in Custody for Others	-	-	183,521
Compensated Absences	2,607	63	-
TOTAL LIABILITIES	2,303,304	2,867	206,431
NET ASSETS			
Held in Trust for Beneficiaries	-	1,099,447	-
Held in Trust for Pension and Other Employee Benefits	27,857,323	-	-
TOTAL NET ASSETS	\$ 27,857,323	\$ 1,099,447	\$ 0

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Fiduciary Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 492,272	\$ 203,559
Employer	552,354	-
Total Contributions	1,044,626	203,559
Investment Earnings		
Investment Interest and Dividends	975,395	27,952
Net Increase (Decrease) in Fair Value of Investments	1,781,988	81,202
Securities Lending Income	62,325	8
Total Investment Earnings	2,819,708	109,162
Less:		
Investment Expense	6,976	-
Securities Lending Interest and Fees	54,413	7
Net Investment Income	2,758,319	109,155
Other Additions		
Licenses and Fees	2,548	-
Miscellaneous	5,467	750
Transfers In	797	-
Total Other Additions	8,812	750
Total Additions	3,811,757	313,464
DEDUCTIONS		
Benefit Payments	1,714,111	105,125
Return of Contributions	92	-
Administrative Expense	23,927	6,111
Transfers Out	-	279
Total Deductions	1,738,130	111,515
Changes in Net Assets	2,073,627	201,949
Net Assets Held in Trust		
for Beneficiaries, October 1, 2004, as Restated	25,783,696	897,498
Net Assets Held in Trust		
for Beneficiaries, September 30, 2005	\$ 27,857,323	\$ 1,099,447

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF NET ASSETS
Component Units

September 30, 2005

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
ASSETS					
Cash and Cash Equivalents	\$ 189,801	\$ 41,213	\$ 5,609	\$ 84,060	\$ 164,826
Investments	28,768	1	698,611	159,296	2,134,903
Accounts Receivable	-	1	-	55	288,928
Due from Primary Government	-	37,255	-	-	-
Due from Other Governments	-	2,580	-	512,234	-
Taxes Receivable	-	99,058	-	-	-
Interest and Dividends Receivable	114	-	8,076	3,414	182
Mortgages, Notes, and Loans Receivable	-	-	439,773	-	67,524
Securities Lending Collateral	-	-	-	-	-
Inventory	-	2,016	-	-	17,750
Other Assets	-	292	12,755	8,294	62,553
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	12,530	75,038	-	568	1,766,836
Capital Assets Not Depreciated	-	2,886	-	-	251,196
TOTAL ASSETS	231,213	260,340	1,164,824	767,921	4,754,698
LIABILITIES					
Warrants Payable	26	1,728	-	4	-
Accounts Payable	-	8,867	731	544	232,242
Salaries Payable	-	8,610	-	-	-
Interest Payable	20,458	382	15,021	3,049	-
Due to Primary Government	-	10,722	-	108	-
Due to Other Governments	-	14,648	-	46,683	26,559
Claims Payable	-	5,258	-	-	-
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	7,586	-	8,638	1,563	158,379
Amounts Held in Custody for Others	-	2	156,642	-	7,089
Compensated Absences	-	15,440	-	-	37,160
Other Liabilities	-	-	9,638	1,058	79,856
Notes and Mortgages Payable	-	-	6,160	-	9,552
Revenue Bonds Payable	1,508,755	26,902	755,713	494,599	986,524
Capital Lease Obligations	-	-	-	-	28,065
TOTAL LIABILITIES	1,536,825	92,559	952,543	547,608	1,565,426
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	12,530	51,022	-	568	1,098,058
Restricted for:					
Permanent - Expendable	-	-	-	-	467,640
Permanent - Non-expendable	-	-	-	-	456,162
Debt Service	-	-	164,381	219,745	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,318,142)	116,759	47,900	-	1,167,412
TOTAL NET ASSETS	\$ (1,305,612)	\$ 167,781	\$ 212,281	\$ 220,313	\$ 3,189,272

The Notes to the Financial Statements are an integral part of this statement.

Auburn University	University of South Alabama	Nonmajor Component Units	Total Component Units
\$ 24,595	\$ 35,981	\$ 358,505	\$ 904,590
775,372	420,779	338,093	4,555,823
22,892	56,714	171,443	540,033
-	-	71	37,326
-	-	181,957	696,771
-	-	-	99,058
3,982	-	1,809	17,577
47,651	4,320	18,196	577,464
-	-	3,148	3,148
3,718	-	7,670	31,154
3,382	12,562	30,159	129,997
-	8,272	6,088	14,360
533,202	180,350	489,389	3,057,913
93,205	51,964	126,597	525,848
1,507,999	770,942	1,733,125	11,191,062
-	-	21	1,779
58,146	44,315	32,220	377,065
2,768	-	3,042	14,420
6,116	-	8,948	53,974
-	-	35,092	45,922
-	-	54,394	142,284
-	-	651	5,909
-	-	3,148	3,148
84,050	18,230	92,427	370,873
19,261	-	7,584	190,578
21,257	13,601	10,209	97,667
16,355	28,888	11,902	147,697
513	21,080	7,469	44,774
287,986	122,887	742,718	4,926,084
1,964	-	6,556	36,585
498,416	249,001	1,016,381	6,458,759
399,216	127,805	398,645	2,087,844
119,475	187,086	86,343	860,544
172,627	42,554	74,575	745,918
-	-	94,309	478,435
-	-	7,636	7,636
318,265	164,496	55,236	551,926
\$ 1,009,583	\$ 521,941	\$ 716,744	\$ 4,732,303

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 155,750	\$ 642,971	\$ 65,096	\$ 34,804	\$ 2,397,563
Program Revenues					
Charges for Services	-	8,814	33,638	16,458	1,329,663
Operating Grants and Contributions	-	48,741	-	16,833	660,004
Capital Grants and Contributions	-	-	-	-	64,246
Total Program Revenues	0	57,555	33,638	33,291	2,053,913
Net (Expense) Revenue	(155,750)	(585,416)	(31,458)	(1,513)	(343,650)
General Revenues:					
Taxes:					
Sales and Use Taxes	110,559	-	-	-	-
Utility Taxes	-	107,799	-	-	-
Insurance Premium Tax	-	5,202	-	-	-
Liquor Taxes	-	12,084	-	-	-
Tobacco and Cigarette Taxes	-	6,180	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	275	-	-	-
Investment Earnings	4,310	364	36,356	11,044	183,837
Miscellaneous	-	27,715	126	3,536	4,099
Contributions to Permanent Funds and Endowments	-	-	-	-	21,901
Payments from State of Alabama	40,283	466,321	-	517	391,393
Total General Revenues, Special Items, and Transfers	155,152	625,940	36,482	15,097	601,230
Change in Net Assets	(598)	40,524	5,024	13,584	257,580
Net Assets, October 1, 2004, as Restated	(1,305,014)	127,257	207,257	206,729	2,931,692
Net Assets, September 30, 2005	\$ (1,305,612)	\$ 167,781	\$ 212,281	\$ 220,313	\$ 3,189,272

The Notes to the Financial Statements are an integral part of this statement.

Auburn University	University of South Alabama	Nonmajor Component Units	Total Component Units
\$ 653,935	\$ 471,596	\$ 864,541	\$ 5,286,256
290,007	337,574	468,262	2,484,416
134,445	44,697	173,517	1,078,237
13,253	5,952	7,318	90,769
437,705	388,223	649,097	3,653,422
(216,230)	(83,373)	(215,444)	(1,632,834)
-	-	-	110,559
-	-	1,221	109,020
-	-	-	5,202
-	-	-	12,084
-	-	2,611	8,791
-	-	20	295
53,030	17,009	23,960	329,910
-	2,227	24,698	62,401
3,642	864	-	26,407
216,395	86,351	232,959	1,434,219
273,067	106,451	285,469	2,098,888
56,837	23,078	70,025	466,054
952,746	498,863	646,719	4,266,249
\$ 1,009,583	\$ 521,941	\$ 716,744	\$ 4,732,303

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the State of Alabama (the primary government) and its component units. Component units are legally separate organizations ("public corporations") for which the primary government is financially accountable. Generally, the primary government is financially accountable if it appoints a voting majority of the organization's board and it can either 1) impose its will on the organization, or 2) there is a financial benefit/burden relationship. If the primary government does not control the board, it may be financially accountable if the organization is fiscally dependent on the State. Organizations making up the primary government and its component units are summarized in the following paragraphs.

1. Primary Government

All State departments, agencies, elected officials, boards, commissions, authorities, committees, halls of fame, educational institutions, and other State organizations (hereafter referred to as "agencies") which are not legally separate are, for financial reporting purposes, part of the primary government. All agencies and funds that operate from within the State Treasury, except those listed later as component units, are part of the primary government. The following non-Treasury agencies operate largely independent of the control of the State Comptroller, State Auditor, and State Treasurer, but lack the corporate powers to make them legally separate and are therefore part of the primary government:

- Alabama College System
- Alabama Skills Training Consortia
- Alabama State Fire College
- Alabama Technology Network
- Athens State University
- Aviation Hall of Fame
- Cahaba Advisory Committee
- Commercial Mobile Radio Service Board
- Dental Examiners Board
- Dental Scholarships Awards Board
- Gorgas Memorial Board
- Alabama Industrial Development and Training Institute
- Medical Examiners and Licensure Commission
- Motor Sports Hall of Fame
- Optometric Scholarships Awards Board
- Optometry Board
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- School of Fine Arts
- St. Stephens Historical Commission
- State Port Authority
- Women's Hall of Fame

2. Blended Component Units

Blended component units are legally separate but they exist solely to provide services (usually financing) exclusively to the State. Because of this close relationship, they are blended with and reported as though they are a part of the primary government. All references in the financial statements or elsewhere in these notes to the term "primary government" will encompass both the primary government and the blended component units.

The following blended component units were created for the purpose of financing capital expenditures for the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of State officials and specific State

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

revenues that are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

- Agriculture Markets and Coliseum Authority †
- Corrections Institution Finance Authority
- Federal Aid Highway Finance Authority
- Highway Authority †
- Industrial Access Road and Bridge Authority
- Judicial Building Authority
- Alabama Trade School and Junior College Authority †
- Public Health Care Authority
- Gulf State Park Authority†

The Building Renovation Finance Authority has the same characteristics as those in the previous paragraph, but has the added responsibility of operating, maintaining, and renting buildings in the capitol complex that are occupied by State departments.

The State Parks System Improvement Corporation renovates, improves, maintains, and constructs assets belonging to the State Parks System. The six members of the Corporation are State officials.

The Forensic Science Bond Authority has the power to acquire, construct, and equip laboratories and other facilities for the State Department of Forensic Sciences. The four members of the authority are State officials. The Authority had no financial activity in the past fiscal year.

The Alabama State Parking Deck Authority has the authority to sell bonds, operate, maintain, and rent out space in a parking deck on a block in the capitol complex. The Authority has remained inactive since the enabling legislation was passed.

The Educational Television Foundation Authority exists to receive, invest, and expend donated moneys for the purpose of promoting the growth and development of educational television. The Authority consists of thirteen members who are appointed by the Alabama Public Television Commission. As a non-profit public corporation, the Authority provides financing flexibility that the Commission, as part of the primary government, would not otherwise have.

3. Discretely Presented Component Units

Discretely presented component units are organizations, which are legally separate and do not exist to provide services exclusively to the primary government. Providing services to the citizens of the State is not considered the same as providing services to the primary government institution. Financial information for discretely presented component units is segregated on the financial statements and the notes in the "Component Unit" columns in order to emphasize that they are legally separate.

Most of the discretely presented component units have boards that are controlled by the primary government through the appointment of a majority of the board members. The State has been determined to be financially accountable for each organization because it can impose its will on each organization. Unless otherwise noted, financial accountability for each organization described below exists at least in the ability of the State to modify the component unit's budget. Other manifestations of financial accountability may also exist.

For discretely presented component units whose boards are not controlled by the State, the organization has been determined to be fiscally dependent on the State. Unless otherwise noted, fiscal dependency exists at a minimum in the State's ability to modify the component unit's budget. Other manifestations of fiscal dependency may also exist.

When audited financial statements for a discretely presented component unit exist, the address at which such financial statements can be obtained is included in the following paragraphs describing each component unit. For all other discretely presented component units, complete financial statements may be obtained from the State of Alabama, Office of State Comptroller, RSA Union Building, Suite 206, Montgomery, AL 36130-2602.

The Water Pollution Control Authority operates a revolving loan fund to aid municipalities in financing the construction of wastewater treatment facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Alabama Drinking Water Finance Authority operates a revolving loan fund to aid local governments in financing the construction of sanitary drinking water facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Department of Mental Health and Mental Retardation provides mental health and mental retardation services for the people of Alabama. The Governor of the State and the commissioner of the Department constitute a public corporation and are advised by a sixteen-member board of trustees. The commissioner and ten of the board members are appointed at the discretion of the Governor. The Mental Health Finance Authority exists to provide financing services to the Department, is therefore a blended component unit of the Department, and is included in all amounts reported for Mental Health.

The Crime Victims Compensation Commission awards compensation for economic losses arising from criminal conduct and works to change laws to benefit crime victims. The Commission consists of three members who are appointed by the Governor.

The Tennessee Valley Exhibit Commission (TVEC) was created to operate a public exhibit based primarily on the history of and ongoing activities of the Tennessee Valley Authority and various other public entities involved in energy research and development. The sixteen-member Commission is appointed by the Governor. The building which housed the exhibit has been sold and the board is no longer actively operating but it has not been legally dissolved by the legislature.

The State Industrial Development Authority issues bonds and uses the proceeds to make grants to local industrial development boards. All members of the Authority are elected or appointed State officials.

The Alabama Education Foundation encourages donations of money for local school systems and invests the money for the benefit of each local system. The Foundation is governed by a twelve-member board that is made up of state officials and other individuals appointed by State authorities.

The Supercomputer Authority operates a supercomputer for the use of educational and governmental research institutions, private businesses, and individuals. The eleven directors of the Authority are appointed by State officials.

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy University. The University of Alabama board of trustees is not controlled by the State, but the University is subject to budgetary control by the State. The Alabama Shakespeare Festival, Inc., the Southern Research Institute, UAB Research Foundation, Triton Health Systems, L.L.C., and the PLTF (a professional liability trust fund) are component units of the University of Alabama and are included in all amounts reported for the University. In addition to these component units there are other legally separate, tax exempt organizations that are component units of the universities that are mentioned below.

Certain legally separate, tax exempt organizations are component units of the universities. These organizations generally exist to raise funds to benefit a specific university. Although the university may not control the timing or amount of receipts from these foundations, the majority of resources that the foundations hold and invest are restricted to benefit the activities of the universities by the donors. Because the resources are held for the benefit of the universities, the foundations are considered component units of the universities and are included in each of the universities' financial statements. These organizations are included in the amounts reported for each university. For the University of Alabama, the University's component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The University of Alabama Law School Foundation, and The University of Alabama Huntsville Foundation. For Alabama State University, the Alabama State University Trust for Educational Excellence is a component unit. For Auburn University, the University's component units are The Auburn University Foundation, Auburn Alumni Association, and The Tigers Unlimited Foundation. The University of Montevallo Foundation, Inc. is a component unit of the University of Montevallo and is included in the amount reported for Montevallo. The University of South Alabama has two component units, the University of South Alabama Foundation and the University of South Alabama Health

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Services Foundation. The Troy University Foundation is a component unit of Troy University. Jacksonville State University's component unit is Jacksonville State University Foundation, Inc.

Complete financial statements for the universities which are audited by other auditors may be obtained at the following addresses: Chief Fiscal Officer, University of South Alabama, Business Office AD 380, Mobile, AL 36688-0002; Office of the Vice President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Director of Accounting and Financial Reporting, University of Alabama in Huntsville, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1530 3rd Avenue South, Birmingham, AL 35294-0110; Director of Financial Reporting, Auburn University, 321 Ingram Hall, Auburn University, AL 36849-5161; Comptroller, Station 6061, University of Montevallo, Montevallo, AL 35115-6000, Vice President for Fiscal Affairs, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104, .

The Alabama Institute for the Deaf and Blind is an educational institution governed by a fourteen-member board, twelve of whom are appointed by the Governor. The Alabama Institute of Deaf and Blind Foundation, Inc. is a component unit of AIDB and is included in the amount reported.

The Marine Environmental Sciences Consortium provides educational programs in marine sciences for the graduate and undergraduate level and conducts research in marine sciences. The board of directors is composed of the chief executive officers of the member institutions.

The Alabama Public School and College Authority issues bonds and uses the proceeds to fund capital construction projects in the local school systems. The Governor, the finance director, and the state superintendent of education constitute the Authority.

The Tombigbee Valley Development Authority consists of six State officials who oversee the development of improvements along the Tombigbee River.

The Higher Education Loan Corporation provides Alabama lending institutions with a secondary market for student loans made under the federal guaranteed student loan program. Audited financial statements may be obtained from the Alabama Commission on Higher Education, P.O. Box 302000, Montgomery, AL 36130-2000.

The U.S.S. Alabama Battleship Commission consists of eighteen members appointed by the Governor. The Commission operates a memorial park centered near the historic battleship.

The fourteen-member board of directors of the Housing Finance Authority is appointed by various State officials. The Authority sells bonds and uses the proceeds to make it possible for lenders to make low interest rate mortgages available to low income home buyers. The primary government does not affect the Authority's budget, but the legislature has historically limited the Authority's ability to issue bonds. Audited financial statements may be obtained from the Authority, P.O. Box 230909, 2000 Interstate Park Drive, Suite 408, Montgomery, AL 36123-0909.

The Alabama Historic Ironworks Commission operates an historic park based on one of the State's early ironworks. Fourteen of the eighteen members on the commission are appointed by the Governor. Part of the Commission's budget is subject to State control.

The Space Science Exhibit Commission operates the Alabama Space and Rocket Center along with the Space Camp. All eighteen members of the Commission are appointed by the Governor and part of the Commission's budget is subject to State approval. Audited financial statements may be obtained from the Commission at the Alabama Space and Rocket Center, P. O. Box 070015, Huntsville, AL 35807-7015.

The Coosa Valley Development Authority oversees developments and improvements along the Coosa River. Six of the seven members of the Authority are State officials.

The Alabama International Airport Authority was created to develop an international airport in the State. The State controls the appointment of only five of the ten members. All funding for the Authority is through the General Fund, so the Authority is subject to full budgetary control.

The Historical Commission is responsible for the preservation of historic sites, buildings, and objects. The twenty-member Commission is not controlled by the State, but the Commission's budget is subject to State control.

The Choctawhatchee Pea and Yellow Rivers Watershed Management Authority develops and executes plans for water conservation and usage, flood control and prevention, water pollution control, wildlife habitat protection, and erosion control within the boundaries of the Authority. The directors of the Authority are elected by local residents, but the Authority is subject to State budgetary control.

The Agricultural Museum Board exists to preserve and exhibit agricultural artifacts. The Board is not controlled by the State, but it is subject to State budgetary control.

The Music Hall of Fame operates a public exhibit displaying music memorabilia in honor of Alabamians who have made a lasting contribution to music. The Hall has both an independent board and is fiscally independent of the State. The Hall is included in these financial statements because it would be misleading to exclude. The State has some limited budgetary influence and the State funded the construction of the Hall's facilities with a general obligation bond issue.

The Historic Blakeley Authority preserves the historic site of the town of Blakeley and operates a park on the site. The Authority has both an independent board and is fiscally independent of the State. The Authority is included in the reporting entity because the State has some limited budgetary influence and the State provides the majority of the Authority's funding.

The Alabama Incentives Financing Authority was created to fulfill the State's financial commitments made to industries locating and expanding in the State under the terms of legislation granting certain financial incentives. The Authority is made up of three State officials and is authorized to issue bonds to fulfill the State's financial commitments.

The Revolving Loan Fund Authority was created to make grants to twelve regional planning commissions for the purpose of financing local economic development projects. Four of the six members of the Authority are State officials.

The Alabama Twenty-first Century Authority was created to promote economic development and industrial recruitment. The Authority can issue revenue bonds and pledge part of the proceeds of the settlement of the tobacco industry litigation to finance the bonds. The Authority is made up of three State officials.

The Agricultural Development Authority promotes development of agriculture in the State by making low interest loans available to persons engaged in agricultural operations. The seven-member board is made up of three State officials and four other persons appointed by the State.

The Public Historical Sites and Parks Improvement Corporation renovates, improves, maintains, and constructs State owned public historical sites and parks not under the jurisdiction of the Department of Conservation and Natural Resources as well as non-State owned public historical sites and parks. The six members of the Corporation are State officials.

4. Fiduciary Component Units

Fiduciary component units are required by GAAP to be reported as fiduciary funds of the primary government rather than as discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

The Employees' Retirement System (ERS) operates several pension (and other employee benefit) trust funds for the benefit of State and local governmental employees. The ERS is governed by a thirteen-member board of control, seven of whom are either primary government officials or appointees of the Governor.

The Teachers' Retirement System (TRS) operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 135 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

5. Excluded Organizations

Other entities have been examined but failed to meet the criteria for inclusion in the State's reporting entity. City and county boards of education are legally separate organizations whose boards are not controlled by the State. They are fiscally dependent on both the State and local government. It is more appropriate that they be included in a local government's reporting entity.

The Elk River Development Agency, Bear Creek Development Authority, and Cahaba Trace Commission are legally separate organizations whose boards are not controlled by the State nor are they fiscally dependent on the State. All three of these organizations are excluded. The many local soil and water conservation districts are legally separate organizations which have independent boards and are fiscally independent. In keeping with their independence, they are excluded from this report.

6. Sources of Information

The majority of State organizations, whether primary government or component unit, conduct their financial operations from the State Treasury through the State's central accounting system under the supervision and review of the State Comptroller, State Treasurer, and State Auditor. The source of information on these agencies is the State's central accounting system. For these agencies, the recording of cash, warrants payable, encumbrances, salaries payable, compensated absences, most investments, most short-term payables, most revenues and most expenditures/expenses are controlled by the State Comptroller and/or the State Treasurer and are therefore subject to extensive scrutiny. Accruals of revenues, a few accruals of expenditures/expenses, and all other accounts, such as depreciation, capital assets, inventories, and capital leases, generally are based on data provided by the individual agencies. The data provided by the agencies are reviewed and recorded once a year and are believed to be materially correct even though they are not generally subject to extensive scrutiny by the State Comptroller, State Treasurer, or State Auditor.

There are some organizations and funds which meet the criteria for inclusion as part of the reporting entity even though they have the authority to conduct their financial operations through bank accounts and accounting systems outside the State Treasury, independent of the direct daily control of the State Comptroller, State Treasurer, and State Auditor. These non-Treasury agencies are included in the financial statements based on information provided to the State Comptroller once a year by the agency or the agency's auditors. Whenever possible, the non-Treasury agencies are reported as they appeared in the information submitted to the State Comptroller. However, corrections or modifications have been made whenever required to comply with generally accepted accounting principles or wherever necessary to ensure consistent statewide report presentation.

The following non-Treasury agencies and funds are included in this report:

a. Primary Government

- Alabama College System
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama Skills Training Consortia
- Alabama State Port Authority
- Alabama State Fire College
- Alabama Technology Network
- Athens State University
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Charlotte Thorn Endowment Fund
- Commercial Mobile Radio Service Board
- Corrections Bank Accounts and Agency Funds
- Corrections Canteen Funds

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- Corrections Institute Finance Authority Bank Account
 - Court System Local Accounts
 - Dental Examiners Board
 - Dental Scholarships Awards Board
 - Department of Human Resources Local Funds and Child Support Funds
 - Educational Television Foundation Authority
 - Geological Survey Library Revolving Fund
 - Gorgas Memorial Board
 - Hicks Memorial Endowment Fund
 - High School of Math and Science
 - Insurance Department Statutory Deposits
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account and Qualifying Individual (2 Funds)
 - Medical Scholarships Awards Account
 - Medical Examiners and Licensure Commission
 - Men's Hall of Fame Outside Account
 - Military Department Unit Funds
 - Montgomery Downtown Redevelopment Authority
 - Motor Sports Hall of Fame
 - National Guard Canteen Funds
 - Non-Emergency Transportation
 - Optometry Board
 - Optometric Scholarships Awards Board
 - Peace Officers' Annuity and Benefit Investment Account
 - Pharmacy Board
 - Pilotage Commission
 - Podiatry Board
 - Public Health Care Authority
 - Public Health Local Funds
 - Public Safety Narcotics Funds
 - Sports Hall of Fame Checking Account
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan
 - State Port Authority Railway Pension Plan
 - Student Assistance Initiated Loan Servicing Account
 - Supreme Court Checking Account
 - Transportation Surety Bonds
 - Unemployment Compensation Funds
 - Victims Services Fund
 - W.V. Chambliss Trust Fund
 - Women's Hall of Fame
 - Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama A & M University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

- Alabama Incentives Financing Authority
- Alabama Institute for Deaf and Blind
- Alabama State University
- Auburn University
- Historic Blakeley Authority
- Cahawba Advisory Committee
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Client/Patient Funds
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Space Science Exhibit Commission and
Space Science Exhibit Finance Authority
- St Stephens Historical Commission
- Troy University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority
- University of Alabama System Office

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

Government-wide financial statements include two basic financial statements: the Statement of Net Assets and the Statement of Activities. The two statements report the State's governmental activities separately from its business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds and fiduciary-type component units are excluded from the government-wide financial statements.

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them available for general operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1)

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

2. Fund Financial Statements

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

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

1. Measurement Focus and Basis of Accounting

These financial statements are reported in conformity with generally accepted accounting principles (GAAP) unless otherwise noted on the face of the statement or in the Notes to the Financial Statements. GAAP basis reporting differs considerably in some ways from the budgetary and cash basis accounting under which the State budgets and operates.

a. Accrual Basis

Under GAAP, the government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized and recorded when earned and expenses are recorded when a liability is incurred for exchange and exchange-like transactions, regardless of the timing of cash flows. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred. For imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted.

Property taxes are recognized as revenues in the year for which they are levied. For government mandated nonexchange revenues such as grants, GAAP require the recognition of assets, revenues, liabilities, and expenditures when all eligibility requirements have been met and (for revenues) resources are available. Agency funds, fiduciary in nature, do not recognize revenues and expenditures.

The State has elected to exercise paragraph 6 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Statement No. 20, paragraph 6, requires that all proprietary activities should apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure (CAP) issued on or before November 30, 1989, unless such FASB, APB, and CAP pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, even if they modify an applicable FASB, APB, or CAP pronouncement, are not applicable unless adopted by a GASB pronouncement.

b. Modified Accrual Basis

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues and court settlements to be available if they are collected within sixty days of the end of the fiscal period. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met and the resources are available. The State considers revenues earned by incurring obligations to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental fund financial statements, revenues and the resulting assets are accrued at year-end only if the revenues are earned and the receivables are expected to be collected in time to pay for liabilities in existence at the end of the period. Expenditures are recognized when the related fund liability is incurred, except for items that are not expected to be liquidated with expendable available resources, such as the long-term portion of compensated absences payable and capital lease obligations. Therefore, expenditures and the related liabilities are accrued at year-end only when they are normally payable from current expendable funds. In order to determine which revenues should be accrued, an arbitrary time limit is established. Revenues are recognized when measurable and available. The State uses sixty days after fiscal year end as the time limit for the accrual of revenues. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utility tax, and other derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred and the resources are available. For property taxes, business privilege tax, and other imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted and the resources are available. For property taxes, revenues are recognized if received within sixty days; otherwise, deferred revenue is recognized. For federal grants and other government mandated nonexchange revenues, assets, revenues, liabilities, and expenditures are recognized when all eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

Material accruals are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utilities tax, property taxes, business privilege tax, federal grants, and interest.

2. Financial Statement Presentation

a. Major Funds

The State reports six major governmental funds. The **General Fund** is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The **Education Trust Fund** accounts for the revenues collected for the support, maintenance, and development of public education in Alabama. The **Alabama Trust Fund** consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service. **Medicaid** accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-State revenue sources. The **Public Road and Bridge Fund** accounts for highway construction, maintenance, and operations. The **Public Welfare Trust Fund** accounts for the administration of a broad range of social and protective services programs that provide financial assistance to individuals.

The State reports five major enterprise funds. The **Unemployment Compensation Trust** accounts for the payment of unemployment compensation benefits. The **State Port Authority** was created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and river ports within the State of Alabama. The **Alabama College System** accounts for the revenues and expenses of the State's Community and Technical Colleges, Athens State University, the Alabama Industrial Development and Training Institute, the Alabama Technology Network, and the Alabama Skills Training Consortia. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement. The **Public Education Employees Health Insurance Plan** provides health insurance coverage to all local school system employees as well as many employees of higher education institutions.

b. Nonmajor Funds

The State reports a number of nonmajor governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Types:

Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specific purposes. Examples include public health, education, and economic and community affairs.

Debt Service Funds account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets financed principally by bond proceeds.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services such as health insurance.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. Examples include information technology, telecommunications, office building rentals, motor pool, printing, and state employees' health insurance. In the government-wide statements, internal service funds are included with governmental activities. Eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity on the government-wide financial statements.

Fiduciary Fund Types:

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plan, individual retirement accounts, and flexible employees' benefit plans. The defined benefit pension plans include plans for state employees, state police, some city and county employees, teachers, judges, peace officers, state dock employees, and circuit clerks of the courts.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's largest private purpose funds are education related for either college tuition benefits or local public schools. There are five endowment funds established by private citizens that the State manages as trustee for local school systems and reports as Local Education Endowments. The Foundation for Local Schools was established so that the Retirement Systems of Alabama can use its investing expertise to get maximum return on investments for numerous small local school foundations and trusts.

Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State has agency funds that account for some taxes collected, payroll withholdings, child support payments, cash bonds, and other purposes.

D. Fiscal Year

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307 as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2005 ended on September 25. The difference in fiscal years had no material effect on the financial statements.

E. Assets, Liabilities, and Net Assets and Fund Balances

1. Cash and Cash Equivalents

Cash and Cash Equivalents, as reported on the financial statements (the government-wide and the fund financial statements), are under the control of the State Treasurer or other administrative bodies as determined by law. The cash in all funds operating from the State Treasury is pooled as treasury cash and invested by the State Treasurer. The State Treasurer has statutory authority to invest treasury cash in demand accounts or time deposit-open accounts with any qualified public depository. The State Treasurer can also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. All of the cash and investments in the State Treasury cash management pool are reported as cash and cash equivalents because the pool is used essentially as a demand deposit account. Commercial paper is reported as an investment regardless of the original maturity date. For funds operating outside the State Treasury, cash and cash equivalents generally include demand deposit accounts, petty cash accounts, and short-term, highly liquid investments with a maturity date of three months or less when purchased.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

2. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "Due To or Due From Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide and governmental fund financial statements, the largest receivables are amounts due from other governments, consisting almost entirely of grants and reimbursements due from the federal government where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts due from local governments are not a significant portion of amounts due from other governments.

The second largest receivables are amounts accrued for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, and property taxes as required by GASB Statement No. 33. These are also accrued in the government-wide and governmental fund financial statements.

The property tax calendar for the State is simple. The levy date, the assessment date, and the lien date are all the same date – October 1. On October 1, the assessed value of all property is multiplied by the applicable rates to levy the property tax. On that date, the State has a lien (a legal claim) against the property. The property tax is not due until October 1 the following year. The property tax is paid in arrears between October 1 and December 31. After December 31, it is delinquent.

In the financial statements of the primary government, the State records few significant Accounts Receivable because those types of revenues are generally not susceptible to accrual under the provisions of Amendment 26 to the *Constitution of Alabama 1901*. Amendment 26 affects only those funds operating from the State Treasury under the control of the State Comptroller, which includes most of the funds of the primary government. The only significant Accounts Receivable is recorded in the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore water. The primary government has minimal amounts of Notes and Loans Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable.

For component units, Mortgages, Notes, and Loans Receivable consist primarily of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to the Alabama Higher Education Loan Corporation. The loans are reported net of an allowance for uncollectible loans.

Due From Other Governments as reported for the component units consist almost entirely of amounts owed by local governments. Most of the amount consists of loans made by the Alabama Water Pollution Control Authority. Accounts Receivable as reported for the component units are comprised primarily of amounts owed to colleges.

3. Inventories

Inventories of supplies in governmental fund financial statements are reported at cost using the purchases method. An inventory asset account is reported on the balance sheet with an offset to Reserved for Inventory. Inventories of materials and supplies on proprietary fund financial statements are determined by both physical counts and through perpetual inventory systems and are valued at the lower of cost or market. Valuation methods used on the proprietary and governmental fund financial statements include first-in first-out, average cost, weighted average, and retail inventory method.

4. Investments

Investments as reported on the Statement of Net Assets include long-term investments. As required by GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", most investments are recorded at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the current interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. No investments are recorded at amortized cost.

5. Restricted Assets

Component Unit assets required to be held and/or used as specified in bond covenants have been recorded as "Restricted Assets." These assets consist primarily of U.S. Treasury obligations and certificates of deposit.

6. Capital Assets

Capital assets, which include buildings, land, equipment, infrastructure (e.g., roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of two years. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements Other than Buildings	25
Equipment	5-12

Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (e.g., roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (ALDOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The ALDOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. ALDOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The cost of infrastructure reported includes historical costs for all years from 1980 to the present as required by GASB 34 as well as historical costs preceding 1980.

Extensive project documentation is required to meet various Federal and State guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

7. Compensated Absences

Employees in permanent positions accrue annual leave at a rate of four to nine hours bi-weekly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of sixty days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours bi-weekly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. The employee must have twenty five years of service or have attained the age of 60 and have ten years of service to be eligible to retire. State Troopers must have twenty five years of service or have attained the age of 52 and have ten years of service to be eligible to retire. When a state employee in the classified service dies while in active service to the State, the estate of the deceased employee shall receive a monetary payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts to be paid from expendable available resources are recognized as current fund liabilities. Current liabilities were determined from actual termination or retirement payments for made during the first month after the end of

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

the fiscal year which represents unused leave balances for those employees who had left State service by end of the fiscal year. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

The liability at September 30, 2005, was computed using salary rates effective at that date including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and non-vested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

	<u>Vested</u>	<u>Non-vested</u>
Public Education Employees	.80	.45
State Employees	.74	.32

8. Long-Term Obligations

Long-term debt is recognized as a liability in governmental fund financial statements when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability in governmental fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds in the proprietary fund financial statements.

9. Net Assets and Fund Balances

As discussed previously, net assets on the government-wide financial statements and the proprietary fund financial statements are reported in three categories: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Reservations of fund balance on the governmental fund financial statements indicate that a portion of the fund balance is not available for appropriation and expenditure or is legally segregated for a specific future use. Fund balance designations are established to indicate tentative plans for financial resource utilization in a future period. Such designations reflect managerial plans or intent as distinguished from legally required reserves.

F. Proprietary Fund Operating Revenues and Expenses

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating items generally result from producing and delivering goods and services that are a normal part of the primary business of the fund. For example, investment income is an operating item for the Risk Management internal service fund, as they collect insurance premiums and invest the money until it is needed to cover claims. In most other proprietary funds, investing is not part of producing and delivering goods or services and is therefore a non-operating item. When not contradictory to this principal, operating items are defined consistent with the definition of operating items for cash flow statements in GASB Statement No. 9. The most significant non-operating items are reported as non-operating revenues for the Unemployment Compensation Trust and the Alabama College System. For the Unemployment Compensation Trust, these non-operating revenues consist primarily of federal drawdowns. For the Alabama College System, these non-operating revenues are federal grants.

G. New Accounting Pronouncements

During the current fiscal year, the State implemented the following new accounting pronouncements:

GASB Statement No. 40: Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)

GASB Technical Bulletin 2004-2: Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers (only for pension transactions, not for OPEB transactions)

GASB Concept Statement No. 3: Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements

NOTE 2 - FUND BALANCES

A. Restatements

Fund balances and Net Assets as of October 1, 2005 have been restated for certain accounting changes necessary to conform to GAAP.

(Amounts In Thousands)	Sept. 30, 2004 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2004 As Restated
<u>Primary Government</u>			
Governmental Funds			
General Fund	\$ 236,729	\$ 16,620	\$ 253,349
Education Trust Fund	543,112	2,151	545,263
Alabama Trust Fund	2,459,842	-	2,459,842
Medicaid Fund	(52,229)	-	(52,229)
Public Road & Bridge Fund	507,673	1,545	509,218
Public Welfare Trust Fund	24,922	729	25,651
Nonmajor Governmental Funds	1,058,721	(1,527)	1,057,194
Total Governmental Funds	<u>\$ 4,778,770</u>	<u>\$ 19,518</u>	<u>\$ 4,798,288</u>
Proprietary Funds			
Unemployment Compensation	\$ 289,630	\$ 579	\$ 290,209
State Port Authority	186,891	-	186,891
Alabama College System	534,718	(115)	534,603
Alcoholic Beverage Control Board	439	-	439
Public Ed Employees' Health Insurance	(24,191)	-	(24,191)
Nonmajor Enterprise Funds	30,808	(2,873)	27,935
Internal Service Funds	159,418	(908)	158,510
Total Proprietary Funds	<u>\$ 1,177,713</u>	<u>\$ (3,317)</u>	<u>\$ 1,174,396</u>
Governmental Activities			
September 30, 2004, as Previously Reported	\$ 19,798,009		
Capital Asset Restatements	(1,256)		
Long-term Debt Restatements	(17,900)		
Governmental Fund Restatements	19,518		
Internal Service Fund Restatements	(908)		
Government-wide Restatements	271		
Net Assets, October 1, 2004, as Restated	<u>\$ 19,797,734</u>		

The restatement of \$16,620,000 in the General Fund was largely the result of an increase in the tax accruals for the prior year. The restatement of \$17,900,000 in Long-term Debt was primarily to record claims liabilities not previously reported for an existing employee injury program.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

(Amounts In Thousands)	Sept. 30, 2004 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2004 As Restated
<u>Component Units</u>			
Public School and College Authority	\$ (1,305,076)	\$ 62	\$ (1,305,014)
Mental Health	130,239	(2,982)	127,257
Housing Finance Authority	207,257	-	207,257
Water Pollution Control Authority	206,729	-	206,729
University of Alabama	2,846,037	85,655	2,931,692
Auburn University	924,429	28,317	952,746
University of South Alabama	503,636	(4,773)	498,863
Other Component Units	496,385	150,334	646,719
Total Component Units	\$ 4,009,636	\$ 256,613	\$ 4,266,249
<u>Fiduciary Funds</u>			
Pension Trust Funds	\$ 25,783,696	\$ -	\$ 25,783,696
Private Purpose Trust Funds	897,498	-	897,498
Total Fiduciary Funds	\$ 26,681,194	\$ 0	\$ 26,681,194

B. Fund Balance/Net Assets Deficits**1. Primary Government**

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$103,175,000 leading to a total deficit in fund balance of \$102,582,000. This was caused by the accrual of claims outstanding on September 30, 2005. The expense was recognized in 2005 along with a receivable for the federal share of the claim. The state matching money will not be available until 2006 when the claims will be paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$6,828,000 at September 30, 2005, with a total net asset deficit of \$408,000. The deficits are largely due to the accrual of liabilities for compensated absences and salaries payable. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Education Department, a nonmajor special revenue fund, had a deficit unreserved, undesignated fund balance of \$3,017,000, although the overall fund balance was a positive \$4,831,000. This was caused by the accrual of accounts payable and amounts due to local governments for expenses recognized in 2005 along with a receivable for the federal share of the program costs. The State matching money will not be available until 2006 when the payables will actually be paid.

The Revenue Administrative Fund, a nonmajor special revenue fund, had a deficit in unreserved, undesignated fund balance of \$1,267,000, although the overall fund balance was a positive \$380,000. The fund operates on a cash basis so the accrual of salaries payable creates a deficit in many years.

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of \$9,875,000. The Authority has a deficit balance of \$22,458,000 in net assets invested in capital assets, net of related debt while having a positive unrestricted net assets balance of \$12,583,000. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,318,142,000 causing a deficit in total net assets of \$1,305,612,000. The Authority issues bonds to raise money for grants which are made

primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues.

The Alabama Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$3,531,000, although the overall total net assets balance is a positive \$21,204,000. The Commission has few current assets.

The Historical Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$581,000 while the overall net assets balance was a positive \$78,444,000. Most of the Commission's assets are either capital or part of a permanent trust so the accrual of salaries payable and compensated absences creates a deficit unrestricted balance.

The Incentives Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$121,734,000, with an overall deficit in total net assets of \$111,870,000. The Authority issues bonds to raise money to fund financial commitments to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues.

The Twenty-first Century Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$8,055,000, creating a deficit in total net assets of \$7,325,000. The Authority issues bonds to raise money for grants to promote economic development and recruit industries to the State and therefore the Authority accumulates few assets. The debt will be repaid with future revenues from the tobacco settlement.

The U.S.S. Alabama Battleship Commission, a nonmajor component unit, had a slight deficit in unrestricted net assets of \$91,000, with positive total net assets of \$12,215,000.

The Historic Ironworks Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$136,000, with positive total net assets of \$3,412,000. The Commission has debt unrelated to capital assets.

The Tennessee Valley Exhibit Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$1,109,000. The Authority still has debt remaining from the construction of a building it no longer owns.

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets balance of \$9,854,000. The Authority issues bonds to finance projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and total net assets of \$10,607,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues.

The Music Hall of Fame, a nonmajor component unit, had a deficit in unrestricted net assets of \$47,000, although overall net assets were a positive \$806,000. The Hall has debt unrelated to any capital asset.

NOTE 3 - ASSETS

A. Cash Deposits

The State Treasurer has statutory authority to deposit treasury cash in demand accounts or time deposit - open accounts with any qualified public depository. The State Treasurer may also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. Funds may also be invested in obligations of the United States or its agencies under a repurchase agreement for a shorter period of time than the maturity date of the security.

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975* requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975*, Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

B. Investments

The State's investments at September 30, 2005, are as follows:

Investment Types and Fair Value September 30, 2005 (Amounts in Thousands)			
Investment Types	Governmental and Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 557	\$ 278	\$ 19,020
Other U S Government Guaranteed Securities	419,282	570,733	269,431
U S Agency Securities	599,244	1,534,578	404,061
State and Local Government Securities	1,944	5,505	1,181
Mortgage Backed Securities	584,849	200,606	838,599
Commercial Paper	260,217	1,274,871	37,933
Corporate Bonds	550,362	2,677,671	125,500
Private Placements	7,604	3,360,814	11,870
Repurchase Agreements	1,274,960	11,087	208,250
International Bonds	41,738	97,266	4,621
Bond Mutual Funds	12,904	387,023	635,246
Domestic Equities	623,770	12,834,866	447,677
International Equities	260	3,649,844	3,077
Other Mutual Funds	70,888	380,145	1,339,891
Real Estate	7,247	1,704,110	174,160
Guaranteed Investment Contracts	0	0	43,416
	<u>\$ 4,455,826</u>	<u>\$ 28,689,397</u>	<u>\$ 4,563,933</u>

Reconciliation to the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets

Investments Per Investment Note	\$ 4,455,826	\$ 28,689,397	\$ 4,563,933
Certificates of Deposit †	84,379	4,169	23,554
Other Cash Equivalents †	(26,398)	395	(29,688)
Repurchase Agreements ††	(1,274,960)	(11,087)	(48,012)
Investments Classified as Restricted Assets	(1,455)	-	(4,055)
Foundations unclassified investments §	-	-	50,091
Investments per Statements	<u>\$ 3,237,392</u>	<u>\$ 28,682,874</u>	<u>\$ 4,555,823</u>

† Investment types not required to be presented in the investment credit note

†† Short-term repurchase agreements are included as cash equivalents, however these investments are subject to investment risk disclosures

§ University foundations follow the investment reporting requirements of the FASB and are not subject to GASB disclosure requirements. For this reason some of the investment information is not available.

Investments are made in accordance with the statutes creating the various agencies of the State of Alabama. The following describes the investments made by the major investing agencies of the State:

1. Primary Government

State Treasurer - The State Treasurer may legally invest state funds in obligations of the U.S. Treasury, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, and debentures or obligations guaranteed by the U.S. government. Investments in obligations of the United States or its agencies under a repurchase agreement are allowed. The State Treasurer may also invest in money market mutual funds which invest solely in U.S. government or agencies securities.

Alabama Trust Fund (ATF) – Investments are limited to those authorized by law for the Retirement Systems of Alabama. The investments authorized for the Retirement Systems are described later in this section.

Prepaid Affordable College Tuition (PACT) Program - The State is responsible for the management of the investments of the PACT program, although the investments are not property of the State. The funds may be invested in any instrument, obligation, security or property that constitutes legal investments for investment of public funds in the State, including legal investments of the State Treasurer and the Alabama Trust Fund that are deemed most appropriate by the PACT board and may be pooled for investment purposes with any other investment of the State which is eligible for asset pooling.

2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The Retirement Systems of Alabama administers the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund. RSA may invest in any types of investments that the Board of Control of each individual system approves. Each Board is limited only by the "Prudent Man Rule" which requires it to use due care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in investing.

Deferred Compensation Plan RSA-1 – A deferred compensation plan is administered by the Retirement Systems of Alabama (RSA). The plan is named the Public Employees' Individual Retirement Account/Deferred Compensation Plan, and is commonly referred to as RSA-1. By law, RSA-1 investments are made under the same rules, regulations, conditions, and guidelines governing the RSA.

3. Component Units

Alabama Water Pollution Control Authority (AWPCA) The AWPCA is authorized to invest in (a) any debt securities that are direct or general obligations of the U. S.; (b) any debt security unconditionally guaranteed (principal and interest) by the U. S.; and (c) repurchase agreements collateralized by securities of the type described in (a) and (b) above or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an unsecured, unsecured, and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investor Service, Inc., and "A-1" or "A-" or better by Standard & Poor's Corporation.

Alabama Housing Finance Authority (AHFA) - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Other investments include unexpended bond proceeds, temporary and reserve funds established under the provisions of various trust indentures, and investments of the Authority's operating fund.

Higher Education Loan Corporation - The bond trust indentures authorize the Corporation to invest bond proceeds only in certain types of investments including, but not limited to: (1) direct obligations of, or obligations unconditionally guaranteed by, the U.S. Government; (2) bank demand deposits and certificates of deposit insured by the Federal Deposit Insurance Corporation or fully secured by obligations with the same characteristics as those described in items (1) above or (3) below; (3) obligations of or guaranteed by any agency or instrumentality of the U. S. Government; (4) obligations with the same characteristics as those described in items (1) and (3) above held by the Trustee under written agreement whereby a bank or trust company agrees to repurchase the obligations, providing that the market value of such obligations, as determined monthly, is always at least equal to the repurchase prices specified in the agreement; (5) money market funds consisting solely of securities similar to those described in items (1), (3), and (4) above; (6) guaranteed investment contracts, and (7) any other investments or obligations consented to by the bond insurance provider.

Investments Made by Colleges and Universities - The colleges and universities invest funds in accordance with the applicable limits set forth in the gift instruments, Board of Trustees guidelines, or other applicable laws. Certain bond indentures require that the bond funds invest all amounts in federal securities or eligible certificates. In accordance with GASB No. 31, most investments are stated at fair value.

C. Investment Risks

1. Credit Risk

The ratings of the State's investments as of September 30, 2005 are as follows.

Ratings of Fixed Maturities					
Moody's	Standard & Poor's	Governmental and Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
Aaa		\$ 2,426,869	\$ 1,935,101	\$ 515,838	\$ 1,470,564
	AAA	115,800	293	11,478	213,271
Aa1		9,628	-	2,361	102
Aa2		27,800	-	8,410	349
	AA	2,089	-	-	49,680
Aa3		37,654	158,929	26,609	589
	AA-	1,564	-	-	-
Aa		-	-	601	8,368
		-	-	-	-
A1		38,610	380,867	50,006	1,108
	A+	12,827	-	-	-
	A-1+	-	-	-	10,940
A2		34,616	1,348,164	87,283	1,796
	A	11,801	56,686	-	43,108
	A-1	-	-	-	12,623
A3		45,365	300,773	41,162	361
	A-	10,452	-	5,000	-
		-	-	-	-
A		-	-	1,923	1,593
P1		5,569	-	-	2,996
P2		254,648	-	2,144	1,328
Baa1		57,448	387,248	38,519	479
	BBB+	2,178	39,903	-	-
Baa2		85,700	535,695	71,135	93
	BBB	4,196	26,169	-	20,110
Baa3		64,835	240,039	57,094	671
	BBB-	25	-	-	-
Ba1		36,655	209,169	45,886	9
Ba2		23,880	201,382	13,756	58
	BB	214	-	-	3,937
Ba3		29,692	59,476	4,885	-
B1		26,012	1,423	2,883	427
	B+	1,004	-	-	-
B2		21,006	110,748	8,961	-
	B	-	-	-	103
B3		10,174	589	-	-
Caa2		197	18,988	3,494	61
Caa		-	27,907	11,938	-
Ca		130	-	-	-
	D	-	6,735	-	-
Not Rated †		355,023	2,942,567	120,212	651,519
		<u>\$ 3,753,661</u>	<u>\$ 8,988,851</u>	<u>\$ 1,131,578</u>	<u>\$ 2,496,243</u>

† Primarily consists of private placements and bond mutual funds that are not rated.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Credit Quality – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

As mentioned earlier the investments of the Alabama Trust Fund are limited to those authorized for the Retirement Systems of Alabama (RSA). The RSA's policy as it relates to credit risk is described as follows. Domestic fixed-maturity investments may consist of rated or non-rated securities. International fixed-maturity investments may consist of securities with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2% of the fair value of each System's total portfolio may be invested in obligations of sovereign countries with a rating of BBB or BAA at the time of purchase. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

The investment policy for the State Treasurer was mentioned earlier. The investments allowed are U.S. government or agency securities, repurchase agreements backed by U.S government or agency securities, or mutual funds investing in U.S government or agency securities. The U.S. government and agency securities are rated Aaa or AAA. Bond mutual funds may or may not be rated.

2. Interest Rate Risk

Governmental and Business-Type Activities
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
Debt Securities					
U S Treasury Strips	\$ -	\$ 557	\$ -	\$ -	\$ 557
Other U S Government Guaranteed Securities	55,540	172,838	87,847	103,057	419,282
U S Agency Securities	102,170	173,665	146,133	177,276	599,244
State and Local Government Securities	1,944	-	-	-	1,944
Mortgage Backed Securities	1	40,461	39,875	504,512	584,849
Commercial Paper	260,217	-	-	-	260,217
Corporate Bonds	9,334	205,839	226,215	108,974	550,362
Private Placements	-	3,172	3,863	569	7,604
Repurchase Agreements	1,244,311	6,546	24,103	-	1,274,960
International Bonds	707	7,551	21,409	12,071	41,738
Bond Mutual Funds	5,448	6,782	145	529	12,904
Total	<u>\$ 1,679,672</u>	<u>\$ 617,411</u>	<u>\$ 549,590</u>	<u>\$ 906,988</u>	<u>\$ 3,753,661</u>

	Maturity in Years at Fair Value				
	Less			More	Total
Investment Type	Than 1	1-5	6-10	Than 10	Fair Value
<u>Debt Securities</u>					
Other U S Government Guaranteed Securities	\$ 985	\$ 168,108	\$ 215,100	\$ 18,555	\$ 402,748
U S Agency Securities	25,183	698,885	508,163	51,168	1,283,399
Mortgage Backed Securities	3	3,461	3,932	120,103	127,499
Commercial Paper	1,215,235	-	-	-	1,215,235
Corporate Bonds	18,988	751,811	622,320	891,608	2,284,727
Private Placements	18,396	272,840	506,522	2,475,703	3,273,461
International Bonds	-	97,266	-	-	97,266
Bond Mutual Funds	304,517	-	-	-	304,517
Total	\$ 1,583,307	\$ 1,992,371	\$ 1,856,037	\$ 3,557,137	\$ 8,988,852

Other Fiduciary Funds
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
U S Treasury Strips	\$ 105	\$ -	\$ 173	\$ -	\$ 278
Other U S Government Guaranteed Securities	25,370	74,234	48,174	20,206	167,984
U S Agency Securities	998	116,569	124,197	9,414	251,178
State and Local Government Securities	1,510	1,995	800	1,200	5,505
Mortgage Backed Securities	1,421	4,346	3,712	63,629	73,108
Commercial Paper	59,635	-	-	-	59,635
Corporate Bonds	7,542	163,318	106,652	115,433	392,945
Private Placements	-	9,998	22,347	55,007	87,352
Repurchase Agreements	11,087	-	-	-	11,087
Bond Mutual Funds	36,346	38,212	7,947	-	82,505
Total	\$ 144,014	\$ 408,672	\$ 314,002	\$ 264,889	\$ 1,131,577

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Discretely Presented Component Units (excluding University of Alabama) (Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
U S Treasury Strips	\$ 1,022	\$ 3,120	\$ 14,793	\$ 85	\$ 19,020
Other U S Government Guaranteed Securities	60,380	81,365	48,658	3,038	193,441
U S Agency Securities	115,697	178,525	96,057	13,783	404,062
State and Local Government Securities	68	-	-	1,113	1,181
Mortgage Backed Securities	-	3,511	853	572,434	576,798
Commercial Paper	27,648	330	-	-	27,978
Corporate Bonds	6,441	3,987	3,065	927	14,420
Private Placements	-	4,492	148	427	5,067
Repurchase Agreements	98,366	-	105,383	-	203,749
Guaranteed Investment Contracts	7,358	12,988	-	23,069	43,415
Bond Mutual Funds	3,999	57,221	7,989	-	69,209
Total	<u>\$ 320,979</u>	<u>\$ 345,539</u>	<u>\$ 276,946</u>	<u>\$ 614,876</u>	<u>\$ 1,558,340</u>

The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, the RSA's intent is to hold all fixed maturity investments until maturity, and as such, fixed maturity investments are classified in the table as if they were held to maturity.

The Alabama Trust Fund's policy states that a growth portfolio of equities and other financial instruments should be maintained to augment the fixed income investments that are needed to satisfy the investment objectives and to protect the fund from inflationary erosion. The investment portfolio shall be diversified both by asset class and within asset classes, by economic sector and industry. The purpose of the diversification is to reduce the specific risk associated with any single security or class of securities. The fixed income portfolio is to be diversified so that no more than fifteen percent is invested in one industry (does not apply to U.S. Government and Agency securities), and that no more than a maximum of five percent of the total fixed income portfolio may be invested in securities of any one corporation. The aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation.

State Treasurer – The Treasurer's Office policy states that the maximum effective maturity of any purchase will be five years. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities. Average effective duration should be plus or minus 30 percent of the index duration. The portfolio is benchmarked against the Lehman Brothers 1 - 3 Year Government Index.

University of Alabama
(Amounts in Thousands)

Investment Type	Fair Value	Effective Duration
Endowment Fund:		
Other U S Government Guaranteed Securities	\$ 13,448	6.9
Mortgage Backed Securities	11,742	11.6
Corporate Bonds	10,375	3.6
Bond Mutual Funds	84,254	4.5
Prime Fund:		
Other U S Government Guaranteed Securities	19,115	6.3
Mortgage Backed Securities	16,242	11.0
Corporate Bonds	14,385	2.8
Bond Mutual Funds	128,572	4.5
Intermediate Fund:		
Other U S Government Guaranteed Securities	31,941	1.5
Mortgage Backed Securities	194,255	9.7
Corporate Bonds	85,939	7.3
Bond Mutual Funds	67,604	1.8
Total	<u>\$ 677,872</u>	

The University of Alabama discloses the interest rate risk for the System Pools using the effective duration method. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The University does not have a specific policy relative to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

3. Foreign Currency Risk

Investments Exposed to Foreign Currency Risk
(Amounts in Thousands)

	Governmental and Business-Type Activities		RSA (Fiduciary Component Units)		Other Fiduciary Funds	Discretely Presented Component Units
	International	International	International	International	International	International
	Equities	Bonds	Equities	Bonds	Equities	Equities
Australian Dollar	\$ 22	\$ 344	\$ -	\$ -	\$ 3,206	\$ 80
Bahamian Dollar	-	179	-	-	-	-
Bermudain Dollar	-	1,550	-	-	-	-
British Pound Sterling	73	2,823	856,375	-	21,743	705
Canadian Dollar	-	15,517	-	-	-	651
Cayman Island Dollar	-	1,380	-	-	-	-
Chilean Peso	-	97	-	-	-	-
Danish Krone	-	-	-	-	1,756	-
Euro	97	8,992	1,199,277	40,579	38,194	851
Hong Kong Dollar	6	-	-	-	3,807	139
Israeli Shekel	-	179	-	-	-	17
Japanese Yen	47	-	840,645	-	19,615	554
Malaysian Ringgit	-	781	-	-	-	-
Mexican New Peso	-	4,541	-	-	-	56
Netherlands Antilles Guilder	-	1,754	-	-	-	-
New Zealand Dollar	3	-	4,470	-	-	-
Norwegian Krone	-	-	49,700	-	1,069	-
Russian Fed. Rouble	-	1,809	-	-	-	5
Singapore Dollar	-	639	-	-	1,706	-
South African Rand	4	-	-	-	-	-
South Korean Won	5	1,150	-	-	-	-
Swedish Krona	-	-	82,867	-	958	-
Swiss Franc	4	-	237,881	-	7,291	-
Taiwan New Dollar	-	-	-	-	-	20
	<u>\$ 261</u>	<u>\$ 41,735</u>	<u>\$ 3,271,215</u>	<u>\$ 40,579</u>	<u>\$ 99,345</u>	<u>\$ 3,078</u>

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In order for an international equity security to be eligible for purchase by the RSA, the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed earlier, and the market value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

The investment policy of the Alabama Trust Fund states that the aggregate market value of international equities is limited to six percent of the aggregate market value of the total portfolio. In addition, the aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation.

4. Custodial Credit Risk

For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails.

Retirement Systems of Alabama - The RSA's custodial credit risk policy requires the custodial agent to hold or direct its agents or subcustodians to hold, for the account of the RSA all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The RSA's safekeeping agent holds all investments of the RSA in the RSA's name, with the exception of Netherlands, Austrian, and Belgium securities. Netherlands, Austrian, and Belgium securities are held by an agent of the custodial agent, but not in the name of the RSA.

State Treasurer - The State Treasurer's policy with respect to repurchase agreements requires that the underlying securities be held in the counterparty's safekeeping department, in the name of the State.

Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)

	Governmental and Business-Type Activities	RSA (Fiduciary Component Units)	Other Fiduciary Funds	Discretely Presented Component Units
U S Treasury Strips	\$ -	\$ -	\$ -	\$ 53,048
Other U S Government Guaranteed Securities	994	-	22,318	36,308
U S Agency Securities	60,594	-	-	-
State and Local Government Securities	-	-	4,285	-
Mortgage Backed Securities	4,136	-	8,307	-
Commercial Paper	1,395	-	240	-
Corporate Bonds	1,441	-	6,900	-
Repurchase Agreements	1,191,768	-	11,087	198,691
International Stocks	-	228,781	-	-
Other Mutual Funds	-	-	-	62,602
	<u>\$ 1,260,328</u>	<u>\$ 228,781</u>	<u>\$ 53,137</u>	<u>\$ 350,649</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

D. Securities Lending**Securities Lending - Investments Lent and Collateral Received**
(Fair Value in Thousands)

Type of Investment Lent	Governmental Funds	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral				
Domestic Fixed Maturities	\$ 486,999	\$ 581,905	\$ 125,881	\$ 107
Domestic Equity	29,995	836,241	4,651	2,986
International Equity	-	641,600	-	-
Total Lent for Cash Collateral	516,994	2,059,746	130,532	3,093
For Non-cash Collateral				
Domestic Equity	-	191	-	-
International Equity	-	121,698	-	-
Total Lent for Non-Cash Collateral	-	121,889	-	-
Total Securities Lent	\$ 516,994	\$ 2,181,635	\$ 130,532	\$ 3,093
Type of Collateral Received				
Cash Collateral				
Cash Collateral - Invested in State Street Quality D Fund	\$ 185,423	\$ 2,124,251	\$ 133,487	\$ 3,148
Cash Collateral - Invested in other investments	335,992	-	-	-
Total Cash Collateral	521,415	2,124,251	133,487	3,148
Non-Cash Collateral				
For Lent Domestic Equity Securities				
Pledged Securities	1,532	198	-	-
For Lent International Equity Securities				
Pledged Securities	-	129,918	-	-
Total Non-Cash Collateral	1,532	130,116	-	-
Total Collateral Received	\$ 522,947	\$ 2,254,367	\$ 133,487	\$ 3,148

The Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Investment Committee. The Retirement Systems of Alabama's custodian, State Street Bank and Trust Company, administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and a few other funds of the State. Certain securities are loaned to borrowers approved by the Retirement Systems of Alabama (RSA). Approved borrowers of securities provide acceptable collateral in the form of cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, sovereign debt, Canadian Provincial debt, convertible bonds, irrevocable bank letters of credit by a person other than the borrower or an affiliate of the borrower if State Street determines to be appropriate, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the lender or borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars or whose primary trading market is located in the United States, sovereign debt issued by foreign governments (other than Canada) or

corporate bonds that are not denominated in United States Dollars (other than those issued in Canada), a value of 102 percent of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105 percent of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5 percent of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102 percent of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100 percent of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2005, the average term of the loans was three days for all of the funds. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's fund guidelines. The QDF's average effective duration is restricted to 120 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be five years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 30 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2005. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

Wachovia Bank's custodian, Met-West, administers a portion of the program for the ATF. Certain securities from ATF are loaned to borrowers approved by Wachovia. Approved borrowers of securities provide acceptable collateral in the form of cash, commercial paper, master notes and debt obligations of domestic and foreign companies and banks, money market mutual funds, certificates of deposits, banker's acceptances, time deposits, repurchase agreements, direct U.S. Treasury obligations, federal agency securities, mortgage and asset-backed securities, obligations of foreign governments, corporate bonds, whole loan collateral (conforming and non-conforming, which includes residential, multifamily and commercial mortgages), letters of credit as approved by Wachovia, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the ATF or borrower. The initial collateral received shall have (i) for cash collateral, a value of 100 percent of the fair value of the loaned securities, or (ii) for Government Securities Collateral, a value of 102 percent of the fair value of the loaned securities, or (iii) for collateral representing obligations of foreign governments, a value of 105 percent of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, Wachovia shall, in accordance with Wachovia's reasonable and customary practices mark to market the value of all loaned securities and receive and release collateral in accordance with the applicable loan agreement each business day.

The ATF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral may be invested in (i) commercial paper, master notes and debt obligations of domestic and foreign companies and banks, provided the issuer carries a commercial paper rating of A-1 by Standard and Poor's and /or P-1 by Moody's, A+1 or A-1 by Canadian Bond Rating Service and/or R-1 by Dominion Bond Rating Service; (ii) selected money market mutual funds; (iii) certificates of deposit, banker's acceptances and time deposits of all domestic and foreign banks rated B or better by Thomson Bankwatch, Inc.; or (iv) repurchase agreements (including tri-party arrangements with third-party custodians), and the securities purchased pursuant to such repurchase agreements are themselves approved investments of cash collateral. Repurchase agreements and non-cash collateral may be invested in (i) all direct U.S. Treasury obligations, federal agency securities and obligations guaranteed or insured by an agency of the federal government both as to principal and interest; (ii) mortgage and asset-backed securities rated AA or higher by

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Standard and Poor's and Moody's; (iii) commercial paper, master notes and debt obligations of domestic and foreign companies and banks, provided the issuer carries a commercial paper rating of A-1 by Standard and Poor's and/or P-1 by Moody's, A+1 or A-1 by Canadian Bond Rating Service and/or R-1 by Dominion Bond Rating Service. In the absence of a commercial paper rating by Standard and Poor's or Moody's, a rating of A or better on long-term debt by Standard and Poor's or Moody's is acceptable; (iv) obligations of foreign governments, provided the issue is rated AA or higher by Standard and Poor's and/or Moody's; (v) Corporate bonds rated Investment Grade or higher by Standard and Poor's and/or Moody's; (vi) whole loan collateral, conforming and non-conforming, which includes residential, multifamily, and commercial mortgages. There will be at least 5 percent additional collateral in excess of cash for residential mortgages, and at least 9 percent additional collateral in excess of cash for multifamily and commercial mortgages; or (vii) letters of credit, provided the issuer of such letter of credit has been previously approved in writing by Wachovia. As of September 30, 2005, the average term of the loan was 7 days. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the loans with the investments made with cash collateral. At September 30, 2005 the fair value of the securities on loan through Wachovia was \$335,835,675. The fair value of the collateral pledged by the borrowers was \$337,523,030. These amounts are included in the securities lending table. Since the amount owed by the ATF exceeded the amounts the borrowers owed to the ATF, there was no credit risk exposure as of September 30, 2005. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

E. Mortgage-Backed Securities

The State of Alabama invests in mortgage-backed securities to improve yield and adjust the duration of the State's fixed income portfolio. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligors tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

F. Derivatives

On June 3, 2004, the State of Alabama entered into separate interest rate swap agreements with Bank of America, N.A., Bear Stearns Capital Markets, Inc. and Goldman Sachs Mitsui Marine Derivative Products, L.P. with an aggregate notional amount of \$350,000,000. The State's objective in entering into the swap agreements was to provide a hedge against the State's floating rate risk exposure, generate an economic benefit to fill a State General Fund fiscal year 2005 budgetary shortfall and provide an improved balance between the State's variable rate assets and fixed rate liabilities.

Under the swap agreements, the State pays the floating BMA Index rate and receives a fixed rate of 4.19% for the period of June 15, 2004 through October 1, 2019. The swap agreements also provide for an interim reversal period from June 15, 2004 through April 1, 2007. During this period, the swap providers pay the State 4.19% and the State pays the swap providers 2.76% based upon the collective notional amount of \$350,000,000. In connection with the interim reversal, the State received a one time payment on July 1, 2004 of \$19,672,000 from the swap providers, which represents the present values of the payments due to the State during the interim reversal period and the fee due to the State for the providers' option to cancel the agreements at no cost, annually, beginning April 1, 2007 through the term of the swap agreements.

The agreement had a negative fair market value at September 30, 2005 of \$10,515,291. This fair market value came from mark to market valuations provided by the swap providers. The following are the risks associated with the swap agreement:

Counterparty Credit Risk: The swap agreements are long-term contracts that expose the State to the risk that the swap providers will fail to perform as required for the full term of the agreements. The State has determined that this risk is mitigated by diversification among multiple swap providers, the strong credit ratings of the swap providers (all are rated single-A or higher), the requirement under Alabama law that the swap providers fully collateralize the swaps (as measured by its termination value) from inception, and the inherent structure of the swaps, under which much of the value to the State was paid to the State at inception.

Floating rate risk: Because the swap agreements create floating rate obligations, the State is exposed to the risk that floating rates will rise in the future beyond what is currently anticipated. This risk is mitigated by the State's floating rate assets, which, at the time the swap agreements were entered into, provided 2.34 times coverage of the floating rate obligations created by the swap agreement. The State has determined that if floating rates rise, the State's increased investment earnings on its variable rate assets will more than offset the increased cost of the floating rate obligations created by the swap agreements.

Basis risk: Because the floating rate payable under the swap agreements is based on the tax-exempt BMA Index, the State is exposed to the risk that tax-exempt floating rates may perform differently than taxable floating rates, creating potential unanticipated costs. Tax-exempt floating rates can be affected relative to taxable floating rates based on changes in federal tax laws and by other factors, such as the supply of and demand for tax-exempt securities. The State has determined that this risk is also mitigated by the State's current ratio of floating rate assets to floating rate liabilities.

Termination risk: The swap agreements contain provisions (including events of default and termination events) that could cause the swap agreements to be terminated prior to their scheduled termination, which could result in a potentially significant unscheduled payment to become due and payable from the State to the swap providers. The swap agreements provide asymmetrical credit downgrade termination events, which protect the State from an early termination as long as it maintains a rating at or above BBB/Baa2, even though the State may terminate the swap agreements if the swap providers fall below the single-A rating category. The annual termination option provided by the State to be swap providers beginning April 1, 2007, if exercised, would not constitute an early termination event requiring payment by either the State or the swap providers.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

G. Capital Assets

Historical costs for infrastructure assets are included in this year's Comprehensive Annual Financial Report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2005, the capital assets for the Primary Government and the Component Units are presented in the following tables:

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL-TYPE ACTIVITIES</u>				
Capital assets not being depreciated:				
Land	\$ 140,102	\$ 5,091	117	\$ 145,076
Historical Exhibits	2,658	-	-	2,658
Construction in progress	35,659	37,208	1,313	71,554
Construction in progress - Infrastructure	3,414,240	503,195	158,103	3,759,332
Infrastructure	11,444,614	158,103	-	11,602,717
Total	15,037,273	703,597	159,533	15,581,337
Capital assets being depreciated:				
Buildings	963,193	20,316	2,219	981,290
Equipment	505,787	80,252	52,284	533,755
Total	1,468,980	100,568	54,503	1,515,045
Less accumulated depreciation:				
Buildings	446,905	22,219	1,638	467,486
Equipment	316,553	47,804	37,990	326,367
Total	763,458	70,023	39,628	793,853
Total capital assets being depreciated, net	705,522	30,545	14,875	721,192
Governmental-type activities capital assets, net	\$ 15,742,795	\$ 734,142	\$ 174,408	\$ 16,302,529
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 1,786			
Social Services	3,409			
Education and Cultural Resources	4,071			
Natural Resources and Recreation	4,257			
Health - Physical & Mental	4,130			
General Government	12,447			
Protection of Person & Property	19,378			
Transportation	20,545			
Total Depreciation Expense	\$ 70,023			

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets not being depreciated:				
Land	\$ 47,791	3,092	7,437	\$ 43,446
Historical Exhibits	2,350	0	-	2,350
Construction in progress	46,835	93,178	22,746	117,267
Total capital assets not being depreciated	<u>96,976</u>	<u>96,270</u>	<u>30,183</u>	<u>163,063</u>
Capital assets being depreciated:				
Buildings	881,590	23,156	13,828	890,918
Equipment	342,137	27,478	17,355	352,260
Total capital assets being depreciated	<u>1,223,727</u>	<u>50,634</u>	<u>31,183</u>	<u>1,243,178</u>
Less accumulated depreciation				
Buildings	363,626	21,079	9,683	375,022
Equipment	186,887	15,088	11,421	190,554
Total accumulated depreciation	<u>550,513</u>	<u>36,167</u>	<u>21,104</u>	<u>565,576</u>
Total capital assets being depreciated, net	<u>673,214</u>	<u>14,467</u>	<u>10,079</u>	<u>677,602</u>
Business-type activities capital assets, net	<u>\$ 770,190</u>	<u>\$ 110,737</u>	<u>\$ 40,262</u>	<u>\$ 840,665</u>
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 14,791			
Alabama College System	20,055			
Alcoholic Beverage Control Board	1,064			
Other Nonmajor Enterprise Funds	257			
Total Depreciation Expense	<u>\$ 36,167</u>			

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>COMPONENT UNITS</u>				
Capital assets not being depreciated:				
Land	\$ 137,506	\$ 12,440	\$ 649	\$ 149,297
Historical Exhibits	76,007	1,740	-	77,747
Construction in progress	565,190	199,019	465,405	298,804
Total capital assets not being depreciated	778,703	213,199	466,054	525,848
Capital assets being depreciated:				
Buildings	3,611,633	619,832	28,544	4,202,921
Equipment	1,591,240	147,742	57,679	1,681,303
Total capital assets being depreciated	5,202,873	767,574	86,223	5,884,224
Less accumulated depreciation				
Buildings	1,576,047	118,586	22,369	1,672,263
Equipment	1,095,173	109,495	50,621	1,154,048
Total accumulated depreciation	2,671,220	228,081	72,990	2,826,311
Total capital assets being depreciated, net	2,531,653	539,493	13,233	3,057,913
Component Units capital assets, net	\$ 3,310,356	\$ 752,692	\$ 479,287	\$ 3,583,761
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	\$ 518			
Mental Health	3,168			
Water Pollution Control Authority	258			
University of Alabama	146,180			
Auburn University	31,167			
University of South Alabama	19,282			
Other Nonmajor Component Units	27,508			
Total Depreciation Expense	\$ 228,081			

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government

At September 30, 2005, the Department of Transportation had construction and maintenance contracts of \$2,512,170,881. The amount already performed was \$2,075,438,414, leaving an outstanding balance of \$436,732,467. The funding sources for this amount are 62 percent Federal funds, 32 percent State and local funds, and 6 percent bonds.

b. Component Units

The University of Alabama at Birmingham had construction and acquisition commitments remaining at September 30, 2005, of \$168,801,000. These costs will be financed from bond proceeds and UAB reserves of \$138,028,000, federal funds of \$16,723,000, state funds of \$1,037,000, and other non-UAB funding sources of \$13,013,000. During 2005, approximately \$15,235,000 of construction was financed through debt proceeds. In addition, certain projects in the planning and design phase that UAB expects to complete have estimated costs totaling \$183,919,000.

The University of Alabama at Tuscaloosa had construction and renovation contracts remaining at September 30, 2005, of \$48,300,000. These costs are expected to be financed from gifts, grants, bond proceeds, and University funds.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$319,400,000. At September 30, 2005, the estimated remaining cost to complete the projects was approximately \$97,444,000 payable from University funds and bond proceeds.

At September 30, 2005, Jacksonville State University had commitments on construction projects which included \$2,311,000 on renovating the Art Building Annex, the Chimney Peak Observatory and the Little River Canyon Field School with over \$2,000,000 funded by NASA.

The University of Alabama at Huntsville had a construction contract for the Applied Sciences Building remaining at September 30, 2005 of \$56,000,000. The costs are expected to be paid from federal and state sources. The University also had contracts for the construction of Fraternity and Sorority Housing remaining at September 30, 2005 of \$4,000,000 which is expected to be paid from private and University sources.

2. Operating Leases

The State and its component units have entered into various lease agreements for real property. These leases do not represent material commitments by the State, therefore disclosure of minimum future lease payments is not provided.

3. Federal Programs

The State operates several Federal programs that have commitments for claims outstanding at September 30, 2005. These claims involve services provided to beneficiaries prior to September 30, but the claims were neither submitted to nor approved for payment by the State until after September 30. The amounts of these programs are not material.

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$47,056,000 of its net assets for fiscal year September 30, 2005 for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

B. Claims and Judgments

A judgment was entered against the State in favor of Alabama State University and Alabama A&M University. The State must pay each University \$1,000,000 for the next five years. The amount outstanding is \$10,000,000. The Education Trust Fund is being used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay Bellsouth \$4,897,438 for the next six years in the form of actual payments and tax credits. The amount outstanding is \$29,384,631. The General Fund is being used to liquidate this debt.

C. Long-term Debt

1. Debt Limitations and Methods of Bond Issuance

Under Section 213 of the Constitution of Alabama, as modified by Amendment 26, the State is constitutionally prohibited from incurring debt except to repel invasion or suppress insurrection. Therefore, the only method under which general obligation debt can be incurred is by amendment to the Constitution. Although conventions proposed by the legislature and approved by the electorate may be called for the purpose of amending the Constitution, historically all amendments have been adopted by a procedure which requires them to be proposed by a three-fifths majority of each house of the legislature and thereafter ratified by a majority of the electorate.

The Supreme Court of Alabama has ruled that the debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The State has followed the practice of financing certain capital improvements by issuing debt through such public corporations. The Legislature (through enabling legislation) and the Governor (by executive order) have created public corporations and authorities of the State for the purpose of financing projects and programs such as public highways, public educational facilities, judicial buildings, student loans, affordable housing, and other projects. In most instances, State officials such as the Governor, Lieutenant Governor, Attorney General, State Treasurer, and the Director of Finance serve as board members of these corporations. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Depending on the GASB criteria discussed in Note 1, some of these corporations are reported by blending them with the primary government and some are reported discretely.

The State and its component units issue serial and term bonds and capital appreciation bonds. Capital appreciation bonds are sold at a deep discount and do not pay any interest until the bonds mature. Based on the original offering price, the bonds increase in value as semi-annual interest is earned and is compounded from the original issuance date to the date of maturity. The issuance of this type bond postpones the cash flow until the bonds mature or are called. The increase in the value of the bonds is referred to as accretion.

2. General Obligation Bonds – Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing capital projects for: state waterways, State Port Authority's facilities, prisons, roads, bridges, mental hospitals, Mobile harbor, State parks, youth services facilities, state buildings, the State Coliseum, public schools and colleges, conservation and preservation projects, educational television, forensic sciences laboratories, agricultural development, and diagnostic and research laboratories. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 51,482,111	\$ 23,080,013	\$ 74,562,124
2007	47,599,880	29,795,289	77,395,169
2008	32,772,800	23,740,996	56,513,796
2009	20,150,000	16,289,887	36,439,887
2010	21,055,000	15,421,150	36,476,150
2011-2015	109,055,000	63,433,673	172,488,673
2016-2020	137,015,000	34,852,141	171,867,141
2021-2025	64,370,000	5,825,744	70,195,744
Total	483,499,791 †	\$ 212,438,893 †	\$ 695,938,684
Unamor Prem	6,911,531		
	\$490,411,322		

† The liability reported on the balance sheet includes \$17,091,489 for the accretion of interest on capital appreciation bonds. The above table shows interest in the year it is paid, not the year it is accrued.

GENERAL OBLIGATION BONDS PAYABLE

<u>General Obligation Issue</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Bonds Payable Sept. 30, 2005</u>
Series 1999				
Series A Refunding Bonds	07/13/99	10/01/07	4.6% to 5.5%	\$ 95,731,280 †
Series B Refunding Bonds	07/13/99	10/01/09	3.8% to 5.0%	8,020,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	49,600,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	15,200,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	90,835,000
Series D - Public Historical Sites & Improvement Corp	06/01/01	09/30/21	4.0% to 5.0%	5,240,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	83,000,000
Series 2002				
Series A - Capital Improvement Bonds	09/01/02	09/01/22	3.0% to 5.0%	49,045,000
Series 2005				
Series A - Capital Improvement Bonds	02/01/05	08/01/25	3.0% to 5.0%	103,920,000
Sub-total General Obligation Bonds				500,591,280
‡ Plus: Unamortized Premiums				6,911,531
Total General Obligation Bonds				\$ 507,502,811

† The amount outstanding includes \$17,091,489 accretion of interest.

‡ Unamortized premiums were \$794,386 for Series 2001-E, \$875,509 for Series 2002-A, and \$5,241,636 for Series 2005-A.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

3. Revenue Bonds

a. Primary Government – Governmental Activities

The Alabama Industrial Access Road and Bridge Authority is authorized to issue bonds to finance the construction of industrial access roads and bridges in the state. Revenues from gasoline, motor fuel, and lubricating oil taxes are pledged for the payment of these bonds.

The Alabama Corrections Institution Finance Authority issues bonds for the purposes of acquiring land and constructing correctional institutions. The bonds are payable from revenues derived from payments under a lease agreement between the Authority and the Department of Corrections.

The Montgomery Downtown Redevelopment Authority issued bonds to fund the construction of the Gordon Persons Building. Debt service is payable solely from the revenues and receipts paid pursuant to leases, proceeds of insurance in the event of damage or destruction of the building, amounts received in the event of condemnation of the building, amounts payable by MBIA under the Insurance Policy, amounts on deposit in the Reserve Fund held by the Trustee, earnings, if any on funds held by the Trustee, and funds received by the Trustee in the event of any foreclosure sale of the building.

The Alabama Building Renovation Finance Authority issues bonds to provide funding for the renovation, reconstruction, operation, and maintenance of public office buildings in the state capitol complex. The Authority also receives income from the rental of the office buildings to state agencies. The bonds issued by the Authority are payable from the rents received by the authority under lease agreements.

The Alabama Judicial Building Authority issues bonds for the purpose of funding the acquisition and construction of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System. Pursuant to the lease, proceeds of insurance in the event of damage or destruction of the facilities, amounts, if any, received in the event of condemnation of the facilities, amounts payable by AMBAC under the Municipal Bond Insurance Policy, and earnings, if any, on funds held by the State Treasurer.

The Alabama Public Health Care Authority issues bonds for the purpose of funding the acquisition and construction of public health care facilities. Revenues received from leases with the county health departments, income from investments, real property, equipment, cash, securities, and a Municipal Bond Insurance Policy are pledged for the payment of principal and interest on the bonds.

The Alabama Federal Aid Highway Finance Authority issues bonds for the purpose of funding the costs of constructing any roads, streets, parks, right of ways, bridges, railroad crossings, drainage structures, signs, guard rails, structures, interstates, surfaces, resurfaces, shoulders, road sides, or any other work which is eligible for federal aid financing assistance under Title 23, Chapter 1, of the United States Code and applicable regulations. The bonds are issued in anticipation of the receipt by the State of the federal share of the costs.

b. Primary Government – Business Type Activities

The Alabama State Port Authority (ASPA) issued bonds for the construction and maintenance of a wharf, warehouse, open storage area and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of ASPA derived from charges made by ASPA for all services provided.

The Alabama College System has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. The total principal amount outstanding on these bonds is \$233,530,000 for the Alabama College System and \$2,395,000 for Athens State.

PRIMARY GOVERNMENT					
Governmental Activities	Date	Final	Interest	Bonds	
Revenue Bonds	Issued	Maturity	Rates	Payable	
		Date		Sept. 30, 2005	
Alabama Corrections Institution Finance Authority					
Series 1993-A Refunding Bonds	08/01/93	04/01/06	4.50% to 5.20%	\$	4,490,000
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%		13,360,000
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%		4,000,000
Montgomery Downtown Redevelopment Authority					
Series 2002	08/08/02	10/01/13	2.30% to 5.00%		39,510,000
Alabama Building Renovation Finance Authority					
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%		20,325,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%		11,985,000
Alabama Judicial Building Authority					
Series 1996 Current Interest Bonds	12/01/96	01/01/06	4.20% to 4.85%		3,880,000
Series 1996 Capital Appreciation Bonds	12/01/96	01/01/14	5.15% to 5.75%		24,116,180 †
Alabama Public Health Care Authority					
Series 2005	09/28/05	09/01/35	4.00% to 4.50%		57,975,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		170,065,000
Sub-total Revenue Bonds Payable					349,706,180
‡ Less: Unamortized Discounts					(633,391)
§ Plus: Unamortized Premiums					5,403,062
†† Less: Unamortized Loss					(3,336,908)
Net Primary Government					
Revenue Bonds Payable, Governmental Activities				\$	351,138,943

† Balance includes the accretion of interest on capital appreciation bonds in the amount of \$8,921,739 for the Judicial Building Authority 1996 Capital Appreciation Bonds

‡ Unamortized Discount \$53,641 for Alabama Building Renovation Finance Authority and \$579,750 for Public Health Care Authority.

§ Unamortized premium is \$2,428,176 for Federal Aid Highway Finance Authority, \$2,524,071 for Montgomery Downtown Redevelopment Authority and \$450,815 for Alabama Corrections Institution Finance Authority .

†† Unamortized accounting losses were \$591,026 for the Alabama Building Renovation Finance Authority, \$1,487,937 for Montgomery Downtown Redevelopment Authority, \$200,829 for Alabama Corrections Institution Finance Authority and \$1,057,116 for Public Health Care Authority.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

PRIMARY GOVERNMENT-Business-Type Activities	Date	Final	Interest	Bonds Payable
Revenue Bonds, Proprietary Funds	Issued	Maturity Date	Rates	Sept. 30, 2005
State Port Authority †				
Series 1996	03/01/96	10/01/21	6.10% to 6.30%	\$ 58,000,000
Series 1997	09/01/97	10/01/17	4.90% to 5.38%	34,665,000
Series 1998, Refunding Bonds	07/08/98	10/01/22	5.25% to 6.00%	68,120,000
Series 2001	12/01/01	10/01/26	5.25% to 5.25%	17,855,000
Alabama College System	Various	Various	1.15% to 7.39%	235,925,000
Sub-total Revenue Bonds Payable, Proprietary Funds				414,565,000
§ Less: Unamortized Discounts				(2,932,176)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 411,632,824

§ Unamortized discounts \$2,932,176 for Alabama State Port Authority.

† Amounts are due on October 1, but historically are paid a few days prior to the end of the previous fiscal year (September 30).

The above schedule reflects the debt in the year it is actually paid.

Revenue Bonds					
Debt Service Requirements to Maturity					
Governmental Activities			Business-type Activities		
Maturity	Principal	Interest	Principal	Interest	
2006	\$ 26,905,000	\$ 15,375,910	\$ 17,955,000	\$ 20,092,214	
2007	21,821,511	15,845,215	19,255,000	19,208,341	
2008	22,516,923	15,129,094	20,065,000	18,349,284	
2009	23,278,474	14,290,555	19,360,000	17,544,451	
2010	24,109,834	13,385,119	23,040,000	18,472,945	
2011-2015	121,487,699	48,732,065	102,375,000	64,550,403	
2016-2020	53,135,000	15,746,412	105,735,000	41,011,850	
2021-2025	19,775,000	9,041,125	83,425,000	14,331,706	
2026-2030	12,340,000	5,183,325	23,355,000	1,831,545	
2031-2034	15,415,000	2,144,025			
Total	340,784,441	\$ 154,872,845	414,565,000	\$ 215,392,739	
Unamort Prem	5,403,062		-		
Unamort Loss	(3,336,908)		-		
Unamort Disc	(633,391)		(2,932,176)		
	\$ 342,217,204 †		\$ 411,632,824		

† The liability reported on the balance sheet includes \$8,921,739 for the accretion of interest on Alabama Judicial Building capital appreciation bonds. The above table shows interest in the year it will be paid, not the year it is accrued.

c. Component Units

The Alabama Incentives Finance Authority issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds. At September 30, 2005, the outstanding principal balance of the 1999C bonds was \$39,585,000. The interest rates for the Series 1999C bonds are variable and conditional. The 1999C bonds bear interest at the Weekly Rate, Term Rate or Bank Rate. The rate at 9/30/05 was 3.88%.

The Alabama Public School and College Authority (APSCA) is authorized to issue bonds to construct and improve educational buildings. Revenue from the sales and use taxes, the leasing tax, and the utilities gross receipts and use taxes are pledged for the payment of these bonds.

The State Industrial Development Authority issues bonds for the purpose of financing projects that promote the industrial development of the State. Revenues from cigarette and tobacco taxes are pledged for the payment of these bonds.

The Alabama Mental Health Finance Authority issues bonds for the acquisition, construction, improvement, and equipping of mental health facilities. Revenues from certain tobacco and liquor taxes are pledged for the payment of principal and interest on these bonds.

The Alabama Twenty-first Century Authority issues bonds for the purpose of promoting economic development and industrial recruitment for the State of Alabama. The bonds are special obligations of the Authority payable solely from the Trust Estate created under the Indenture.

The Tennessee Valley Exhibit Commission issued bonds for the purpose of funding the Tennessee Valley Exhibit Center. The full faith and credit of the State do not back these revenue bonds. The principal and interest requirements on these bonds were to be payable from the revenues of the Commission. If these revenues were insufficient, then the "in lieu of taxes" payments made to the State by the Tennessee Valley Authority are used to pay the debt. The Exhibit Center is closed and the building has been sold. The Commission is presently inactive but it has not been legally dissolved by the legislature.

The Alabama Revolving Loan Fund Authority issues bonds for the purpose of making grants to the Regional Planning and Development Commissions which are utilized by the grantees as revolving loan funds. Revenues from privilege and license tax on providers of cellular radio telecommunication services are used to pay the debt.

The Alabama Housing Finance Authority issues bonds that are limited obligations of the Authority and are not a debt or liability of the State. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, monies, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's assets are pledged as security for the bonds. These bonds are variable rate bonds and bear interest at a weekly rate set by the remarketing agent.

The Alabama Water Pollution Control Authority issues bonds to provide funds for the purpose of making loans to certain local government units to construct sewage treatment plants and related facilities. Proceeds from loan agreements are used for payment of debt service related to the bonds.

The Alabama Drinking Water Authority issues bonds to provide funds for the purpose of making loans to local governments for planning, designing, acquiring, or constructing sanitary drinking water and related facilities. Proceeds from the loan agreements are used for payment of debt service related to the bonds.

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2005, the outstanding principal balance of the 2005-A bonds was \$4,400,000. The interest rate for the 2005-A bond is variable and adjusted weekly based on current market rates. The interest rate was 2.76% as of September 25, 2005.

The Alabama Higher Education Loan Corporation issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the federal Guaranteed Student Loan Program.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guarantee payments on defaulted loans, proceeds from any sale of loans, issuance of refunding bonds, and if necessary, by drawing on the corporation's irrevocable letters of credit. The interest rate for the 1998-A bonds is an auction rate based on an auction period of 35 days. The rate at September 30, 2005 was 2.64%.

The boards of the various **institutions of higher education** have numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, hospitals, and athletic facilities.

COMPONENT UNITS	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2005
Revenue Bonds				
Alabama Incentives Finance Authority				
Series 1999-A	10/01/99	10/01/29	6.00% to 6.00%	23,970,000
Series 1999-B	10/01/99	10/01/29	6.25% to 7.88%	63,365,000
Series 1999-C	10/01/99	10/01/29	Variable	39,585,000
Alabama Public School and College Authority				
Refunding Bonds, Series 1993	03/01/93	12/01/05	4.30% to 5.00%	31,675,000
Refunding Bonds, Series 1993-A	10/01/93	08/01/06	4.10% to 6.00%	13,420,000
Series 1996	01/15/96	11/01/07	4.50% to 5.25%	135,330,000
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	300,000,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
Series 1999-B	09/01/99	09/01/09	7.10% to 7.15%	70,640,000
Series 1999-C	10/01/99	07/01/19	5.50% to 5.75%	250,000,000
Series 1999-D	11/01/99	08/01/19	5.00% to 6.00%	192,095,000
Capital Improvement Bonds, Series 2001A	05/15/01	02/01/21	4.50% to 5.63%	80,530,000
Series 2001-B	12/15/01	05/01/08	5.00% to 5.63%	10,560,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	83,870,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	95,580,000
Series 2002-B	12/01/02	12/01/28	4.00% to 5.00%	27,705,000
Series 2003	12/01/03	02/01/23	2.00% to 5.00%	104,900,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	84,980,000
State Industrial Development Authority				
Special Tax Bonds, Series 1998	02/01/98	02/01/08	4.00% to 4.30%	6,380,000
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	4,500,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	4,250,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/2015	3.00% to 5.00%	26,595,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	1,695,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	43,690,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	97,925,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	10,535,000
Sub-Total Revenue Bonds, Component Units				\$ 1,822,135,000

Continued on next page

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2005
Sub-Total from previous page				\$ 1,822,135,000
Alabama Housing Finance Authority				
Single family Bond Programs	1992-2003	2006-2036	Various	472,458,000
Multi-family Bond Programs	1989-2004	2009-2045	Various	283,255,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 1996-A	01/15/96	08/15/18	5.00% to 5.25%	31,465,000
Revolving Fund Loan Bonds, Series 1996-B	11/01/96	08/15/20	5.25% to 5.50%	32,250,000
1997 Refunding Bonds Maturing in August	10/01/97	08/15/12	4.50% to 5.00%	28,465,000
1997 Refunding Bonds Maturing in February	10/01/97	02/15/13	4.50% to 5.00%	6,655,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	48,335,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	50,455,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	51,880,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	54,825,000
Revolving Fund Loan Bonds, Series 2002A	01/15/02	08/15/24	3.00% to 5.10%	30,005,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	45,220,000
Revolving Fund Loan Bonds, Series 2003A	01/01/03	08/15/26	3.00% to 5.00%	30,985,000
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	46,630,000
Revolving Fund Loan Bonds, Series 2003C	08/01/03	08/15/15	2.50% to 4.25%	9,790,000
Revolving Fund Loan Bonds, Series 2004A	04/01/04	08/15/16	2.00% to 4.00%	34,095,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	28,155,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	7,195,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,720,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	22,985,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	31,875,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	38,915,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,880,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-A	05/01/05	Apr 2026	Variable	4,400,000
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	12,580,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 1994-C	Apr 1994	Mar 2009	4.50% to 6.10%	4,050,000
Student Loan Revenue Bonds, Series 1994-D	Apr 1994	Sept 2010	4.50% to 6.15%	9,675,000
Student Loan Revenue Bonds, Series 1998-A	June 1998	Mar 2033	Various	25,000,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,293,333,000

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STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2005
Sub-Total from previous page				\$ 3,293,333,000
Higher Education				
University of Alabama - Tuscaloosa	1997	2034	2.00% to 5.00%	314,745,000
University of Alabama - Birmingham	1993	2031	2.00% to 6.00%	625,650,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 6.00%	60,046,000
Alabama A&M University	1998	06/01/26	4.45% to 5.38%	57,450,000
Alabama State University	1965	07/01/23	1.90% to 8.50%	62,069,000
Auburn University	1971	2034	1.40% to 7.00%	285,671,371
Jacksonville State University	1993	2020	2.25% to 5.00%	24,460,000
University of West Alabama	12/1/67	6/1/19	3.00% to 3.00%	3,225,000
University of Montevallo	1985	2023	3.00% to 5.30%	13,119,000
University of North Alabama	1999	2035	3.65% to 5.40%	24,965,000
University of South Alabama	1993	2024	2.80% to 5.25%	121,101,000
Troy University	1998	2029	2.75% to 4.70%	52,060,000
Total Revenue Bonds Payable				4,937,894,371
Less: Unamortized Discounts				(14,920,941) †
Less: Unamortized Loss				(17,530,452) ‡
Plus: Unamortized Premium				20,642,024 §
Net Revenue Bonds Payable, Component Units				\$ 4,926,085,002

† Unamortized discounts were \$11,725,074 for the University of Alabama - Birmingham, \$162,952 for Alabama State University, \$83,921 for the University of Montevallo, \$839,983 for the Drinking Water Authority, \$1,281,555 for Auburn University, \$40,000 for State Industrial Development Authority, \$40,235 for Tennessee Valley Exhibit Commission, \$407,000 for the University of South Alabama and \$340,221 for the University of North Alabama.

‡ Unamortized accounting loss was \$4,126,561 for Alabama State University, \$879,187 for the Alabama Space and Science Commission, \$7,937,657 for the Water Pollution Control Authority, \$31,730 for the Tennessee Valley Commission, \$2,594,148 for the University of Alabama - Tuscaloosa, \$1,460,202 for Auburn University, and \$500,967 for the Mental Health Finance Authority.

§ Unamortized premiums were \$402,587 for the University of Alabama - Tuscaloosa, \$5,056,635 for Auburn University, \$1,590,189 for Alabama Twenty-first Century Authority, \$9,110,014 for Alabama Public School and College Authority, \$2,193,000 for the University of S. Alabama, \$1,481,557 for the Water Pollution Control Authority and \$808,042 for the Mental Health Finance Authority.

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2006	\$ 290,563,942	\$ 224,765,220	\$ 515,329,162
2007	213,194,903	222,554,240	435,749,143
2008	226,723,440	213,718,803	440,442,243
2009	227,735,294	202,905,258	430,640,552
2010	213,528,020	191,542,203	405,070,223
2011-2015	1,096,503,691	802,531,502	1,899,035,193
2016-2020	1,084,100,606	525,523,763	1,609,624,369
2021-2025	689,670,475	291,234,417	980,904,892
2026-2030	482,895,000	151,248,319	634,143,319
2031-2035	346,058,000	60,466,732	406,524,732
2036-2040	65,921,000	3,064,000	68,985,000
2041-2045	1,000,000	148,000	1,148,000
Total	4,937,894,371 †	\$ 2,889,702,457	\$ 7,827,596,828
Unamort Disc	(14,920,941)		
Unamort Loss	(17,530,452)		
Unamort Prem	20,642,024		
	\$ 4,926,085,002		

† The above table shows interest in the year it will be paid, not the year it is accrued.

4. Refunded and Redeemed Bonds

Advance refunding bonds are issued to retire existing bonds. A portion of the proceeds from the sale of the refunding bonds is deposited with an escrow agent according to an escrow trust agreement. The proceeds are invested by the escrow agent in certain U.S. Treasury obligations in such amounts with certain maturities to provide sufficient funds to pay the remaining maturing principal and interest on the refunded bonds as they become due. The refunded bond debt is considered to be retired for financial reporting purposes even though the debt is still legally outstanding and the issuer of the bonds has not been released from the debt obligations. The U.S. Treasury obligations constitute a trust fund to be held by the escrow agent for the benefit of the holders of the refunded bonds. Advance refundings and early redemptions are discussed in the remainder of this section.

During the year ended September 30, 2005, the Alabama Housing Finance Authority called approximately \$214,604,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$321,000 and is primarily comprised of the premium paid to retire the bonds.

On May 1, 2005, the Alabama Space Science Exhibit Commission issued \$12,580,000 Series 2005-B Revenue Bonds which bear interest averaging 5.769%. The Series 2005-B net proceeds were used to current refund the Series 1992, Series 1995 and Series 2001 bonds. The refunding resulted in a difference between the amount of refunding bonds and the net carrying amount of \$249,956. The current refunding resulted in an accounting loss of \$879,187. The Commission has an economic loss of \$564,806.

On June 1, 2005, the Alabama Mental Health Finance Authority issued \$26,595,000 Series 2005 Refunding Bonds which bear interest at 3.125% to 5%. The proceeds were used to refund \$33,645,000 Series 1995 bonds. This current refunding resulted in an accounting loss of \$500,967. The Authority has economic gain of \$1,329,939.

On September 28, 2005, the Alabama Public Health Care Authority issued \$57,975,000 Series 2005 Revenue Bonds which bear interest at 4% to 4.5%. A portion of the proceeds were used to advance refund \$27,145,000 Series 1996 Revenue Bonds. The

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Authority increased its total debt service requirements by \$1,893,191. This advance refunding resulted in an accounting loss of \$1,057,116. The Authority has economic gain of \$3,116,914.

In September 2005, the University of Alabama in Birmingham issued \$60,375,000 Series 2005A General Revenue bonds which bear interest at 3% to 5%. The proceeds of the Series 2005A were used to advance refund \$62,695,000 of Series 1999 General Revenue bonds. The advance refunding resulted in an accounting loss of \$4,393,000. The University has economic gain of \$3,792,000.

Defeased Bonds:

Primary Government

Public Health Care Authority	\$27,145,000
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Component Units

University of Alabama in Tuscaloosa	\$87,200,000
University of South Alabama	9,040,000
University of Alabama in Birmingham	62,695,000

5. Arbitrage

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, to calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulation in order for their bonds to maintain tax-exempt status.

The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Bond issues with arbitrage liabilities outstanding at September 30, 2005, were as follows:

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$1,058,211
Alabama Higher Education Loan Corp.	9,175,969
Housing Finance Authority	9,638,000

These lists are based upon incomplete data since some bond issues have not yet been included in arbitrage calculations. Any refunded bond issue is subject to the rebate requirement until the last bond is redeemed. Bond issues that have already been redeemed may be subject to additional payments if an arbitrage rebate or spending payment is owed and has not been paid.

6. Bonds Authorized But Not Issued

Bonds Authorized But Not Issued (Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds			
State of Alabama	\$ 350,000	\$ 243,875	\$ 106,125
Federal Aid Highway Finance Authority	Unlimited (based on what we receive in federal funds)		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,695	3,305
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Total Primary Government	606,000	345,570	260,430
<u>Component Units</u>			
State Industrial Development Authority †	100,000	38,390	61,610
Mental Health Finance Authority	35,735	26,595	9,140
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments		
Alabama Incentives Financing Authority	175,000	165,220	9,780
Total Component Units	310,735	230,205	80,530
Total Reporting Entity	\$ 916,735	\$ 575,775	\$ 340,960

† The State Industrial Development Authority is authorized to issue a total of \$100,000,000 in bonds in addition to any bonds authorized prior to 1991.

No more than \$40,000,000 in aggregate principal amount of such bonds may be outstanding at any one time. At 9/30/05, \$15,130,000 was outstanding.

7. Forward Delivery Agreements

In September 1994, the Alabama Public School and College Authority (APSCA) and the Alabama Industrial Access Road and Bridge Authority (AIARBA) each entered into debt service forward delivery agreements with Merrill Lynch Capital Services, Inc. (MLCS). Under the agreements, the APSCA received \$9,800,000 and the AIARBA received \$1,084,841. In exchange for the above amounts, each Authority agreed to deposit one-sixth of the semi-annual interest and one-twelfth of the annual principal payable on certain bonds to MLCS each month. MLCS agreed in turn to deliver qualified securities that will mature on or before the bond payment dates. Because the interest that normally would be earned on these deposits belongs to the General Fund, the \$10,884,841 paid by MLCS was deposited in the General Fund. The Agreements are being amortized on a straight-line basis over twelve years. This amortization is reflected in the General Fund as debt service expenditure and interest revenue.

8. Interest Swap Agreement

On March 13, 2002, JPMorgan Chase Bank entered into an interest rate swap agreement with the Public School and College Authority (PSCA) with respect to the Authority's Capital Improvement Bonds, Series 1998, Tax-Exempt Special Obligations Bonds, Series 1999-A, Capital Improvement Bonds, Series 1999-C, and Capital Improvement Pool Bonds, Series 1999-D

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

(collectively, the “Bonds”). The Authority received a lump sum payment from JPMorgan Chase Bank in return for an option to swap transactions on the Bonds, whereby the Authority will make a fixed rate payment to JPMorgan equal to the fixed rate payments on the Bonds and JPMorgan Chase will make corresponding variable rate payments to the Authority determined by the nationally recognized index, LIBOR. The swap agreement is based on a notional amount of \$710,215,000 and expires on September 1, 2029. The agreement was amended on January 16, 2003 to change the variable rate payments to the Authority from 70% to 67% of the nationally recognized index, LIBOR rate. The option is exercisable in the years 2008 through 2011. As of September 30, 2005, the swap had a negative fair value of approximately \$50,541,183. This valuation was calculated by using proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions. In calculations of the present value of all future cash flows, estimates about future market conditions were performed using reasonable estimates. The Authority received lump sum payments of \$12,587,000.

In December 2002, The Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority’s callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. The counterparty has the option to exercise the agreement on July 18, 2006. If the option is exercised, the interest rate swap will commence on October 1, 2006 with the Authority paying a fixed interest rate of 5.38% and the Authority receiving a variable interest rate of 67% of the one-month LIBOR. The swap agreement is based on a notional amount of \$60,455,000 and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority anticipates issuing variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 bonds. If the option is exercised, and the refunding bonds are not issued, the 1996 Series Bonds will not be refunded and the Authority will make net swap payments as required by the terms of the contract as stated above. The Authority does not anticipate any potential problems with being able to issue the refunding bonds at the future date. As of September 30, 2005, the swap had a negative fair value of approximately \$10,263,000. The swaption is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swaption. In consideration for writing the option the Authority received a premium payment of \$5,025,000.

9. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

Maturity	Governmental Activities	Business Type Activities	Component Unit
	Principal	Principal	Principal
2006	\$ 5,770,332	\$ 2,730,786	\$ 24,661,902
2007	5,721,694	5,975,715	15,687,286
2008	5,294,010	5,718,615	4,547,792
2009	3,588,502	5,665,372	3,503,773
2010	2,682,738	5,686,475	2,717,013
2011-2015	6,107,676	9,819,036	11,620,747
2016-2020	3,267,547	221,804	6,733,229
2021-2025	478,804	48,000	6,330,093
2026-2030	154,666	96,333	6,044,353
2031-2035	-	-	-
Total	33,065,969	35,962,136	81,846,188
Interest	(966,396)	(1,976,527)	(487,675)
Net	<u>\$ 32,099,573</u>	<u>\$ 33,985,609</u>	<u>\$ 81,358,513</u>

10. Changes in Long-Term Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 445,211	\$ 109,162	\$ (46,870)	\$ 507,503	\$ 51,482
Revenue Bonds	347,307	57,395	(53,563)	351,139	26,905
Capital Leases/Notes/Mortgages	38,370	659	(6,929)	32,100	5,770
Forward Delivery Agreement	1,814	-	(907)	907	907
Claims & Judgments	142,765	5,041	-	147,806	66,108
Compensated Absences †	228,238	26,851	(16,134)	238,955	3,687
Total Governmental Activities	1,203,705	199,108	(124,403)	1,278,410	154,859
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	337,291	87,945	(13,603)	411,633	17,955
Capital Leases/Notes/Mortgages	17,918	22,214	(6,146)	33,986	2,731
Claims & Judgments	105,284	23,360	(31,533)	97,111	97,111
Compensated Absences †	19,450	2,932	(637)	21,745	2,108
Other Long-Term Liabilities ‡	1,988	3,762	(1,988)	3,762	-
Total Business-Type Activities	481,931	140,213	(53,907)	568,237	119,905
Total Primary Government	\$ 1,685,636	\$ 339,321	\$ (178,310)	\$ 1,846,647	\$ 274,764
Component Units:					
Revenue Bonds	5,168,021	269,940	(511,876)	4,926,085	290,564
Arbitrage	29,185	-	(9,313)	19,872	-
Capital Leases/Notes/Mortgages	78,476	62,212	(59,329)	81,359	24,662
Compensated Absences †	92,225	7,712	(2,271)	97,666	23,382
Claims & Judgments	7,473	-	(1,564)	5,909	1,380
Other Long-Term Liabilities §	24,698	127,825	(24,698)	127,825	-
Total Component Units	\$ 5,400,078	\$ 467,689	\$ (609,051)	\$ 5,258,716	\$ 339,988

† Compensated Absences debt is liquidated proportionately by all funds having payroll costs.

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$3,709,000, and Alabama College System, \$53,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$14,808,000, Auburn University, \$16,355,000,

Troy University, \$2,333,000, University of Alabama-Huntsville, \$446,000, Alabama State University, \$29,000, University of North Alabama, \$364,000, University of Alabama at Birmingham, \$64,602,000 and University of South Alabama, \$28,888,000.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2005 consisted of (amounts in thousands):

DUE TO	DUE FROM											Total
	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Unemployment Compensation	Alcoholic Beverage Control Board	Fiduciary Fund	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ -	\$ 10,658	\$ -	\$ 2,250	\$ 122	\$ 2	\$ 13,088
Education Trust	3	-	-	-	-	-	230	-	49	2	-	284
Medicaid	113	-	-	-	4,876	-	-	-	6,511	-	-	11,500
Public Road & Bridge Fund	17	9	-	-	71	-	4	-	115	160	1	377
Public Welfare Trust Fund	-	-	15,993	-	-	-	6,823	-	1,618	4	-	24,438
Port Authority	-	-	-	-	-	-	-	-	9,462	-	-	9,462
Alcoholic Beverage Control Board	-	-	-	-	-	-	-	-	39	1	-	40
Public Education Employee Health Insur	-	43	-	-	-	-	-	-	-	-	-	43
Fiduciary	1	-	-	-	-	-	-	36	2	3	-	42
Nonmajor Governmental	4,026	2,810	18,390	1,901	1,268	75	309	-	18,587	1,381	455	49,202
Internal Service	1,800	151	162	821	3,565	-	98	4	13,497	949	641	21,688
Nonmajor Enterprise	2	-	-	1	-	-	-	-	-	-	-	3
Totals	\$ 5,962	\$ 3,013	\$ 34,545	\$ 2,723	\$ 9,836	\$ 75	\$ 18,122	\$ 40	\$ 52,130	\$ 2,622	\$ 1,099	\$ 130,167

The Nonmajor Governmental funds have the most interfund payables, \$52,130,000 in total. A large portion of that amount, \$18,587,000 is owed to other Nonmajor Governmental funds. The Medicaid Fund has the second most interfund payables, \$34,545,000 in total. Most of that amount, \$18,390,000, is owed to Nonmajor Governmental funds. Included in that amount, \$5,189,000 is due to Senior Services, \$1,256,000 is due to Rehabilitation Services and \$10,750,000 to Public Health. The Alcoholic Beverage Control Board (ABC) has the third most interfund payables, totaling \$18,122,000. The Board owed \$10,658,000 to the General Fund and \$6,823,000 to the Public Welfare Trust Fund. The Board is required by law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Public Welfare Trust Fund holds \$24,438,000 in interfund receivables. The General Fund ranks second in receivables, at \$13,088,000.

The vast majority of the interfund balances due to the Nonmajor Governmental Funds from the General Fund, Education Trust, and the Nonmajor Governmental Funds consist of routine short term borrowings of cash between funds of individual agencies.

All of the interfund balances are expected to be repaid within one year.

B. Balances with Component Units

Balances owed by State funds to component units at September 30, 2005, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO			
	Mental Health	Nonmajor Component Units	Fiduciary Funds	Total
General Fund	\$ -	\$ 2	\$ 26	\$ 28
Education Trust	33	-	-	33
Medicaid	31,119	-	-	31,119
Public Road and Bridge Fund	-	30	4	34
Public Welfare Trust Fund	30	-	-	30
Nonmajor Governmental	914	38	19	971
Alcoholic Beverage Control Board	5,081	-	-	5,081
Nonmajor Enterprise	-	-	1	1
Internal Service	78	1	2	81
Totals	<u>\$ 37,255</u>	<u>\$ 71</u>	<u>\$ 52</u>	<u>\$ 37,378</u>

The largest payable was \$31,119,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. The second largest amount is \$5,081,000 owed by Alcoholic Beverage Control Board to Mental Health. The Board is required by law to distribute profits and certain taxes collected to other State funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

Balances owed to State funds by component units at September 30, 2005 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM				
	Mental Health	Water Pollution	NonMajor Component Units	Fiduciary Funds	Total
Medicaid	\$ 10,167	\$ -	\$ -	\$ -	\$ 10,167
Public Road and BridgeFund	51	-	-	-	51
Nonmajor Governmental	110	105	87	-	302
Internal Service	394	3	35,005	85	35,487
Totals	<u>\$ 10,722</u>	<u>\$ 108</u>	<u>\$ 35,092</u>	<u>\$ 85</u>	<u>\$ 46,007</u>

The component units of the State owe \$46,007,000 to various funds of the State. The largest portion, \$34,913,000 is owed by the Alabama Incentives Finance Authority, a nonmajor component unit, to the Risk Management Internal Service Fund. The second largest, \$10,167,000 is owed to Medicaid by Mental Health to match federal dollars.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2005 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN													
		Edu- cation	Ala		Public	Public		Alcoholic		Non-	Non-	State		
	General Fund	Trust Fund	Trust Fund	Medicaid	Road & Bridge Fund	Welfare Trust Fund	Alabama College System	Beverage Control Board	Internal Service Funds	major Enter- prise	major Govern- mental	Port Auth	Fidu- ciary	Total
General Fund	\$ -	\$ -	\$ -	\$ 16,081	\$ -	\$ 91,912	\$ -	\$ -	\$ 1,000	\$ 36	\$ 68,684	\$ -	\$ -	\$ 177,713
Education														
Trust Fund	2,493	-	36,000	-	-	7,443	276,792	-	8,091	-	30,178	-	-	360,997
Alabama Trust	97,327	-	-	-	-	-	-	-	-	-	130,280	-	-	227,607
Medicaid	-	-	-	-	-	130,319	-	-	-	-	154,137	-	-	284,456
Public Road & Bridge Fund	-	-	-	-	-	-	-	-	-	-	34,579	-	-	34,579
Public Welfare														
Trust Fund	-	-	-	46,978	270	-	-	-	-	-	26,047	-	-	73,295
Alcoholic Beverage														
Control Board	20,542	-	-	-	-	792	-	-	-	-	117	-	-	21,451
Unemployment														
Compensation	-	-	-	-	-	-	-	-	-	-	9,285	-	-	9,285
Public														
Education														
Employee														
Health Insur	-	-	-	-	-	-	-	-	-	-	2	-	-	2
Nonmajor														
Governmental	54,039	841	1,226	56,619	59,533	3,527	-	857	3,583	-	169,327	19,217	-	368,769
Nonmajor														
Enterprise	-	-	-	-	-	-	-	-	-	-	5,078	-	-	5,078
Internal														
Service	-	-	-	-	-	-	-	-	1,153	-	95	-	797	2,045
State Port Auth	-	-	-	-	-	-	-	-	-	-	18	-	-	18
Fiduciary	-	-	-	-	-	-	-	-	-	-	280	-	-	280
Totals	\$ 174,401	\$ 841	\$ 37,226	\$ 119,678	\$ 59,803	\$ 233,993	\$ 276,792	\$ 857	\$ 13,827	\$ 36	\$ 628,107	\$ 19,217	\$ 797	\$ 1,565,575

Transfers are often made between funds as required by the legislature in the appropriation acts as well as by a variety of existing statutes. Of the \$177,713,000 transferred to other funds by the General Fund, \$152,586,000 was transferred in compliance with the appropriation acts. Of that amount, \$91,912,000 was transferred to the Public Welfare Trust Fund and \$68,684,000 was transferred to various Nonmajor Governmental Funds. The remainder of the General Fund transfers was made in small amounts to comply with a variety of statutes.

The appropriation acts required the Education Trust Fund to transfer \$354,601,000 to other funds. Of that amount, \$276,792,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Public Welfare Trust Fund receive transfers of \$7,443,000, the Internal Service Funds \$8,092,000 to fund telephone and computer services, several departments operating from the General Fund received \$2,493,000, the Alabama Trust Fund received \$36,000,000 to partially replenish the Education Rainy Day Account, and \$30,178,000 was transferred to various Nonmajor Governmental Funds. The remainder of the Education Trust Fund transfers was made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred \$20,542,000 to the General Fund which represents the General Fund's statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with Amendments to the Constitution, is required to transfer to other funds a substantial portion of its investment earnings as well as a portion of new income from offshore oil and gas rights. In compliance with these amendments, the General Fund received \$97,327,000, the Forever Wild Trust Fund, a Nonmajor Governmental Fund, received \$13,662,000, the Alabama Capital Improvement Fund, a Nonmajor Governmental Fund received \$72,761,000, and the County and Municipal Improvement Funds received \$43,857,000.

D. Interfund Eliminations

Interfund receivables and payables have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are reported as Internal Balance on the government-wide Statement of Net Assets. Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Assets. Eliminations have also been made in the government-wide financial statements to eliminate the effects of transactions between the Internal Service Funds and the individual functions and business-type activities presented on the government-wide Statement of Activities.

NOTE 6 - RISK MANAGEMENT

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk financing includes self-insurance through several different funds. The State Insurance Fund provides coverage for state buildings and contents against fire and casualty losses. The General Liability Trust Fund insures state employees against the risk of loss from employment-related liability claims. The State Employee Injury Compensation Trust Fund was created by the 1994 legislature to provide benefits to eligible state employees for job-incurred injury. The State Insurance Fund, the General Liability Trust Fund, and the State Employee Injury Compensation Trust Fund are administered by the Division of Risk Management of the Department of Finance.

There was no significant reduction in insurance coverage by the three Division of Risk Management funds from the prior year. These funds do not have acquisition costs; therefore, no cost is amortized for the period. The funds use the accrual basis of accounting for reporting purposes. As required by GASB 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," most investments are recorded at fair value. Liabilities are reported when it is 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 (IBNR). Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Estimated claims liabilities are calculated by the plans' actuary based on prior claims data for the General Liability Trust Fund and State Employee Injury Compensation Trust Fund. For the State Insurance Fund, estimated claims liabilities are based on management's judgment.

The separately issued financial report of the Division of Risk Management contains additional note disclosures and supplementary information regarding claims development and liabilities.

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For the Fiscal Year Ended September 30, 2005

A. The State Insurance Fund

The State Insurance Fund (SIF) was established in 1923 under the *Code of Alabama 1975*, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. City or county boards of education or district boards of education of independent school districts may insure school buildings and property either in the state insurance fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund while providing additional coverage such as earthquake and flood insurance.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named storm wind, and a \$5,000,000 specific loss deductible for named storm wind. Excess insurance covers claims exceeding \$7,500,000 with a \$750,000,000 limit. Payments received in fiscal years 2005, 2004 and 2003 for settlements in excess of deductibles totaled \$6,079,777, \$3,877,401 and \$281,670, respectively.

The following table presents the changes in claims liabilities for the past two years:

	Sept.30, <u>2005</u>	Sept.30, <u>2004</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$11,732,747	\$8,407,349
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	12,145,774	7,434,787
Increase (Decrease) in provision for insured events of prior years	<u>9,607,711</u>	<u>6,460,144</u>
Total incurred claims and adjustment expenses	21,753,485	13,894,931
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(4,139,538)	(3,115,328)
Claims and adjustment expenses attributable to insured events of prior years	<u>(14,072,587)</u>	<u>(7,454,205)</u>
Total payments	(18,212,125)	(10,569,533)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$15,274,107</u>	<u>\$11,732,747</u>

A schedule of ten-year loss development information for the State Insurance Fund is in the Required Supplementary Information section of the CAFR.

B. General Liability Trust Fund

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's financial stability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The GLTF had a \$3,300,000 deductible on claims. Excess insurance was not renewed in April 2002 so GLTF is currently without excess coverage. Payments received in fiscal years 2005, 2004 and 2003 for settlements in excess of deductible totaled \$1,000,000, \$1,254,458 and \$7,560, respectively.

The following table presents the changes in claims liabilities for the past two years:

	Sept. 30, <u>2005</u>	Sept. 30, <u>2004</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$26,974,604	\$27,192,583
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	5,450,476	664,463
Increase (Decrease) in provision for insured events of prior years	<u>9,796,701</u>	<u>6,322,093</u>
Total incurred claims and adjustment expenses	15,247,177	6,986,556
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(3,227,460)	(1,275,075)
Claims and adjustment expenses attributable to insured events of prior years	<u>(6,717,024)</u>	<u>(5,929,460)</u>
Total payments	(9,944,484)	(7,204,535)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$32,277,297</u>	<u>\$26,974,604</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

C. State Employee Injury Compensation Trust Fund

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary. Reinsurance was not renewed in 2004 due to high market insurance premiums and retentions as compared with payout probabilities. Settlements received in fiscal years 2005 and 2004 in excess of deductibles totaled \$219,299 and \$66,590, respectively. Settlements did not exceed the deductible amounts in fiscal year 2003.

The following table presents the changes in claims liabilities for the past two years:

	Sept. 30, <u>2005</u>	Sept. 30, <u>2004</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$30,959,734	\$30,318,253
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	6,512,056	6,575,068
Increase (Decrease) in provision for insured events of prior years	<u>(4,292,157)</u>	<u>(451,496)</u>
Total incurred claims and adjustment expenses	2,219,899	6,123,572
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,323,995)	(1,351,337)
Claims and adjustment expenses attributable to insured events of prior years	<u>(3,405,911)</u>	<u>(4,130,754)</u>
Total payments	(4,729,906)	(5,482,091)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$28,449,727</u>	<u>\$30,959,734</u>

This table includes the changes in claims liabilities for six major state agencies, as well as Risk Management. The claims incurred but not reported at the beginning of the year for these six agencies totaled \$20,967,053, and total claims payments were \$3,626,491 in 2005. These six agencies had \$20,274,780 in claims liabilities at the end of the year.

D. State Employees' Insurance Plan

The State Employees' Insurance Plan (SEIP) was established in 1965 by Alabama Act No. 833 to provide health insurance benefits for state employees. The SEIP is administered by the State Employees' Insurance Board (SEIB). The monthly premiums for employee and dependent coverage are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans. The State pays a monthly premium for each employee and the employee pays the established dependent premium. The SEIB establishes claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs incurred may vary from estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (approximately 70% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

	Sept. 30, <u>2005</u>	Sept. 30, <u>2004</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$39,282,596	\$33,111,850
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	401,989,044	374,416,265
Adjustment to estimated claims incurred but not reported at end of year	<u>5,754,167</u>	<u>4,160,458</u>
Total incurred claims and adjustment expenses	407,743,211	378,576,723
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(372,056,561)	(345,763,046)
Claims and adjustment expenses attributable to insured claims of prior years	<u>(25,203,567)</u>	<u>(26,642,931)</u>
Total payments	(397,260,128)	(372,405,977)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$49,765,679</u>	<u>\$39,282,596</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable. The separately issued financial report contains note disclosures and supplementary information regarding claims development.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

E. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of public educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. That rate was \$583 per participant for 2005 and \$479 per participant for 2004. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs ultimately incurred may vary from the estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The following table presents the changes in claims liabilities during 2005 and 2004:

	Sept. 30, <u>2005</u>	Sept. 30, <u>2004</u>
Unpaid claims and claim adjustment expense at beginning of year	\$90,457,489	\$72,961,693
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	802,623,937	743,386,649
Increase (Decrease) in provision for insured events of prior years	<u>(17,969,103)</u>	<u>(7,980,085)</u>
Total incurred claims and adjustment expenses	784,654,834	735,406,564
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(724,720,069)	(652,929,160)
Claims and adjustment expenses attributable to insured events of prior years	<u>(72,488,386)</u>	<u>(64,981,608)</u>
Total payments	(797,208,455)	(717,910,768)
Total unpaid claims and adjustment expenses at end of year	<u>\$77,903,868</u>	<u>\$90,457,489</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

F. Alabama Health Insurance Plan

The Alabama Health Insurance Plan (AHIP) was established to provide health insurance coverage to eligible individuals as an alternative to federal oversight required in the Health Insurance Portability and Accountability Act of 1996. AHIP was established in 1997 under Regulation 115 pursuant to Act 97-713, codified as Section 27-52-1 in the *Code of Alabama 1975*, and is governed by a nine member Board of Directors. The plan provides major medical benefits limited to \$1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$8,816,723 and \$9,058,103 in 2005 and 2004, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the years ended September 30, 2005 and 2004:

	Sept. 30, 2005	Sept. 30, 2004
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$3,353,189	\$4,074,116
Incurred claims:		
Provision for insured events of the current year	27,568,861	26,366,544
Increase (Decrease) in provision for insured events of prior years	462,257	0
Total incurred claims and adjustment expenses	28,031,118	26,366,544
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(25,160,995)	(25,059,294)
Claims and adjustment expenses attributable to insured events of prior years	(2,038,204)	(2,028,177)
Total payments	(27,199,199)	(27,087,471)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$4,185,108</u>	<u>\$3,353,189</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable.

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

G. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Claims are self-insured to the extent of claims less than \$500,000 with no aggregate limit with respect to the number of such claims. Additionally, any individual claims in excess of \$5,000,000 are self-insured. An accrual for uninsured claims is included in other accrued liabilities in the Statement of Net Assets. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$1,249,771	\$1,163,519
Provision for claims	86,694	434,809
Total payments	<u>(252,337)</u>	<u>(348,557)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$1,084,128</u>	<u>\$1,249,771</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

NOTE 7 - RETIREMENT PLANS**A. Retirement Systems of Alabama**

The Retirement Systems of Alabama (RSA) administers three retirement programs: The Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund for the benefit of state employees and public education employees.

1. Plan Descriptions

The Teachers' Retirement System of Alabama (TRS) is a cost-sharing multiple-employer defined benefit pension plan, established as of September 15, 1939 under the provisions of the 1939 *Alabama Acts* 419. The system provides retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The Board of Control has responsibility for the general administration and operation of the TRS.

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer defined benefit pension plan established as of October 1, 1945, under the provisions of the 1945 *Alabama Acts* 515. This system provides retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The Board of Control is responsible for the general administration and operation of the ERS.

The Judicial Retirement Fund (JRF) is a cost-sharing multiple-employer defined benefit pension plan, established under the 1973 *Alabama Acts* 1163. This system provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the Legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by state law. The retirement benefit provisions are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60

(52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge shall be eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65 (5) completed 10 years of credited service and has attained age 70, (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for a member other than a probate judge is equal to 75 percent of the state-paid salary prescribed by law for the position from which the member retires. If a probate judge is paid on a fee basis, the service retirement benefit is equal to 90% of the benefit payable to a circuit judge on the date such judge retires. If a probate judge is paid on a salary basis, the benefit is equal to 75% of the salary upon which such judge contributes immediately prior to retirement.

A pre-retirement death benefit is offered in which the account is credited with TRS and ERS employer contributions and investment income on such funds. The pre-retirement death benefit (group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS or ERS member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the system for the preceding year ending June 30, for TRS and September 30, for ERS. There is no pre-retirement death benefit available for JRF members.

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest, which by law, is not payable to the member, is transferred to the Expense fund.

The Deferred Retirement Option Plan (DROP) was established for election to participate on or after June 1, 2002, under the provisions of Act 23 of the Legislature of 2002. Eligible members may elect to retire, and, in lieu of immediate withdrawal of service, continue employment for a period of three to five years. The retirement allowance, employee contributions, and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member. DROP participation is an option available to eligible members that have at least twenty-five years of service (exclusive of sick leave), are at least fifty-five years of age, and are eligible for retirement.

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2005. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
135 South Union Street
Montgomery, AL 36130-2150

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Title 36, Chapter 27 of the Alabama State Law established the contribution requirements and must be amended by state statute. The law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds.

At September 30, 2005, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	267
Counties	-	64
Other Public Entities	-	478
Universities	13	-
Post-Secondary Institutions	30	-
City & County Boards of Education	131	-
State Agencies & Other	30	-
Total	<u>204</u>	<u>809</u>

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. The financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board and are considered component units of the State of Alabama.

b. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, or other investment vehicles with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-back securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals.

As of September 30, 2005, the ERS owned debt and equity securities of Raycom Media Corporation and Community News which represent approximately 5.9 percent and 5.1 percent respectively, of the ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2004 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the TRS and ERS, the normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the

compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization method is level percent open for the September 30, 2004 actuarial valuations for the TRS and the ERS. The remaining amortization period is 20 years for the TRS, ERS-state employees, and ERS-state policemen.

For the JRF, the normal contribution is determined using the "projected accrued benefit" (unit-credit) method. Under this method, the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial accrued liability. The remaining amortization period is 20 years and the period is open.

The required contribution rate of active plan members for TRS and ERS (excluding certified firefighters, police officers and correctional officers) is 5 percent of earnable compensation. JRF members and certified firefighter, police officer, and correctional officer members of the TRS and ERS are required to contribute 6 percent of earnable compensation. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and interest upon retirement.

For fiscal year 2006, the required contribution rate of the employer for ERS (state employees) is 6.77 percent and the rate for TRS is 8.17 percent. The employer contribution rate for ERS state policemen and JRF is 21.36 percent and 21.93 percent, respectively.

a. TRS and JRF

A schedule of Employer Contributions for the TRS and JRF (Cost-sharing plans) is shown below:

	Fiscal Year	Annual Required	Percentage
	<u>Ended</u>	<u>Contribution *</u>	<u>Contributed</u>
TRS	2003	235,786	100%
	2004	312,474	100
	2005	347,862	100
JRF	2003	8,637	100
	2004	8,994	100
	2005	8,943	100

* Amounts in Thousands

b. State Employer Segment of ERS

Contributions in 2005 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2002.

Actuarial Methods and Assumptions for ERS:

Valuation Date: September 30, 2002
 Actuarial Cost Method: Entry Age
 Asset Valuation Method: 5 Yr Smoothed Market
 Amortization Method: Level Percent Open
 Remaining Amort Period: State Employees 20 years, State Policemen 20 years
 Period Closed/Open: Open
 Actuarial Assumptions:
 Investment Rate of Return: 8% *
 Projected Salary Increases: 4.61%-7.75% *
 Cost of Living Increases: None

*Includes inflation at 4.5%

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

Three-Year Trend Information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	48,703,521	100	0
2004	52,213,176	100	0
2005	68,739,801	100	0

B. Other Pension Plans

The State Port Authority administers two single-employer pension plans, the Hourly Plan and the Terminal Railway Plan, for a small number of hourly workers and railway employees. The Peace Officers Annuity and Benefit Fund is a cost-sharing multiple-employer defined benefit pension plan that provides a small additional pension benefit to State and local peace officers beyond that which is paid by the Employees' Retirement System. The Clerks and Registers Supernumerary Fund is a cost-sharing multiple-employer defined benefit pension plan that provides pension benefits to circuit clerks and registrars of courts. The Alabama Housing Finance Authority established the Alabama Housing Finance Authority Employees' Pension Plan (Plan), a single-employer defined benefit pension plan on September 26, 2002. The Plan provides retirement, death, disability and termination benefits to plan participants and beneficiaries. These pension plans are not material to the State.

NOTE 8 - DEFERRED COMPENSATION

The State offers employees the opportunity to participate in an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all state employees and permits them to defer a portion of their salary until future years. The current value of the employee contributions may be withdrawn upon termination, retirement, death, or an unforeseeable emergency.

It is the opinion of the State's legal counsel that the State has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2005, net assets of the plan totaled \$880,702,635.

State employees may also participate in a plan administered by the Public Employees' Benefit Services Corporation (PEBSCO). This plan is also a deferred compensation plan organized under IRC Section 457. The plan contract has been modified in accordance with new legislation that requires the assets to be held in trust for the benefit of plan participants. The State has no fiduciary responsibility for the assets and therefore does not include the plan in its reporting entity.

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in The Retirement Systems of Alabama note, the State provides postretirement health care benefits, in accordance with *Code of Alabama 1975*, Section 36-29-10, to all retired state employees through the State Employees' Health Insurance Plan (SEHIP) and, in accordance with *Code of Alabama 1975*, Section 16-25A-17, to all retired employees of State educational institutions through the Public Education Employees' Health Insurance Plan (PEEHIP). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' Retirement System of Alabama or from the Teachers' Retirement System of Alabama may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and the portion authorized to be expended by the SEHIP or PEEHIP for coverage of such retired employees.

The cost of teachers' retiree health care benefits is recognized as expenditures to PEEHIP as claims are paid. The cost of the benefits is paid from the regular appropriations made to individual education entities. Total active enrolled members were 99,000 and total retired members and surviving spouse members were 45,158 in fiscal year 2005. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$189,365,998 was on behalf of retired members of PEEHIP for fiscal year 2005. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$78.00 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. Total premiums paid to PEEHIP by retirees for Hospital/Medical coverage was \$15,462,059 for the year. This amount does not include the additional premiums paid to cover their dependents.

The State provides health care benefits for retired state employees through SEHIP. The cost of benefits is recognized as an expense in the month in which it is incurred. The State pays 100 percent (\$110 per month) of the premium for a retiree who is over 65 and eligible for Medicare for a total cost to the State in 2005 of \$13,268,860. The State pays a portion of the premium for a retiree who is under 65 at a total cost to the State in 2005 of \$6,735,960. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. Average enrollment in 2005 was 10,295 for retirees over 65 and 5,226 for retirees under 65. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums.

NOTE 10 - RELATED ORGANIZATIONS

The State's officials are responsible for appointing a majority of the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making appointments. The State appoints the nine-member board of the Private Colleges and Universities Facilities Authority and a majority of the eleven member board of the Alabama Family Trust Corporation.

NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided \$0 and \$52,522 to the Authority for fiscal year 2005 and fiscal year 2004, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	<u>2004</u>
Current Assets	\$ 202
Capital Assets	<u>33</u>
Total Assets	235
Liabilities	-
Fund Balance	235
Revenues	193
Expenditures	277

Key financial data not available for fiscal year 2005.

Complete financial statements for the Authority can be obtained at P. O. Drawer 671, Columbus, MS 39703.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had \$322,482 in revenues in 2005.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Montgomery Downtown Redevelopment Authority, a public corporation, issued \$65,200,000 of bonds in 1988 to construct the Gordon Persons office building. These bonds were partially refunded in 1992 with a new bond issue of \$66,150,000. The Series 1992 bonds were refunded in 2002 with a new bond issue of \$43,265,000. The bonds' final maturity is on October 1, 2013. Members of the board of directors of the Authority are appointed by officials of the City of Montgomery, but the Authority is not a part of the City's reporting entity and is therefore considered a separate "stand-alone government." The bonds issued constitute conduit debt obligations of the Authority, and are therefore reported as revenue bond debt of the State. The Authority has also issued conduit debt on behalf of other governments and third parties, none of which is reported in these financial statements. The State operates and maintains the building and has entered into an agreement with the Authority whereby the rental payments from State agencies occupying the building are paid to the Authority, which then uses the money to pay the bond principal and interest. The payments to the Authority are reported by the State as debt principal and interest expenditures.

These financial statements exclude certain foundations and other organizations affiliated with state colleges and universities. While the purpose of these foundations and associations is to operate exclusively for the benefit of the colleges and universities, such organizations do not constitute component units under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity" and GASB Statement No. 39, an amendment to GASB 14. These are: the University of Huntsville Eminent Scholar Foundation, the Alabama Engineering Foundation, the UAH Alumni Association, the UAH Athletic Association, the University of North Alabama Alumni Association, the University of South Alabama Medical Science Foundation, the USA Research and Technology Corporation, the Alabama A & M Foundation, the North Alabama Center for Educational Excellence, the Alabama A&M Research Institute, the Alabama State University Foundation, the University of Alabama Birmingham Educational Foundation (UABEF), the University of Alabama Health Services Foundation, P.C. (HSF), the University of Alabama Birmingham Health System (UABHS), and the Valley Foundation (VF).

The University of Alabama Birmingham Educational Foundation made contributions to the University of Alabama at Birmingham of \$4,218,000 during the 2005 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,651,000 for 2005.

An affiliation agreement documents the relationship between HSF and the University of Alabama at Birmingham (UAB). UAB's operating revenues include approximately \$25,936,000 of funding from HSF in 2005, which is used to support the educational and research activities of UAB.

The University of Alabama at Birmingham (UAB) and HSF have entered into an agreement dated October 7, 1996 which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$4,627,000 during 2005 to the UAB Health System Board.

NOTE 13 - CONTINGENCIES

A. Grants

The State receives federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes.

Federal grantor agencies from time to time review State records to determine whether the State has complied with the terms and conditions of grant agreements and federal regulations. Any disallowance resulting from a federal audit may become a liability of the State but cannot be reasonably estimated at this time. It is believed that any liability resulting from a determination of noncompliance will not materially affect the State's financial condition.

B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various State programs. Annual payments will continue and could total \$3.2 billion over 25 years but future settlement payments are subject to adjustment for a number of factors such as inflation, the effect of other lawsuits, decreased sales volume and the financial health of the tobacco companies. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

The State is a party to numerous legal proceedings that occur in the normal course of governmental operations, some of which involve significant amounts. The lawsuits involving significant amounts are described below. Proceedings involving amounts that, when aggregated, will have no material effect on the accompanying government-wide financial statements may have an impact on the related state agencies and funds. The monetary impact, if any, of litigation resulting in adverse rulings is usually addressed in subsequent state budgets and modifications of state laws. Due to the uncertainty involving the ultimate outcome and amounts of the unresolved litigation described below, no provision for potential liability has been recorded in the accompanying financial statements.

Two ongoing lawsuits, Johnny Reynolds, et al. v. Alabama Department of Transportation, et al., and Eugene Crum, Jr., et al. v. State of Alabama, et al., involve employment discrimination. The Reynolds case is a class action lawsuit alleging that the State of Alabama Department of Transportation engaged in illegal discriminatory practices in the hiring and promoting of employees. The parties in the Reynolds case entered into a court-approved settlement (consent decree) effective in April 1994; however, numerous issues have been raised before the Court regarding the implementation of the settlement. In December 2004, the Federal District Court found the Department of Transportation in complete compliance with seven articles and portions of three articles of the consent decree. The court reduced the requirement of paying fines by fifty percent. In January 2005, the court suspended payment of the remainder of the fines. Numerous motions requesting findings of compliance have been filed. Virtually all of the job classifications used by the Department of Transportation have new examinations and registers for use in hiring. The remaining articles of the consent decree are set to expire December, 2006. The total cost of the Reynolds case has exceeded \$200,000,000. The Crum case is a class action filed in 1994 against other state agencies. The Crum case alleges discrimination in all aspects of employment. The potential cost of the Crum case is currently undeterminable.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

The State of Alabama has been involved in several lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for refunds of the unconstitutional tax. The State Legislature enacted laws to remedy the significant loss of revenue.

The State of Alabama Department of Revenue has received petitions from Exxon-Mobil Corporation for refund of gas severance taxes exceeding \$90,000,000. At issue is the method of calculation of the value of the gas severed. The outcome of this case could affect other taxpayers.

The State of Alabama Department of Revenue is also involved in additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. These cases have a combined potential refund liability or loss of revenue of approximately \$35,000,000. Adverse rulings in these cases could also reduce future revenues.

The Department of Mental Health and Mental Retardation has numerous lawsuits that have occurred in the normal course of its operations related to treatment, injuries, and deaths of patients or recipients of mental health services. These cases have a combined potential liability of more than \$50,000,000.

The Department of Corrections has been involved in litigation relating to overcrowding and other conditions at its facilities and overcrowding of county jails with state inmates awaiting transfer to a state facility. The Department also has lawsuits that have occurred in the normal course of its operations related to rehabilitation, health care, and deaths of prisoners.

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net assets restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5% of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6%. The net endowment appreciation of the four-year colleges at September 30, 2005 was \$267,526,611.

NOTE 15 - SUBSEQUENT EVENTS

On October 1, 2005, Drinking Water Finance Authority issued Series 2005-A bonds in the amount of \$42,580,000. The interest rates on the bonds range from 4 percent to 5.25 percent to be paid semiannually on each February 15 and August 15, beginning February 15, 2006. The maturity date of the bonds is August 15, 2028.

On February 1, 2006, the State of Alabama issued Series 2006 General Obligation Bonds in the amount of \$61,150,000. The interest rates on the bonds range from 3.5 percent to 5 percent to be paid semiannually on each February 1 and August 1, beginning August 1, 2006. The maturity date of the bonds is February 1, 2026.

On March 2, 2006, the Alabama Public School and College Authority issued Series 2006 bonds in the amount of \$53,565,000. The interest rates on the bonds range from 4 percent to 5 percent to be paid semiannually on each March 1 and September 1, beginning September 1, 2006. The maturity date of the bonds is March 1, 2026.

From October 1, 2005 through December 21, 2005, the Alabama Housing Finance Authority called approximately \$49,795,000 of bonds prior to their scheduled maturities in the single family bond program. Since September 30, 2005, the Authority issued Series 2005E, 2005F and 2006A bonds totaling \$47,750,000.

In October, 2005, the Alabama Institute for Deaf and Blind has refinanced notes payable. The total debt at October, 2005 was \$2,488,085 with interest payable at 4.27 percent to begin November 4, 2005 with final installment due in October 4, 2020.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,037,699	\$ 1,053,446	\$ 1,045,181	\$ (8,265)
Licenses, Permits and Fees	135,970	138,033	136,950	(1,083)
Fines and Forfeits	20,238	20,545	20,384	(161)
Investment Income	52,790	53,591	53,171	(420)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	3,198	3,247	3,221	(26)
Total Revenues	1,249,895	1,268,862	1,258,907	(9,955)
EXPENDITURES				
Administrative Office of Courts	131,836	127,819	127,813	6
Agriculture and Industries	9,444	9,544	9,544	-
Attorney General	9,722	9,722	9,722	-
Auditor	734	734	593	141
Commission on Higher Education	-	-	-	-
Corrections	257,743	293,720	293,505	215
Economic and Community Affairs	11,283	12,283	11,414	869
Education	-	-	-	-
Emergency Management	9,821	28,220	27,839	381
Examiners of Public Accounts	10,467	10,467	10,467	-
Finance	7,206	7,393	6,998	395
Governor	3,479	4,036	3,952	84
Human Resources	-	-	-	-
Industrial Relations	500	500	452	48
Legislature	26,541	24,230	17,423	6,807
Medicaid	364,440	364,440	363,876	564
Mental Health and Retardation	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	46,276	43,094	41,848	1,246
Public Safety	57,547	57,547	57,385	162
Public Service Commission	-	-	-	-
Rehabilitation Services	1,840	1,840	1,840	-
Revenue	114	114	74	40
Secretary of State	2,071	2,071	1,599	472
Transportation	-	-	-	-
Treasurer	2,228	2,228	1,964	264
Youth Services	16,540	16,540	16,540	-
Colleges and Universities	-	-	-	-
Other	175,216	164,959	147,951	17,008
Total Expenditures	1,145,048	1,181,501	1,152,799	28,702
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,847	87,361	106,108	18,747
OTHER FINANCING SOURCES (USES)				
Transfers In	176,950	179,635	178,226	(1,409)
Transfers Out	(281,797)	(266,996)	(262,923)	4,073
Bonds Issued	-	-	-	-
Premiums on Debt	-	-	-	-
Total Other Financing Sources (Uses)	(104,847)	(87,361)	(84,697)	2,664
Net Change in Fund Balances	\$ 0	\$ 0	21,411	\$ 21,411

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 4,506,889	\$ 4,591,317	\$ 4,967,646	\$ 376,329	\$ 798,005	\$ 853,302	\$ 786,130	\$ (67,172)
479	488	528	40	280,890	300,354	276,710	(23,644)
-	-	-	-	15,235	16,291	15,009	(1,282)
-	-	-	-	60,098	64,262	59,203	(5,059)
-	-	-	-	5,471,768	5,850,927	5,390,342	(460,585)
217	221	239	18	746,187	797,893	735,083	(62,810)
4,507,585	4,592,026	4,968,413	376,387	7,372,183	7,883,029	7,262,477	(620,552)
-	-	-	-	23,979	33,058	24,834	8,224
-	-	-	-	19,579	20,430	17,763	2,667
-	-	-	-	5,215	5,984	5,072	912
-	-	-	-	-	-	-	-
9,552	10,533	10,154	379	3,088	3,388	2,079	1,309
-	-	-	-	40,949	50,436	34,417	16,019
-	-	-	-	239,098	241,318	177,211	64,107
3,087,958	3,104,618	3,103,743	875	1,111,485	1,112,621	936,121	176,500
-	-	-	-	84,949	324,639	235,700	88,939
2,985	2,985	2,985	-	2,063	2,063	1,437	626
-	-	-	-	104,838	110,916	80,153	30,763
-	-	-	-	-	-	-	-
-	-	-	-	1,165,734	1,271,502	1,219,151	52,351
-	-	-	-	90,745	90,245	71,380	18,865
-	-	-	-	-	-	-	-
-	-	-	-	3,529,574	3,759,739	3,719,048	40,691
-	-	-	-	603,056	618,669	571,441	47,228
288,172	288,172	288,163	9	17,644	18,144	15,249	2,895
9,543	9,743	9,726	17	478,621	501,158	454,796	46,362
-	-	-	-	78,648	82,248	48,043	34,205
-	-	-	-	17,276	17,321	13,349	3,972
28,271	28,271	28,271	-	109,241	110,074	90,461	19,613
-	-	-	-	100,416	105,660	104,195	1,465
-	-	-	-	17,975	18,440	1,587	16,853
-	-	-	-	304,862	362,706	261,930	100,776
-	-	-	-	6,373	6,373	5,053	1,320
43,782	43,782	43,776	6	5,059	18,622	15,542	3,080
910,417	910,917	910,917	-	-	63	63	-
86,849	91,193	90,543	650	749,000	862,474	727,401	135,073
4,467,529	4,490,214	4,488,278	1,936	8,909,467	9,748,291	8,833,476	914,815
40,056	101,812	480,135	378,323	(1,537,284)	(1,865,262)	(1,570,999)	294,263
763	777	841	64	1,537,284	1,643,807	1,514,407	(129,400)
(40,819)	(102,589)	(102,589)	-	-	-	-	-
-	-	-	-	-	221,190	221,190	-
-	-	-	-	-	265	265	-
(40,056)	(101,812)	(101,748)	64	1,537,284	1,865,262	1,735,862	(129,400)
\$ 0	\$ 0	378,387	\$ 378,387	\$ 0	\$ 0	164,863	\$ 164,863

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust
Net Change in Fund Balance	21,411	378,387	164,863	
Reconciliation to GAAP Basis:				
<i>Perspective Differences:</i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(164,863)	1,397
<i>Basis Differences:</i>				
Accruals of revenues and other revenue adjustments	23,597	94,976		-
Accruals of expenditures, expenses and other non-budgeted items	(4,038)	(1,547)		-
To remove asset purchases treated as budgetary expenditures	(2)			-
To remove encumbrances recognized as expenditures	1,014	1,477		18
Differences between budgetary estimated accounts payable and GAAP accounts payable	(935)	(2,419)		(11)
<i>Entity Differences:</i>				
Add net operating results for funds not budgeted				243,178
Net Change in Fund Balances/Net Assets - GAAP Basis	41,047	470,874	0	244,582
Fund Balances/Net Assets, October 1, 2004, as Restated	253,349	545,263		2,459,842
Increase (Decrease) in Inventory	(516)	-		-
Fund Balances/Net Assets, September 30, 2005	\$ 293,880	\$ 1,016,137		\$ 2,704,424

FINANCIAL STATEMENT CLASSIFICATION								
Medicaid Fund	Public Road and Bridge Fund	Public Welfare Trust Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Component Units
(553)	(43,579)	21,969	127,515	(43,965)	(16,253)	(10,189)	74,006	54,515
(26,614)	45,925	20,991	63,161	1,130	13,800	(875)	23,286	94,833
(23,142)	7,390	(33,466)	(80,408)	45,506	(10,923)	4,763	(43,686)	(71,767)
-	(1)	-	598	2,457	15,651	876	-	1,282
492	25,061	4,112	28,407	970	6,054	1,005	929	2,152
(87)	(16,299)	624	(132,088)	(2,515)	(731)	(5)	(149)	(46,372)
(449)	(23,468)	(1,359)	63,481	250,598	21,652	2,078,052	147,563	431,411
(50,353)	(4,971)	12,871	70,666	254,181	29,250	2,073,627	201,949	466,054
(52,229)	509,218	25,651	1,057,194	1,015,886	158,510	25,783,696	897,498	4,266,249
-	910	-	(88)	-	-	-	-	-
\$ (102,582)	\$ 505,157	\$ 38,522	\$ 1,127,772	\$1,270,067	\$ 187,760	\$ 27,857,323	\$ 1,099,447	\$ 4,732,303

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2005

A. Budgetary Process

Formulation of the budget begins with the preparation of estimates of expenditure requirements for the next fiscal year by the administrative head of each budgeted agency and institution. These estimates are submitted annually to the Executive Budget Office of the Finance Department on or before the first day of the third month preceding each regular session of the Legislature. The budget is prepared by program elements for each agency. Requested changes in programmatic expenditures over the prior fiscal year must be explained, and proposed capital expenditures must be justified as required by the Executive Budget Office.

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are mentioned in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins. During 2005 approximately \$24 million of supplemental appropriations and \$45 million of conditional and other appropriations were distributed to various agencies from the General Fund. However, there was also a decrease of \$48 million in General Fund appropriations as a result of additional appropriations from earmarked funds. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations cannot exceed two percent of the total amount appropriated. There were approximately \$1 million of emergency appropriations in fiscal year 2005. The Department of Corrections' budget increased by \$36 million and Emergency Management's budget increased by \$18 million. Various department's General Fund appropriations decreased because of the additional appropriations from earmarked funds. Approximately \$22 million of supplemental appropriations and \$62 million of conditional appropriations were distributed from the Education Trust Fund. The Department of Education received an appropriation of \$16 million for the Reading Initiative Program. \$36 million was transferred to the Alabama Trust Fund for repayment of the Rainy Day Account, \$17 million was transferred to the ETF Proration Prevention Account, and \$6 million was transferred to the Department of Finance for repayment of information services.

The Appropriation Acts budget by agency and program rather than by GAAP basis funds. The State funds its budgetary activities under three budgetary fund groups. The first is the General Fund, which includes many of the general operations of the three branches of government. The second is the Education Trust Fund (ETF), which is restricted to funding all levels of educational activity in the State. The third budgetary group is referred to in the budget documents as Earmarked Funds. The Earmarked Funds group includes the operations of most governmental funds of both the primary government and the component units, as well as portions of some proprietary and fiduciary operations.

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the grant. This includes Federal funds which are included in the Earmarked Funds. Most of the \$839 million increase in the Earmarked Funds are increased Federal funds.

Numerous statutes exist which restrict the use of most state revenue sources to specific uses. The General Fund is funded by a wide variety of taxes, licenses, and interest income. The ETF is funded primarily by income taxes and sales taxes. The Earmarked Funds are generally funded by a combination of federal funds, local funds, and specific taxes and licenses. State law also requires that if revenues actually received are inadequate to fund the appropriations, then the appropriations must be prorated to the level that the revenues will support. For the Budgetary Comparison Schedule, the budgeted revenues consist of the amount of budgeted expenditures allocated among the revenue categories in proportion to the actual amounts received.

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2005

B. Budgetary Control

The legal level of control is the agency and program specified in the Appropriation Acts. For example, “Lab Analysis and Disease Control” and “Agricultural Inspection Services” are two programs within the agency of Agriculture and Industries. Below this legal level of control, the professional management of the Finance Department, under the authority of the Governor’s policy, exercises budgetary control at the fund and object level. Each agency must submit an operations plan detailing planned expenditures down to the object level, and then must follow that plan or explain why a change must be made. Allotments of appropriations are made quarterly based on the plans of operations submitted by the agencies. Beyond these additional policy constraints, agencies have full authority for administering their appropriations.

The Department of Finance enforces both the legal level and the professional management level of budgetary control through automated edits which must be complied with before making expenditures against an appropriation. A change between objects within appropriations for programs (financial management level) must have the approval of the Budget Officer and the Finance Director.

The Budget Management Act legally authorizes the transfer of appropriations between programs within an agency with the approval of the Governor. Any transfers approved by the Governor must be reported to the Legislature. Transfers between agencies, but within the same program, may be made pursuant to interagency agreements executed for the purposes of accomplishing the objectives for which the Legislature made the appropriation. These interagency agreements must also be approved by the Governor. Under the Budget Management Act, the Governor cannot create new budget authority, he can only transfer existing authority.

Both the *Alabama Constitution* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2005.

C. Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is used as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. At fiscal year end this control becomes stricter, as purchase orders plus any other obligations or accounts payable incurred against fiscal year appropriations may not exceed allotment balances.

Encumbrances outstanding at year end in governmental funds are reported on the GAAP basis statements as a reservation of fund balance. Encumbrance balances are reported on the budgetary basis statements as expenditures.

D. Lapsing of Appropriations

All balances of non-capital outlay appropriations not reserved by encumbrances or accounts payable lapse at September 30 of each fiscal year. Furthermore, any appropriation balance not reserved by encumbrances lapses at November 30 following each fiscal year. Encumbrances remain valid for a period of one year following the end of the fiscal year. Balances of encumbrances are reported on the Budgetary Comparison Schedule as expenditures. Capital outlay appropriations for the purchase of land, the construction of buildings, or for the maintenance of roads and bridges of the state highway system continue until the completion of the project.

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2005

E. Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No. 41 requires that budgetary comparison schedules be presented as RSI based on the fund, organization, or program structure that the government uses for its legally adopted budget for a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund. The budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. The Earmarked Fund group does not correspond to a major GAAP fund and these perspective differences are included in the Budget-to-GAAP Reconciliation. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Governmental Funds subsection of the Combining and Individual Fund Statements and Schedules Section of the CAFR. This schedule provides detail information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

REQUIRED SUPPLEMENTARY INFORMATION

State Insurance Fund Ten Year Loss Development Information

For the Fiscal Year Ended September 30, 2005

The following table illustrates how the Fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Fund's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each accident year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year. (6) This section of ten rows shows how each accident year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.) (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Fiscal and Accident Year Ended									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Premiums and investment revenue:										
Earned	\$ 15,028,123	\$ 14,845,703	\$ 14,449,311	\$ 15,084,840	\$ 15,467,934	\$ 13,870,802	\$ 11,784,626	\$ 20,107,746	\$ 26,051,353	\$ 28,011,985
Ceded	3,401,536	3,471,031	3,945,428	4,057,885	3,720,562	4,625,350	6,818,750	9,220,295	9,354,929	8,866,003
Net Earned	11,626,587	11,374,672	10,503,883	11,026,955	11,747,372	9,245,452	4,965,876	10,887,451	16,696,424	19,145,982
2. Unallocated Expenses	1,131,800	1,435,790	5,198,350	1,335,404	1,386,108	1,491,719	1,629,983	1,321,010	1,225,875	1,434,721
3. Estimated losses and expenses, end of accident year:										
Incurred	13,699,782	5,003,752	6,086,375	10,060,535	7,452,983	10,467,010	9,032,692	20,571,474	19,112,695	15,806,047
Ceded	3,391,524	-	-	2,716,695	-	579,828	1,042,092	6,950,182	5,857,254	990,374
Net incurred	10,308,258	5,003,752	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673
4. Net paid (cumulative) as of:										
End of Accident Year	3,310,973	1,883,298	2,287,443	3,175,039	2,257,460	4,085,891	1,637,570	6,723,799	2,956,081	2,229,160
One Year Later	7,802,493	3,762,516	6,294,100	5,810,797	5,534,435	8,731,518	6,962,172	12,336,940	8,431,874	
Two Years Later	8,674,384	3,910,095	6,381,310	5,902,929	7,133,858	9,763,421	7,407,580	11,635,926		
Three Years Later	10,313,054	3,928,265	6,452,228	5,997,692	7,138,275	9,781,362	7,423,623			
Four Years Later	9,952,555	3,928,032	6,515,796	6,014,366	7,098,275	9,796,428				
Five Years Later	10,349,271	4,012,069	6,613,105	6,014,367	7,098,275					
Six Years Later	10,384,548	4,011,009	6,613,105	5,997,692						
Seven Years Later	10,447,235	4,010,785	6,508,613							
Eight Years Later	10,447,158	4,009,539								
Nine Years Later	10,344,128									
5. Reestimated ceded losses and expenses	2,761,909	-	1,121,243	2,979,975	-	536,714	2,221,060	6,505,023	28,644,129	990,374
6. Reestimated net incurred losses and expenses:										
End of Accident Year	10,308,258	5,003,752	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673
One Year Later	9,928,859	4,650,529	7,265,373	6,357,538	7,315,000	9,726,118	7,716,161	13,057,529	10,602,396	
Two Years Later	10,765,821	4,376,397	6,767,178	6,209,767	7,383,997	10,102,843	7,686,755	12,054,404		
Three Years Later	10,756,516	3,971,996	6,496,750	6,138,940	7,350,254	10,021,277	7,470,885			
Four Years Later	10,732,052	3,967,312	6,630,949	6,148,547	7,240,524	9,846,077				
Five Years Later	10,391,883	4,012,069	6,656,915	6,041,804	7,098,275					
Six Years Later	10,384,548	4,035,803	6,635,445	5,997,692						
Seven Years Later	10,447,235	4,010,785	6,508,614							
Eight Years Later	10,447,158	4,009,539								
Nine Years Later	10,344,128									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	35,870	(994,213)	422,239	(1,346,148)	(354,708)	(41,105)	(519,715)	(1,566,888)	(2,653,045)	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Employees' Retirement System

For the Fiscal Year Ended September 30, 2005

State Employees and State Policemen

(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/1999	4,456,536	4,119,270	(337,266)	108.2	998,007	(33.8)
9/30/2000	4,689,429	4,369,226	(320,203)	107.3	1,023,022	(31.3)
9/30/2001	4,800,280	4,687,351	(112,929)	102.4	1,091,775	(10.3)
9/30/2002	4,787,994	4,923,618	135,624	97.2	1,163,845	11.7
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8
9/30/2004	4,922,875	5,464,579	541,704	90.1	1,194,599	45.3

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2005

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity, an improvement in the efficiency, or a replacement of a portion of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2005 include approximately 10,849 miles of state maintained highways and 5,321 of state maintained bridges and culverts.

In order to utilize the modified approach, Alabama is required to:

- Maintain an asset management system that includes an inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate annually the amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

A. Roads**Measurement Scale**

The Alabama Department of Transportation (ALDOT) uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. The smoothness is measured by the cumulative height the wheel of a vehicle travels vertically over a mile long section of roadway. For example, if the wheel of a vehicle travels vertically 1.0 inches every 0.01 miles, the IRI for that 1 mile section of roadway would be the sum of 100 measurements ($0.01 \times 100 = 1$ mile) of 1.0 inches each or 100 inches/mile. A lower IRI measurement represents a smoother condition of pavement.

Data is collected by route samples and complete route assessments when available. If data is collected in route samples, the samples are weighted by route length to give system averages. If data is collected for the complete route, the frequency of collection is every 0.01 mile and no weighting is used in the computation of system averages.

The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. The Alabama Department of Transportation utilizes this scale of suggested values in its roadway condition assessments. The IRI scale is as follows:

IRI Rating	Condition	Description
> 170 Interstates >220 Other Routes	Poor	Significant Maintenance Required (Resurfacing or Reconstruction)
120-170 Interstates 171-220 Other Routes	Mediocre	Moderate Maintenance Required (Resurfacing or Reconstruction)
95-119 Interstates 95-170 Other Routes	Fair	Routine Maintenance Required (Pavement Patching)
60 -94 All Routes	Good	Negligible Maintenance Required
< 60 All Routes	Very Good	No Maintenance Required

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2005

Established Condition Level

The weighted average rating of all State maintained roadways shall be “Fair” or better.

Assessed Conditions

The following table represents the most recent condition assessment for roadways classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

Category	As of 09/30/2005		As of 09/30/2004		As of 09/30/2003, as restated	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,165	83.92	7,201	75.00	7,201	77.32
Non-Interstate National Highway System	2,778	73.05	2,739	77.95	2,739	80.59
Interstate System	906	77.01	906	83.73	906	86.50
Summary Total and Weighted Average Rating	10,846	76.48	10,846	76.48	10,846	78.91

B. Bridges

Measurement Scale

ALDOT uses a weighted rating of the major structure components and the deck area of a bridge or culvert. The GASB 34 Bridge Rating is a zero to ten score assigned to each component-rating category and then averaged for each bridge asset classification using an algorithm developed by the ALDOT Maintenance Bureau. The algorithm uses the assessed weighted ratings, each bridge deck area, and the sum of all deck areas. The ten point scale is as follows:

Rating	Condition	Description
1 - 4.99	Marginal	Structural elements have been seriously affected by deterioration.
5 - 6.99	Satisfactory	Structural elements are sound but have minor deterioration.
7 or Greater	Good	Structural elements show negligible signs of deterioration.

Established Condition Level

The weighted average rating of all State maintained bridges and culverts shall be “Satisfactory” or better.

Assessed Conditions

The following table represents the most recent condition assessment for bridges and culverts classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2005

Category	As of 09/30/2005		As of 09/30/2004		As of 09/30/2003, as restated	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National Highway System	2,582	6.74	2,920	6.82	2,904	0.81
Non-Interstate National Highway System	1,580	6.89	1,577	7.18	1,526	6.77
Interstate System	1,159	6.18	1,155	6.23	1,153	6.28
Summary Total and Weighted Average Rating	5,321	6.66	5,652	6.79	5,583	6.69

C. Estimated and Actual Costs

In fiscal years 2005, 2004, 2003, and 2002 the State estimated it would need to spend \$247.1 million, \$205.0, \$205.0 and \$205.0, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2005 the State spent \$179,902,767 for roadway preservation and \$3,082,943 for bridge preservation. In fiscal years 2004, 2003, and 2002, the State spent \$162,823,215, \$124,388,121, and \$186,391,931 respectively, for maintenance and preservation of roadway and bridge assets combined. Even though actual spending on maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels," as supported by the most recent condition assessment.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2005

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 949,553	\$ 4,434	\$ 270,208	\$ 5,222	\$ 1,229,417
Investments	134,660	188	30,206	34,446	199,500
Accounts Receivable	2,242	-	-	-	2,242
Due from Other Funds	49,201	-	1	-	49,202
Due from Component Units	302	-	-	-	302
Due from Other Governments	91,303	-	-	-	91,303
Taxes Receivable	122,373	-	-	-	122,373
Interest and Dividends Receivable	427	-	-	191	618
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	-	-	-	2,349	2,349
Inventory	1,150	-	-	-	1,150
Restricted Assets	1,455	-	-	-	1,455
TOTAL ASSETS	\$ 1,352,666	\$ 4,622	\$ 300,415	\$ 42,247	\$ 1,699,950
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 19,665	\$ 0	\$ 180	\$ 0	\$ 19,845
Accounts Payable	111,266	-	4,100	-	115,366
Salaries Payable	39,470	-	-	-	39,470
Due to Other Funds	51,110	16	1,000	4	52,130
Due to Component Units	971	-	-	-	971
Due to Other Governments	178,710	-	-	-	178,710
Securities Lending Obligation	-	-	-	2,349	2,349
Deferred Revenue	96,612	-	-	-	96,612
Amounts Held in Custody for Others	65,412	-	-	-	65,412
Compensated Absences	1,313	-	-	-	1,313
Total Liabilities	564,529	16	5,280	2,353	572,178
Fund Balances					
Reserved for:					
Encumbrances	40,116	-	2,201	-	42,317
Inventory	1,150	-	-	-	1,150
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	-	-	-	27,747	27,747
Unreserved, Designated for Capital Projects	-	-	292,934	-	292,934
Unreserved, Designated for Debt Service	-	4,606	-	-	4,606
Unreserved, Undesignated	738,962	-	-	12,147	751,109
Total Fund Balances	788,137	4,606	295,135	39,894	1,127,772
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,352,666	\$ 4,622	\$ 300,415	\$ 42,247	\$ 1,699,950

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 679,285	\$ 0	\$ 0	\$ 0	\$ 679,285
Licenses, Permits, and Fees	285,090	-	-	1,061	286,151
Fines, Forfeits, and Court Settlements	24,178	-	-	-	24,178
Investment Income	7,932	120	7,825	477	16,354
Federal Grants and Reimbursements	1,787,824	-	150	-	1,787,974
Other Revenues	258,297	3,999	285	6,320	268,901
Total Revenues	3,042,606	4,119	8,260	7,858	3,062,843
EXPENDITURES					
Current:					
Economic Development and Regulation	56,633	-	-	-	56,633
Education and Cultural Resources	973,297	-	363	18	973,678
Natural Resources and Recreation	94,259	-	23,767	40	118,066
Health - Physical and Mental	567,788	-	-	-	567,788
Social Services	335,498	-	-	15	335,513
Protection of Persons and Property	502,832	-	-	-	502,832
Transportation	228,525	-	-	-	228,525
General Government	458,138	-	-	-	458,138
Capital Outlay	9,818	-	57,005	-	66,823
Debt Service - Principal Retirement	16,414	33,161	-	-	49,575
Debt Service - Interest and Other Charges	2,767	30,293	145	-	33,205
Total Expenditures	3,245,969	63,454	81,280	73	3,390,776
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(203,363)	(59,335)	(73,020)	7,785	(327,933)
OTHER FINANCING SOURCES (USES)					
Transfers In	537,093	59,822	30,617	575	628,107
Transfers Out	(268,961)	(34,446)	(65,283)	(79)	(368,769)
Bonds Issued	-	-	103,920	-	103,920
Refunding Bonds Issued	-	57,975	-	-	57,975
Payments to Refunded Bond Escrow Agent	-	(27,949)	-	-	(27,949)
Capital Leases	7	646	-	-	653
Premiums on Debt	-	265	4,977	-	5,242
Discounts on Debt	-	(580)	-	-	(580)
Total Other Financing Sources (Uses)	268,139	55,733	74,231	496	398,599
Net Change in Fund Balances	64,776	(3,602)	1,211	8,281	70,666
Fund Balances, October 1, 2004, as Restated	723,449	8,208	293,924	31,613	1,057,194
Increase (Decrease) in Inventory	(88)	-	-	-	(88)
Fund Balances, September 30, 2005	\$ 788,137	\$ 4,606	\$ 295,135	\$ 39,894	\$ 1,127,772



Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds account for specific revenue sources that are legally restricted to finance particular functions and activities of the State.

Public Health Department

Accounts for resources used for the primary operations of the Department of Public Health, which promotes the general physical health, enforces laws relating to public health and operates programs providing preventive and treatment services to the public.

Education Department

Accounts primarily for Federal programs administered by the State Department of Education.

Economic and Community Affairs

The Department of Economic and Community Affairs oversees federal and State programs related to energy management, skills enhancement and employment opportunities, traffic control and accident prevention, and state and regional planning.

Revenues Allocated to Local Governments

Account for revenues from gasoline taxes, motor vehicle licenses, TVA payments, and other revenue sources which are shared with local governments.

Other Medicaid Funds

Accounts for activity associated with the Medicaid program that is not reported in the Major Governmental Funds under either the General Fund or the Medicaid Fund.

Rehabilitation Services

Accounts for the operation of the Department of Rehabilitation Services which operates programs that provide services to aid handicapped citizens.

Public School Fund

Accounts for revenues and expenditures which are allocated to local boards of education for support of educational programs.

Children First Trust

Accounts for tobacco settlement revenues that are restricted to various programs that benefit children.

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

Administers the employment security, workers compensation, and industrial safety and accident prevention programs.

Conservation and Natural Resources

Is responsible for the management of the State's game and wildlife resources as well as operation of the State parks system.

Other Nonmajor Special Revenue Funds

Are aggregated for reporting purposes and account for various other resources which must be used for specific purposes.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2005

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 60,909	\$ 35,923	\$ 21,547	\$ 81,708	\$ 4,264
Investments	-	-	-	-	-
Accounts Receivable	-	166	259	2	-
Due from Other Funds	19,665	2,056	1,023	295	-
Due from Component Units	21	-	-	-	-
Due from Other Governments	13,626	61,478	11,057	-	-
Taxes Receivable	-	14	-	15,239	-
Interest and Dividends Receivable	-	-	-	-	-
Inventory	-	-	511	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 94,221	\$ 99,637	\$ 34,397	\$ 97,244	\$ 4,264
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 585	\$ 2,863	\$ 1,234	\$ 671	\$ 0
Accounts Payable	25,643	19,202	9,052	-	-
Salaries Payable	9,203	2,487	745	-	-
Due to Other Funds	8,912	384	1,222	1,734	-
Due to Component Units	7	37	3	-	-
Due to Other Governments	152	69,738	3,066	94,832	-
Deferred Revenue	-	-	272	7	-
Amounts Held in Custody for Others	43	-	4	-	-
Compensated Absences	194	95	76	-	-
Total Liabilities	44,739	94,806	15,674	97,244	0
Fund Balances					
Reserved for:					
Encumbrances	9,904	7,848	55	-	-
Inventory	-	-	511	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	39,578	(3,017)	10,281	-	4,264
Total Fund Balances	49,482	4,831	18,723	0	4,264
TOTAL LIABILITIES AND FUND BALANCES	\$ 94,221	\$ 99,637	\$ 34,397	\$ 97,244	\$ 4,264

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 12,666	\$ 2,882	\$ 49,246	\$ 8,440	\$ 11,153	\$ 59,887	\$ 600,928	\$ 949,553
-	-	-	-	-	14	134,646	134,660
22	-	2	-	-	1,114	677	2,242
1,650	-	1,059	10	324	6,526	16,593	49,201
41	-	-	-	1	-	239	302
-	-	-	-	129	-	5,013	91,303
-	100,364	-	285	-	2,133	4,338	122,373
-	-	-	-	-	-	427	427
152	-	-	-	-	347	140	1,150
-	-	-	-	-	-	1,455	1,455
\$ 14,531	\$ 103,246	\$ 50,307	\$ 8,735	\$ 11,607	\$ 70,021	\$ 764,456	\$ 1,352,666
\$ 532	\$ 532	\$ 27	\$ 171	\$ 148	\$ 271	\$ 12,631	\$ 19,665
7,471	-	4,117	2,115	953	4,606	38,107	111,266
1,663	-	35	4,772	3,843	3,206	13,516	39,470
986	-	1,758	1,127	423	5,810	28,754	51,110
809	-	-	-	-	-	115	971
229	-	183	6	18	230	10,256	178,710
-	87,256	-	-	15	1,210	7,852	96,612
-	-	-	45	6	97	65,217	65,412
8	-	1	119	258	92	470	1,313
11,698	87,788	6,121	8,355	5,664	15,522	176,918	564,529
1,089	-	14	1,647	361	3,572	15,626	40,116
152	-	-	-	-	347	140	1,150
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
1,592	15,458	44,172	(1,267)	5,582	50,580	571,739	738,962
2,833	15,458	44,186	380	5,943	54,499	587,538	788,137
\$ 14,531	\$ 103,246	\$ 50,307	\$ 8,735	\$ 11,607	\$ 70,021	\$ 764,456	\$ 1,352,666

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 3,760	\$ 2,435	\$ 0	\$ 347,173	\$ 56,948
Licenses, Permits, and Fees	22,328	1,411	4	26,763	-
Fines, Forfeits, and Court Settlements	-	-	1,459	4	-
Investment Income	12	-	246	-	-
Federal Grants and Reimbursements	276,356	786,642	166,966	2,350	-
Other Revenues	36,652	8,632	3,786	-	27,213
Total Revenues	339,108	799,120	172,461	376,290	84,161
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	774,812	-	3,409	-
Natural Resources and Recreation	-	-	-	1,400	-
Health - Physical and Mental	423,785	-	-	378	53,816
Social Services	-	37,139	50,563	-	-
Protection of Persons and Property	-	-	26,354	-	-
Transportation	-	-	-	208,320	-
General Government	-	-	82,970	191,845	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-
Debt Service - Interest and Other Charges	-	-	-	-	-
Total Expenditures	423,785	811,951	159,887	405,352	53,816
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(84,677)	(12,831)	12,574	(29,062)	30,345
OTHER FINANCING SOURCES (USES)					
Transfers In	134,375	3,413	8,164	29,062	1
Transfers Out	(39,583)	(2,971)	(20,370)	-	(28,793)
Capital Leases	-	-	-	-	-
Total Other Financing Sources (Uses)	94,792	442	(12,206)	29,062	(28,792)
Net Change in Fund Balances	10,115	(12,389)	368	0	1,553
Fund Balances, October 1, 2004, as Restated	39,367	17,220	18,414	-	2,711
Increase (Decrease) in Inventory	-	-	(59)	-	-
Fund Balances, September 30, 2005	\$ 49,482	\$ 4,831	\$ 18,723	\$ 0	\$ 4,264

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 125,091	\$ 0	\$ 90,499	\$ 4,164	\$ 9,793	\$ 39,422	\$ 679,285
-	-	-	2,292	226	18,325	213,741	285,090
1,384	-	-	18	8	791	20,514	24,178
-	-	-	-	152	522	7,000	7,932
54,188	-	-	1,423	52,988	16,873	430,038	1,787,824
2,566	739	52,030	2,928	2,012	29,238	92,501	258,297
58,138	125,830	52,030	97,160	59,550	75,542	803,216	3,042,606
-	-	-	-	-	-	56,633	56,633
5,570	139,998	12,413	-	-	-	37,095	973,297
-	-	-	-	-	79,277	13,582	94,259
-	-	6,095	-	-	-	83,714	567,788
78,770	-	22,318	-	68,118	-	78,590	335,498
-	-	11,979	-	8,123	-	456,376	502,832
-	-	-	-	-	-	20,205	228,525
-	-	4,583	100,816	-	-	77,924	458,138
-	-	-	-	-	-	9,818	9,818
-	-	-	112	-	211	16,091	16,414
-	533	-	34	-	13	2,187	2,767
84,340	140,531	57,388	100,962	76,241	79,501	852,215	3,245,969
(26,202)	(14,701)	(5,358)	(3,802)	(16,691)	(3,959)	(48,999)	(203,363)
23,730	544	-	6,109	13,680	17,449	300,566	537,093
(5,356)	-	(3,673)	(3,746)	(245)	(8,057)	(156,167)	(268,961)
-	-	-	7	-	-	-	7
18,374	544	(3,673)	2,370	13,435	9,392	144,399	268,139
(7,828)	(14,157)	(9,031)	(1,432)	(3,256)	5,433	95,400	64,776
10,653	29,615	53,217	1,812	9,199	49,103	492,138	723,449
8	-	-	-	-	(37)	-	(88)
\$ 2,833	\$ 15,458	\$ 44,186	\$ 380	\$ 5,943	\$ 54,499	\$ 587,538	\$ 788,137

STATE OF ALABAMA

COMBINING BALANCE SHEET

Other Nonmajor Special Revenue Funds

September 30, 2005

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
ASSETS					
Cash and Cash Equivalents	\$ 14,494	\$ 19,949	\$ 660	\$ 38,990	\$ 8,053
Investments	158	6,004	-	6,988	-
Accounts Receivable	3	-	-	22	-
Due from Other Funds	1,566	1,660	5,189	21	-
Due from Component Units	-	190	-	-	-
Due from Other Governments	-	-	2,864	-	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 16,221	\$ 27,803	\$ 8,713	\$ 46,021	\$ 8,053
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 1	\$ 483	\$ 44	\$ 249	\$ 6,158
Accounts Payable	3,539	5,775	1	1,154	576
Salaries Payable	195	2,263	88	819	153
Due to Other Funds	11	11,145	1,582	247	6
Due to Component Units	-	-	-	-	1
Due to Other Governments	-	708	6,682	-	103
Deferred Revenue	-	-	-	5,551	163
Amounts Held in Custody for Others	3	2	-	811	-
Compensated Absences	-	111	3	11	12
Total Liabilities	3,749	20,487	8,400	8,842	7,172
Fund Balances					
Reserved for:					
Encumbrances	2,381	515	1	536	853
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	10,091	6,801	312	36,643	28
Total Fund Balances	12,472	7,316	313	37,179	881
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,221	\$ 27,803	\$ 8,713	\$ 46,021	\$ 8,053

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Miscellaneous Special Revenue Funds	Totals
\$ 1,576	\$ 10,388	\$ 25,962	\$ 5,711	\$ 95,217	\$ 379,928	\$ 600,928
3,306	-	-	-	-	118,190	134,646
365	49	-	-	-	238	677
-	396	-	-	58	7,703	16,593
-	-	-	-	-	49	239
-	-	-	-	-	2,149	5,013
-	-	-	-	-	4,338	4,338
-	397	28	-	-	2	427
-	-	-	-	-	140	140
1,455	-	-	-	-	-	1,455
\$ 6,702	\$ 11,230	\$ 25,990	\$ 5,711	\$ 95,275	\$ 512,737	\$ 764,456
\$ 0	\$ 0	\$ 821	\$ 0	\$ 0	\$ 4,875	\$ 12,631
228	671	1	-	-	26,162	38,107
-	-	-	-	-	9,998	13,516
-	2,297	-	-	9,462	4,004	28,754
-	-	-	-	-	114	115
-	-	-	-	-	2,763	10,256
1,234	-	-	-	-	904	7,852
-	-	-	-	-	64,401	65,217
-	-	-	-	-	333	470
1,462	2,968	822	0	9,462	113,554	176,918
-	-	-	-	-	11,340	15,626
-	-	-	-	-	140	140
-	-	-	-	-	33	33
5,240	8,262	25,168	5,711	85,813	387,670	571,739
5,240	8,262	25,168	5,711	85,813	399,183	587,538
\$ 6,702	\$ 11,230	\$ 25,990	\$ 5,711	\$ 95,275	\$ 512,737	\$ 764,456

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Other Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
REVENUES					
Taxes	\$ 0	\$ 91	\$ 0	\$ 1	\$ 0
Licenses, Permits, and Fees	1,568	53,383	-	33,122	-
Fines, Forfeits, and Court Settlements	1,732	862	125	3,015	-
Investment Income	6	332	-	479	-
Federal Grants and Reimbursements	93	21,344	26,389	451	230,707
Other Revenues	16,689	988	47	1,295	4,690
Total Revenues	20,088	77,000	26,561	38,363	235,397
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	1,709	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	7	-
Health - Physical and Mental	-	71,262	-	-	-
Social Services	-	-	50,355	-	-
Protection of Persons and Property	19,077	-	-	31,384	227,438
Transportation	-	-	-	-	-
General Government	-	-	-	28	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	593	-	-	9	-
Debt Service - Interest and Other Charges	256	761	-	-	-
Total Expenditures	19,926	72,023	50,355	33,137	227,438
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	162	4,977	(23,794)	5,226	7,959
OTHER FINANCING SOURCES (USES)					
Transfers In	14,048	6,631	29,457	350	3,556
Transfers Out	(6,742)	(2,663)	(7,543)	(1,273)	(11,968)
Total Other Financing Sources (Uses)	7,306	3,968	21,914	(923)	(8,412)
Net Change in Fund Balances	7,468	8,945	(1,880)	4,303	(453)
Fund Balances, October 1, 2004, as Restated	5,004	(1,629)	2,193	32,876	1,334
Fund Balances, September 30, 2005	\$ 12,472	\$ 7,316	\$ 313	\$ 37,179	\$ 881

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,330	\$ 39,422
-	-	209	-	-	125,459	213,741
-	-	-	-	-	14,780	20,514
442	18	591	145	-	4,987	7,000
-	-	277	-	-	150,777	430,038
4,930	430	-	-	-	63,432	92,501
5,372	448	1,077	145	0	398,765	803,216
-	-	-	-	-	54,924	56,633
4,326	-	-	-	-	32,769	37,095
-	-	4,697	-	-	8,878	13,582
-	3,949	-	-	7,622	881	83,714
-	-	-	-	-	28,235	78,590
-	-	-	-	-	178,477	456,376
-	-	-	-	-	20,205	20,205
-	-	-	-	-	77,896	77,924
-	-	-	-	-	9,818	9,818
-	-	-	-	14,710	779	16,091
-	14	-	-	1,106	50	2,187
4,326	3,963	4,697	0	23,438	412,912	852,215
1,046	(3,515)	(3,620)	145	(23,438)	(14,147)	(48,999)
-	11,641	13,662	-	72,761	148,460	300,566
-	-	(1,501)	-	(53,402)	(71,075)	(156,167)
0	11,641	12,161	0	19,359	77,385	144,399
1,046	8,126	8,541	145	(4,079)	63,238	95,400
4,194	136	16,627	5,566	89,892	335,945	492,138
\$ 5,240	\$ 8,262	\$ 25,168	\$ 5,711	\$ 85,813	\$ 399,183	\$ 587,538



Nonmajor Debt Service Funds

Nonmajor Debt Service Funds account for the accumulation of resources which are used for the payment of general governmental debt principal and interest.

Industrial Access Road & Bridge Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Industrial Access Road and Bridge Authority for the purpose of financing road and bridge construction to industrial sites.

Corrections Institution Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Corrections Institution Finance Authority for the purpose of financing prison construction.

Judicial Building Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of facilities used by the unified judicial system.

Public Health Care Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of public health facilities.

General Obligation Bond

Accounts for the accumulation of resources used to pay general obligation interest and principal on debt issued by the State for the purpose of financing a wide variety of construction projects.

Federal Aid Highway Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing road and bridge construction.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2005

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 461	\$ 3,877	\$ 96	\$ 0
Investments	-	-	-	188	-
TOTAL ASSETS	\$ 0	\$ 461	\$ 3,877	\$ 284	\$ 0
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 16	\$ 0
Total Liabilities	0	0	0	16	0
Fund Balances					
Unreserved, Designated for Debt Service	-	461	3,877	268	-
Total Fund Balances	0	461	3,877	268	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 461	\$ 3,877	\$ 284	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 4,434
-	188
<u>\$ 0</u>	<u>\$ 4,622</u>

\$ 0	\$ 16
<u>0</u>	<u>16</u>

-	4,606
<u>0</u>	<u>4,606</u>

<u>\$ 0</u>	<u>\$ 4,622</u>
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STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Debt Service Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
REVENUES					
Investment Income	\$ 0	\$ 0	\$ 61	\$ 59	\$ 0
Other Revenues	-	-	3,999	-	-
Total Revenues	0	0	4,060	59	0
EXPENDITURES					
Debt Service - Principal Retirement	1,305	5,690	3,700	2,366	9,670
Debt Service - Interest and Other Charges	64	1,203	276	3,770	16,430
Total Expenditures	1,369	6,893	3,976	6,136	26,100
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(1,369)	(6,893)	84	(6,077)	(26,100)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,369	6,742	-	6,896	25,835
Transfers Out	-	-	-	(34,446)	-
Refunding Bonds Issued	-	-	-	57,975	-
Payments to Refunded Bond Escrow Agent	-	-	-	(27,949)	-
Capital Leases	-	-	-	646	-
Premiums on Debt	-	-	-	-	265
Discounts on Debt	-	-	-	(580)	-
Total Other Financing Sources (Uses)	1,369	6,742	0	2,542	26,100
Net Change in Fund Balances	0	(151)	84	(3,535)	0
Fund Balances, October 1, 2004, as Restated	-	612	3,793	3,803	-
Fund Balances, September 30, 2005	\$ 0	\$ 461	\$ 3,877	\$ 268	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 120
-	3,999
0	4,119
10,430	33,161
8,550	30,293
18,980	63,454
(18,980)	(59,335)
18,980	59,822
-	(34,446)
-	57,975
-	(27,949)
-	646
-	265
-	(580)
18,980	55,733
0	(3,602)
-	8,208
\$ 0	\$ 4,606



Nonmajor Capital Projects Funds

Nonmajor Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets.

General Obligation Bond Projects

Accounts for the proceeds of general obligation debt issued by the State for a wide variety of construction projects involving waterways, parks, roads, prisons, mental hospitals, research labs, and other buildings.

State Parks Improvement Corporation

Accounts for the proceeds of debt issued by the State for the purpose of financing renovations to the State Parks System.

Federal Aid Highway Finance Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing improvements to the State's roads and bridges.

Other Capital Projects

Accounts for the proceeds of all other debt issued by the State to fund capital projects.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2005

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 124,677	\$ 77,486	\$ 64,422	\$ 3,623	\$ 270,208
Investments	-	-	-	30,206	30,206
Due from Other Funds	-	1	-	-	1
TOTAL ASSETS	\$ 124,677	\$ 77,487	\$ 64,422	\$ 33,829	\$ 300,415
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 157	\$ 19	\$ 0	\$ 4	\$ 180
Accounts Payable	-	4,049	-	51	4,100
Due to Other Funds	-	1,000	-	-	1,000
Total Liabilities	157	5,068	0	55	5,280
Fund Balances					
Reserved for:					
Encumbrances	-	2,104	-	97	2,201
Unreserved, Designated for Capital Projects	124,520	70,315	64,422	33,677	292,934
Total Fund Balances	124,520	72,419	64,422	33,774	295,135
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,677	\$ 77,487	\$ 64,422	\$ 33,829	\$ 300,415

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
REVENUES					
Investment Income	\$ 2,868	\$ 2,351	\$ 2,506	\$ 100	\$ 7,825
Federal Grants and Reimbursements	-	-	-	150	150
Other Revenues	-	-	-	285	285
Total Revenues	2,868	2,351	2,506	535	8,260
EXPENDITURES					
Current:					
Education and Cultural Resources	-	-	-	363	363
Natural Resources and Recreation	-	23,767	-	-	23,767
Capital Outlay	55,769	-	-	1,236	57,005
Debt Service - Interest and Other Charges	131	-	-	14	145
Total Expenditures	55,900	23,767	0	1,613	81,280
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(53,032)	(21,416)	2,506	(1,078)	(73,020)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	30,617	30,617
Transfers Out	(5,837)	-	(59,446)	-	(65,283)
Bonds Issued	103,920	-	-	-	103,920
Premiums on Debt	4,977	-	-	-	4,977
Total Other Financing Sources (Uses)	103,060	0	(59,446)	30,617	74,231
Net Change in Fund Balances	50,028	(21,416)	(56,940)	29,539	1,211
Fund Balances, October 1, 2004, as Restated	74,492	93,835	121,362	4,235	293,924
Fund Balances, September 30, 2005	\$ 124,520	\$ 72,419	\$ 64,422	\$ 33,774	\$ 295,135



Nonmajor Permanent Funds

Nonmajor Permanent Funds report resources that are legally restricted so that only earnings, not principal, may be used for purposes that support the State's governmental programs.

Marine, Game and Fish Endowment

Invests the proceeds of lifetime hunting and fishing licenses and uses the investment income to preserve, protect, propagate, and develop wildlife within the State.

Alabama Research Institute

Is a trust fund which awards research grants to State universities to promote science and technology.

Senior Services Trust Fund

Invests a portion of the proceeds from the tobacco settlement in order to accumulate money to expand programs benefiting elderly citizens.

Other Permanent Funds

Accounts for several small permanent funds which further educational, health, and social programs.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2005

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 69	\$ 0	\$ 0	\$ 5,153	\$ 5,222
Investments	11,538	12,809	9,995	104	34,446
Interest and Dividends Receivable	-	121	70	-	191
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	1,628	-	721	-	2,349
TOTAL ASSETS	\$ 13,235	\$ 12,930	\$ 10,786	\$ 5,296	\$ 42,247
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 4	\$ 0	\$ 0	\$ 4
Securities Lending Obligation	1,628	-	721	-	2,349
Total Liabilities	1,628	4	721	0	2,353
Fund Balances					
Reserved for:					
Permanent Trust Principal	11,607	11,500	2,340	2,300	27,747
Unreserved, Undesignated	-	1,426	7,725	2,996	12,147
Total Fund Balances	11,607	12,926	10,065	5,296	39,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,235	\$ 12,930	\$ 10,786	\$ 5,296	\$ 42,247

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Permanent Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 780	\$ 0	\$ 0	\$ 281	\$ 1,061
Investment Income	(76)	160	266	127	477
Other Revenues	-	-	6,307	13	6,320
Total Revenues	704	160	6,573	421	7,858
EXPENDITURES					
Current:					
Education and Cultural Resources	-	18	-	-	18
Natural Resources and Recreation	40	-	-	-	40
Social Services	-	-	15	-	15
Total Expenditures	40	18	15	0	73
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	664	142	6,558	421	7,785
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	575	575
Transfers Out	-	(5)	(74)	-	(79)
Total Other Financing Sources (Uses)	0	(5)	(74)	575	496
Net Change in Fund Balances	664	137	6,484	996	8,281
Fund Balances, October 1, 2004, as Restated	10,943	12,789	3,581	4,300	31,613
Fund Balances, September 30, 2005	\$ 11,607	\$ 12,926	\$ 10,065	\$ 5,296	\$ 39,894



Governmental Funds Supplementary Information

Governmental Funds Supplementary Information includes non-GAAP basis schedules demonstrating compliance with the legally adopted budget and summaries of governmental fund revenues in the State Treasury.

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES All Agencies and Appropriations, *Non-GAAP, Budget Basis*

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	4,038	4,038	-
Alabama Sentencing Commission	459	459	-
Court Equipment/Security	796	796	-
Court Operations	112,703	112,698	5
DUI Court Referral	58	58	-
Judicial Building Operations	-	-	-
Juvenile Probation Officer Services	9,765	9,764	1
TOTAL Administrative Office of Courts	127,819	127,813	6
<u>Agriculture and Industries</u>			
Administrative Services	2,058	2,058	-
Agricultural Development Services	736	736	-
Agricultural Inspection Services	4,398	4,398	-
Lab Analysis and Disease Control	2,352	2,352	-
TOTAL Agriculture and Industries	9,544	9,544	-
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	576	576	-
Legal Advice and Legal Service: Attorney General - Operations	8,910	8,910	-
Legal Advice and Legal Service: Consumer Utility Fund	236	236	-
TOTAL Attorney General	9,722	9,722	-
<u>Auditor</u>			
Fiscal Management	734	593	141
TOTAL Auditor	734	593	141
<u>Commission on Higher Education</u>			
Alabama Guaranteed Student Loan	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	-	-	-
<u>Corrections</u>			
Administration Service and Logistical Supply	13,116	13,114	2
Correctional Industries	-	-	-
Institutional Service Corrections	280,604	280,391	213
TOTAL Corrections	293,720	293,505	215

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	218	162	56	4,256	4,200	56
-	-	-	-	-	-	459	459	-
-	-	-	-	-	-	796	796	-
-	-	-	13,927	8,651	5,276	126,630	121,349	5,281
-	-	-	9,100	7,493	1,607	9,158	7,551	1,607
-	-	-	-	-	-	-	-	-
-	-	-	9,813	8,528	1,285	19,578	18,292	1,286
-	-	-	33,058	24,834	8,224	160,877	152,647	8,230
-	-	-	4,195	3,639	556	6,253	5,697	556
-	-	-	1,189	1,078	111	1,925	1,814	111
-	-	-	10,524	9,356	1,168	14,922	13,754	1,168
-	-	-	4,522	3,690	832	6,874	6,042	832
-	-	-	20,430	17,763	2,667	29,974	27,307	2,667
-	-	-	-	-	-	576	576	-
-	-	-	5,984	5,072	912	14,894	13,982	912
-	-	-	-	-	-	236	236	-
-	-	-	5,984	5,072	912	15,706	14,794	912
-	-	-	-	-	-	734	593	141
-	-	-	-	-	-	734	593	141
-	-	-	581	253	328	581	253	328
2,323	2,113	210	-	-	-	2,323	2,113	210
3,400	3,235	165	648	345	303	4,048	3,580	468
1,844	1,840	4	1,859	1,481	378	3,703	3,321	382
2,966	2,966	-	300	-	300	3,266	2,966	300
10,533	10,154	379	3,388	2,079	1,309	13,921	12,233	1,688
-	-	-	-	-	-	13,116	13,114	2
-	-	-	23,213	16,798	6,415	23,213	16,798	6,415
-	-	-	27,223	17,619	9,604	307,827	298,010	9,817
-	-	-	50,436	34,417	16,019	344,156	327,922	16,234

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Economic and Community Affairs</u>			
Administrative Support Service	90	85	5
Energy Management	579	498	81
Law Enforcement Planning and Development	736	713	23
Planning	5,142	4,850	292
Skills Enhancement/Employment Opportunities	2,220	2,218	2
Surplus Property	719	641	78
Water Resources	2,797	2,409	388
TOTAL Economic and Community Affairs	12,283	11,414	869
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	8,256	7,876	380
Readiness and Recovery-FEMA	19,964	19,963	1
TOTAL Emergency Management Agency	28,220	27,839	381
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	10,467	10,467	-
TOTAL Examiners of Public Accounts	10,467	10,467	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capital Complex M and R	-	-	-
Administrative Support Service: Purchasing	1,116	1,054	62
Administrative Support Service: Service Division	914	761	153
Fiscal Management	-	-	-
Fiscal Management: Budget Office	987	954	33
Fiscal Management: Comptroller's Office	3,481	3,468	13
Fiscal Management: Director's Office	895	761	134
TOTAL Finance	7,393	6,998	395

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	8,613	7,605	1,008	8,703	7,690	1,013
-	-	-	2,533	1,115	1,418	3,112	1,613	1,499
-	-	-	51,062	34,028	17,034	51,798	34,741	17,057
-	-	-	106,443	69,207	37,236	111,585	74,057	37,528
-	-	-	67,799	61,600	6,199	70,019	63,818	6,201
-	-	-	1,105	991	114	1,824	1,632	192
-	-	-	3,763	2,665	1,098	6,560	5,074	1,486
-	-	-	241,318	177,211	64,107	253,601	188,625	64,976
86,852	86,354	498	182,542	68,104	114,438	269,394	154,458	114,936
-	-	-	3,225	1,954	1,271	3,225	1,954	1,271
30,828	30,807	21	-	-	-	30,828	30,807	21
563	436	127	-	-	-	563	436	127
-	-	-	66,440	36,552	29,888	66,440	36,552	29,888
-	-	-	533	533	-	533	533	-
17,514	17,292	222	719,881	688,978	30,903	737,395	706,270	31,125
2,714,363	2,714,363	-	140,000	140,000	-	2,854,363	2,854,363	-
17,826	17,826	-	-	-	-	17,826	17,826	-
5,657	5,657	-	-	-	-	5,657	5,657	-
231,015	231,008	7	-	-	-	231,015	231,008	7
3,104,618	3,103,743	875	1,112,621	936,121	176,500	4,217,239	4,039,864	177,375
-	-	-	89,241	62,838	26,403	97,497	70,714	26,783
-	-	-	235,398	172,862	62,536	255,362	192,825	62,537
-	-	-	324,639	235,700	88,939	352,859	263,539	89,320
2,985	2,985	-	2,063	1,437	626	15,515	14,889	626
2,985	2,985	-	2,063	1,437	626	15,515	14,889	626
-	-	-	90,624	62,139	28,485	90,624	62,139	28,485
-	-	-	8,947	8,064	883	8,947	8,064	883
-	-	-	8,928	8,035	893	8,928	8,035	893
-	-	-	-	-	-	1,116	1,054	62
-	-	-	-	-	-	914	761	153
-	-	-	2,417	1,915	502	2,417	1,915	502
-	-	-	-	-	-	987	954	33
-	-	-	-	-	-	3,481	3,468	13
-	-	-	-	-	-	895	761	134
-	-	-	110,916	80,153	30,763	118,309	87,151	31,158

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	40	22	18
Executive Direction: Governor's Contingency Fund	435	434	1
Executive Direction: Governor's Mansion	305	305	-
Executive Direction: Governor's Office	2,364	2,363	1
Executive Direction: Governor's Proclamation Expense	700	650	50
Executive Direction: National Governors' Conference	192	178	14
TOTAL Governor	4,036	3,952	84
<u>Human Resources</u>			
Human Services	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	500	452	48
Regulation Workers Compensation	-	-	-
TOTAL Industrial Relations	500	452	48
<u>Legislature</u>			
Legislative Operations and Support	24,230	17,423	6,807
TOTAL Legislature	24,230	17,423	6,807
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid	364,440	363,876	564
TOTAL Medicaid Agency	364,440	363,876	564
<u>Mental Health and Retardation</u>			
Administrative Services	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Institutional Treatment and Care of Mentally Retarded	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health and Retardation	-	-	-
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Community Educational Programs: CITY Programs	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Junior Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Technical Colleges	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
TOTAL Postsecondary Education	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	40	22	18
-	-	-	-	-	-	435	434	1
-	-	-	-	-	-	305	305	-
-	-	-	-	-	-	2,364	2,363	1
-	-	-	-	-	-	700	650	50
-	-	-	-	-	-	192	178	14
-	-	-	-	-	-	4,036	3,952	84
-	-	-	1,271,502	1,219,151	52,351	1,271,502	1,219,151	52,351
-	-	-	1,271,502	1,219,151	52,351	1,271,502	1,219,151	52,351
-	-	-	21,243	15,040	6,203	21,243	15,040	6,203
-	-	-	58,009	48,294	9,715	58,009	48,294	9,715
-	-	-	5,498	3,624	1,874	5,998	4,076	1,922
-	-	-	5,495	4,422	1,073	5,495	4,422	1,073
-	-	-	90,245	71,380	18,865	90,745	71,832	18,913
-	-	-	-	-	-	24,230	17,423	6,807
-	-	-	-	-	-	24,230	17,423	6,807
-	-	-	3,759,739	3,719,048	40,691	4,124,179	4,082,924	41,255
-	-	-	3,759,739	3,719,048	40,691	4,124,179	4,082,924	41,255
-	-	-	21,089	19,498	1,591	21,089	19,498	1,591
-	-	-	285,473	264,733	20,740	285,473	264,733	20,740
-	-	-	272,669	254,820	17,849	272,669	254,820	17,849
-	-	-	39,438	32,390	7,048	39,438	32,390	7,048
-	-	-	618,669	571,441	47,228	618,669	571,441	47,228
-	-	-	11,367	9,996	1,371	11,367	9,996	1,371
6,433	6,431	2	-	-	-	6,433	6,431	2
4,431	4,431	-	-	-	-	4,431	4,431	-
4,348	4,348	-	-	-	-	4,348	4,348	-
2,740	2,740	-	-	-	-	2,740	2,740	-
3,847	3,847	-	-	-	-	3,847	3,847	-
-	-	-	4,977	3,893	1,084	4,977	3,893	1,084
3,637	3,630	7	-	-	-	3,637	3,630	7
245,037	245,037	-	-	-	-	245,037	245,037	-
8,005	8,005	-	-	-	-	8,005	8,005	-
-	-	-	1,800	1,360	440	1,800	1,360	440
9,694	9,694	-	-	-	-	9,694	9,694	-
288,172	288,163	9	18,144	15,249	2,895	306,316	303,412	2,904

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Public Health</u>			
Administrative Services	8,282	8,281	1
Children's Health Insurance	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	34,812	33,567	1,245
TOTAL Public Health	43,094	41,848	1,246
<u>Public Safety</u>			
Administrative Services	18,217	18,078	139
Police Services	33,742	33,721	21
Public Safety Support Services	5,388	5,386	2
Readiness and Recovery	200	200	-
TOTAL Public Safety	57,547	57,385	162
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	1,840	1,840	-
TOTAL Rehabilitation Services	1,840	1,840	-
<u>Revenue</u>			
State Revenue Administration	114	74	40
TOTAL Revenue	114	74	40
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	355	321	34
Administrative Support Service: Printing of Acts/Journals	428	150	278
Administrative Support Service: Printing of Codes	117	27	90
Administrative Support Service: Secretary of State	1,101	1,101	-
Special Services: Training Elected Officials	70	-	70
TOTAL Secretary of State	2,071	1,599	472
<u>Transportation</u>			
Airport Development and Aeronautics	-	-	-
Appropriation Transfers	-	-	-
Captive County Health Insurance	-	-	-
Central Administration	-	-	-
Debt Service	-	-	-
Debt Service, General Obligation Bonds	-	-	-
Division and District Supervision	-	-	-
Maintenance	-	-	-
Operations and Support Service	-	-	-
Other Equipment Purchases	-	-	-
TOTAL Transportation	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	16,371	10,651	5,720	24,653	18,932	5,721
-	-	-	120,361	106,576	13,785	120,361	106,576	13,785
894	877	17	-	-	-	894	877	17
8,849	8,849	-	364,426	337,569	26,857	408,087	379,985	28,102
9,743	9,726	17	501,158	454,796	46,362	553,995	506,370	47,625
-	-	-	11,816	5,963	5,853	30,033	24,041	5,992
-	-	-	54,902	28,774	26,128	88,644	62,495	26,149
-	-	-	15,530	13,306	2,224	20,918	18,692	2,226
-	-	-	-	-	-	200	200	-
-	-	-	82,248	48,043	34,205	139,795	105,428	34,367
-	-	-	17,321	13,349	3,972	17,321	13,349	3,972
-	-	-	17,321	13,349	3,972	17,321	13,349	3,972
28,271	28,271	-	110,074	90,461	19,613	140,185	120,572	19,613
28,271	28,271	-	110,074	90,461	19,613	140,185	120,572	19,613
-	-	-	105,660	104,195	1,465	105,774	104,269	1,505
-	-	-	105,660	104,195	1,465	105,774	104,269	1,505
-	-	-	2,107	1,006	1,101	2,107	1,006	1,101
-	-	-	16,018	576	15,442	16,018	576	15,442
-	-	-	-	-	-	355	321	34
-	-	-	-	-	-	428	150	278
-	-	-	-	-	-	117	27	90
-	-	-	315	5	310	1,416	1,106	310
-	-	-	-	-	-	70	-	70
-	-	-	18,440	1,587	16,853	20,511	3,186	17,325
-	-	-	31,267	19,946	11,321	31,267	19,946	11,321
-	-	-	3,500	3,500	-	3,500	3,500	-
-	-	-	125	85	40	125	85	40
-	-	-	36,448	27,650	8,798	36,448	27,650	8,798
-	-	-	1,369	1,369	-	1,369	1,369	-
-	-	-	18,200	18,200	-	18,200	18,200	-
-	-	-	48,824	46,013	2,811	48,824	46,013	2,811
-	-	-	205,112	131,818	73,294	205,112	131,818	73,294
-	-	-	7,283	4,806	2,477	7,283	4,806	2,477
-	-	-	10,578	8,543	2,035	10,578	8,543	2,035
-	-	-	362,706	261,930	100,776	362,706	261,930	100,776

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

		General Fund		
		Budget	Actual	Variance
<u>Treasurer</u>				
	Fiscal Management	2,228	1,964	264
	TOTAL Treasurer	2,228	1,964	264
<u>Youth Services</u>				
	Financial Assistance	-	-	-
	Youth Services	12,268	12,268	-
	Youth Services-Boot Camps	4,272	4,272	-
	TOTAL Youth Services	16,540	16,540	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	6,373	5,053	1,320	8,601	7,017	1,584
-	-	-	6,373	5,053	1,320	8,601	7,017	1,584
6,716	6,713	3	788	740	48	7,504	7,453	51
37,066	37,063	3	17,834	14,802	3,032	67,168	64,133	3,035
-	-	-	-	-	-	4,272	4,272	-
43,782	43,776	6	18,622	15,542	3,080	78,944	75,858	3,086

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Colleges and Universities</u>			
Alabama Agricultural and Mechanical University			
Support of State Universities: ACES-System Personnel Costs	-	-	-
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Urban Affairs and Non-Trade Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
AIDB Adult Programs	-	-	-
AIDB Children and Youth Programs	-	-	-
AIDB Industries for Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University - Desegregation Planning	-	-	-
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
Total Alabama State University	-	-	-
Auburn University			
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/UAB	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: University of Alabama-Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
925	925	-	-	-	-	925	925	-
300	300	-	-	-	-	300	300	-
855	855	-	-	-	-	855	855	-
173	173	-	-	-	-	173	173	-
28,838	28,838	-	-	-	-	28,838	28,838	-
2,433	2,433	-	-	-	-	2,433	2,433	-
33,524	33,524	-	-	-	-	33,524	33,524	-
8,660	8,660	-	-	-	-	8,660	8,660	-
23,825	23,825	-	-	-	-	23,825	23,825	-
6,427	6,427	-	-	-	-	6,427	6,427	-
38,912	38,912	-	-	-	-	38,912	38,912	-
185	185	-	-	-	-	185	185	-
28,713	28,713	-	-	-	-	28,713	28,713	-
1,657	1,657	-	-	-	-	1,657	1,657	-
30,555	30,555	-	-	-	-	30,555	30,555	-
140,127	140,127	-	-	-	-	140,127	140,127	-
20,010	20,010	-	-	-	-	20,010	20,010	-
26,652	26,652	-	-	-	-	26,652	26,652	-
28,805	28,805	-	-	-	-	28,805	28,805	-
215,594	215,594	-	-	-	-	215,594	215,594	-
30,443	30,443	-	-	-	-	30,443	30,443	-
30,443	30,443	-	-	-	-	30,443	30,443	-
37,081	37,081	-	-	-	-	37,081	37,081	-
37,081	37,081	-	-	-	-	37,081	37,081	-
-	-	-	63	63	-	63	63	-
4,032	4,032	-	-	-	-	4,032	4,032	-
221,934	221,934	-	-	-	-	221,934	221,934	-
225,966	225,966	-	63	63	-	226,029	226,029	-
38,384	38,384	-	-	-	-	38,384	38,384	-
38,384	38,384	-	-	-	-	38,384	38,384	-
126,217	126,217	-	-	-	-	126,217	126,217	-
126,217	126,217	-	-	-	-	126,217	126,217	-
15,739	15,739	-	-	-	-	15,739	15,739	-
15,739	15,739	-	-	-	-	15,739	15,739	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
University of North Alabama			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
University of South Alabama			
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
Total University of South Alabama	-	-	-
University of West Alabama			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
Total University of West Alabama	-	-	-
TOTAL Colleges and Universities	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
22,281	22,281	-	-	-	-	22,281	22,281	-
22,281	22,281	-	-	-	-	22,281	22,281	-
86,351	86,351	-	-	-	-	86,351	86,351	-
86,351	86,351	-	-	-	-	86,351	86,351	-
9,870	9,870	-	-	-	-	9,870	9,870	-
9,870	9,870	-	-	-	-	9,870	9,870	-
910,917	910,917	-	63	63	-	910,980	910,980	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	-	-	-
Total Agricultural Museum Board	-	-	-
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	125	118	7
Agricultural Development Services: Livestock Coliseum	228	228	-
Agricultural Development Services: Operations	253	253	-
Total Agriculture Center Board	606	599	7
Alabama Law Institute			
Support - Other Educational Activities	551	550	1
Total Alabama Law Institute	551	550	1
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Trusts			
Alabama Natural Heritage	-	-	-
Fiscal Management	17	1	16
Total Alabama Trusts	17	1	16
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	-	-	-
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	-	-	-
Archives and History			
Historical Resources Management	2,474	2,473	1
Total Archives and History	2,474	2,473	1
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	-	-	-
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	-	-	-
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	-	-	-
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,019	747	272	1,019	747	272
-	-	-	1,019	747	272	1,019	747	272
-	-	-	95	60	35	95	60	35
-	-	-	95	60	35	95	60	35
-	-	-	-	-	-	125	118	7
-	-	-	547	464	83	775	692	83
-	-	-	-	-	-	253	253	-
-	-	-	547	464	83	1,153	1,063	90
48	48	-	-	-	-	599	598	1
48	48	-	-	-	-	599	598	1
-	-	-	400	349	51	400	349	51
-	-	-	400	349	51	400	349	51
-	-	-	300	111	189	300	111	189
-	-	-	-	-	-	17	1	16
-	-	-	300	111	189	317	112	205
-	-	-	5,037	4,999	38	5,037	4,999	38
-	-	-	32,478	31,623	855	32,478	31,623	855
-	-	-	9,311	9,119	192	9,311	9,119	192
-	-	-	46,826	45,741	1,085	46,826	45,741	1,085
-	-	-	399	311	88	399	311	88
-	-	-	399	311	88	399	311	88
454	454	-	1,044	725	319	3,972	3,652	320
454	454	-	1,044	725	319	3,972	3,652	320
-	-	-	86	71	15	86	71	15
-	-	-	86	71	15	86	71	15
-	-	-	47	-	47	47	-	47
-	-	-	47	-	47	47	-	47
-	-	-	48	39	9	48	39	9
-	-	-	48	39	9	48	39	9
-	-	-	150	121	29	150	121	29
-	-	-	150	121	29	150	121	29

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	7	7	-
Special Services: Death Claims-Board of Adjustment	1,050	950	100
Total Board of Adjustment	1,057	957	100
Board of Prosthetists and Orthostists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthostists	-	-	-
Board of Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Respiratory Therapy	-	-	-
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	155	154	1
Total Building Commission	155	154	1
Child Abuse and Neglect Prevention			
Social Services	-	-	-
Total Child Abuse and Neglect Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	330	330	-
Total Children's Affairs	330	330	-
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	261	257	4
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	261	257	4
Commision on Uniform State Laws			
Special Services	41	41	-
Total Commision on Uniform State Laws	41	41	-
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
Police Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,866	9,585	3,281	12,866	9,585	3,281
-	-	-	12,866	9,585	3,281	12,866	9,585	3,281
-	-	-	-	-	-	7	7	-
-	-	-	-	-	-	1,050	950	100
-	-	-	-	-	-	1,057	957	100
-	-	-	131	107	24	131	107	24
-	-	-	131	107	24	131	107	24
-	-	-	142	28	114	142	28	114
-	-	-	142	28	114	142	28	114
-	-	-	154	129	25	154	129	25
-	-	-	1,369	1,271	98	1,524	1,425	99
-	-	-	1,523	1,400	123	1,678	1,554	124
-	-	-	8,103	7,395	708	8,103	7,395	708
-	-	-	8,103	7,395	708	8,103	7,395	708
-	-	-	3,289	3,204	85	3,289	3,204	85
-	-	-	3,289	3,204	85	3,289	3,204	85
-	-	-	328	272	56	328	272	56
3,346	3,345	1	565	562	3	4,241	4,237	4
3,346	3,345	1	893	834	59	4,569	4,509	60
-	-	-	234	229	5	234	229	5
-	-	-	234	229	5	234	229	5
-	-	-	99	70	29	360	327	33
-	-	-	99	70	29	360	327	33
-	-	-	-	-	-	41	41	-
-	-	-	-	-	-	41	41	-
-	-	-	7,717	6,382	1,335	7,717	6,382	1,335
-	-	-	28,122	25,420	2,702	28,122	25,420	2,702
-	-	-	7,062	6,593	469	7,062	6,593	469
-	-	-	5,416	4,917	499	5,416	4,917	499
-	-	-	11,250	9,563	1,687	11,250	9,563	1,687
-	-	-	-	-	-	-	-	-
-	-	-	11,494	8,592	2,902	11,494	8,592	2,902
-	-	-	71,061	61,467	9,594	71,061	61,467	9,594

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Cosmetology Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Cosmetology Board	-	-	-
Council on the Arts			
Fine Arts	-	-	-
Total Council on the Arts	-	-	-
Counseling Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Counseling Examiners Board	-	-	-
Court of Civil Appeals			
Court Operations	3,327	3,240	87
Total Court of Civil Appeals	3,327	3,240	87
Court of Criminal Appeals			
Court Operations	3,691	3,685	6
Total Court of Criminal Appeals	3,691	3,685	6
Credit Union Administration			
Charter Licensure and Regulation Financial	-	-	-
Total Credit Union Administration	-	-	-
Crime Victims Compensation Commission			
Special Services	-	-	-
Total Crime Victims Compensation Commission	-	-	-
Criminal Justice Information Center			
Criminal Justice Information Services	1,954	1,952	2
Total Criminal Justice Information Center	1,954	1,952	2
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001E Docks/Local Match Bonds	-	-	-
Debt Service: 2002A GO Bonds	-	-	-
Debt Service: 2005A Go Bonds	-	-	-
Debt Service: Administration Office of Court	-	-	-
Debt Service: AL Building Renovation Fin Aut	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-A Refunding	-	-	-
Debt Service: General Obligation 1999-B Refunding	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	-	-	-
Debt Service: GO 2001-D Historic Site Bonds	-	-	-
Debt Service: GO2001-a Agriculture Dev Bond	-	-	-
Total Debt Service and Reserve	-	-	-
Development Office			
Industrial Development: Alabama Development Office	3,380	3,370	10
Promotional Development: ADO-Alabama Film Commission	189	188	1
Total Development Office	3,569	3,558	11

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,996	1,488	508	1,996	1,488	508
-	-	-	1,996	1,488	508	1,996	1,488	508
3,169	3,160	9	758	662	96	3,927	3,822	105
3,169	3,160	9	758	662	96	3,927	3,822	105
-	-	-	354	257	97	354	257	97
-	-	-	354	257	97	354	257	97
-	-	-	-	-	-	3,327	3,240	87
-	-	-	-	-	-	3,327	3,240	87
-	-	-	-	-	-	3,691	3,685	6
-	-	-	-	-	-	3,691	3,685	6
-	-	-	1,127	574	553	1,127	574	553
-	-	-	1,127	574	553	1,127	574	553
-	-	-	3,914	1,559	2,355	3,914	1,559	2,355
-	-	-	3,914	1,559	2,355	3,914	1,559	2,355
-	-	-	6,603	5,253	1,350	8,557	7,205	1,352
-	-	-	6,603	5,253	1,350	8,557	7,205	1,352
-	-	-	17,099	14,930	2,169	17,099	14,930	2,169
-	-	-	4,730	4,730	-	4,730	4,730	-
-	-	-	4,144	4,144	-	4,144	4,144	-
-	-	-	2,169	1,904	265	2,169	1,904	265
-	-	-	4,067	4,009	58	4,067	4,009	58
-	-	-	1,098	1,098	-	1,098	1,098	-
-	-	-	6,744	6,744	-	6,744	6,744	-
-	-	-	7,622	7,622	-	7,622	7,622	-
-	-	-	2,288	2,288	-	2,288	2,288	-
8,898	8,898	-	14,022	14,022	-	22,920	22,920	-
-	-	-	1,793	1,793	-	1,793	1,793	-
-	-	-	1,340	1,340	-	1,340	1,340	-
-	-	-	8,530	8,530	-	8,530	8,530	-
-	-	-	471	471	-	471	471	-
-	-	-	4,716	4,716	-	4,716	4,716	-
8,898	8,898	-	80,833	78,341	2,492	89,731	87,239	2,492
-	-	-	1,300	1,022	278	4,680	4,392	288
-	-	-	-	-	-	189	188	1
-	-	-	1,300	1,022	278	4,869	4,580	289

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	26,135	26,012	123
Total District Attorneys	26,135	26,012	123
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	-	-	-
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	-	-	-
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Marion Military Institute	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	915	913	2
Total Ethics Commission	915	913	2
Farmers' Market Authority			
Agricultural Development Services	555	541	14
Total Farmers' Market Authority	555	541	14

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	125	89	36	125	89	36
-	-	-	125	89	36	125	89	36
-	-	-	-	-	-	26,135	26,012	123
-	-	-	-	-	-	26,135	26,012	123
7,131	7,131	-	1,100	494	606	8,231	7,625	606
7,131	7,131	-	1,100	494	606	8,231	7,625	606
-	-	-	400	262	138	400	262	138
-	-	-	400	262	138	400	262	138
-	-	-	213	210	3	213	210	3
-	-	-	213	210	3	213	210	3
-	-	-	50,580	42,114	8,466	50,580	42,114	8,466
-	-	-	50,580	42,114	8,466	50,580	42,114	8,466
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
800	796	4	-	-	-	800	796	4
4,311	4,311	-	-	-	-	4,311	4,311	-
113	97	16	-	-	-	113	97	16
305	305	-	-	-	-	305	305	-
2,920	2,920	-	-	-	-	2,920	2,920	-
8,531	8,511	20	-	-	-	8,531	8,511	20
145	145	-	-	-	-	145	145	-
311	311	-	-	-	-	311	311	-
364	364	-	-	-	-	364	364	-
4,726	4,726	-	-	-	-	4,726	4,726	-
5,546	5,546	-	-	-	-	5,546	5,546	-
-	-	-	-	-	-	915	913	2
-	-	-	-	-	-	915	913	2
-	-	-	2,214	1,645	569	2,769	2,186	583
-	-	-	2,214	1,645	569	2,769	2,186	583

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Finance Special Appropriations			
Administration Service and Logistical Supply: Removal of Prisoners	748	740	8
Criminal Investigation: Arrest of Absconding Felons	58	10	48
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	500	113	387
Institutional Service Corrections: Feeding of Prisoners	6,762	6,762	-
Legal Advice and Legal Service: Automatic Appeal Expense	50	-	50
Legal Advice and Legal Service: Court Assessed Cost not Provided	380	262	118
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	3,870	3,470	400
Special Services: Election Expenses	6,500	3,802	2,698
Special Services: Emergency Fund, Departmental	5,504	225	5,279
Special Services: Freddie Lee Gaines	100	100	-
Special Services: Registration of Voters	2,702	2,335	367
Total Finance Special Appropriations	27,190	17,833	9,357
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	9,805	9,632	173
Total Forensic Sciences	9,805	9,632	173
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - GF Share	1,626	1,626	-
Total Fringe Benefit Accounts	1,626	1,626	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	748	740	8
-	-	-	-	-	-	58	10	48
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	500	113	387
-	-	-	-	-	-	6,762	6,762	-
-	-	-	-	-	-	50	-	50
-	-	-	-	-	-	380	262	118
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	3,870	3,470	400
-	-	-	-	-	-	6,500	3,802	2,698
-	-	-	-	-	-	5,504	225	5,279
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	2,702	2,335	367
-	-	-	-	-	-	27,190	17,833	9,357
-	-	-	141,234	141,234	-	141,234	141,234	-
-	-	-	29,616	29,616	-	29,616	29,616	-
-	-	-	613	613	-	613	613	-
-	-	-	171,463	171,463	-	171,463	171,463	-
-	-	-	10,405	6,848	3,557	20,210	16,480	3,730
-	-	-	10,405	6,848	3,557	20,210	16,480	3,730
-	-	-	180	87	93	180	87	93
-	-	-	180	87	93	180	87	93
-	-	-	31,619	26,301	5,318	31,619	26,301	5,318
-	-	-	31,619	26,301	5,318	31,619	26,301	5,318
-	-	-	5,375	1,507	3,868	5,375	1,507	3,868
-	-	-	5,375	1,507	3,868	5,375	1,507	3,868
-	-	-	-	-	-	1,626	1,626	-
-	-	-	-	-	-	1,626	1,626	-
-	-	-	237	197	40	237	197	40
-	-	-	237	197	40	237	197	40
-	-	-	1,708	910	798	1,708	910	798
-	-	-	1,708	910	798	1,708	910	798

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
General Fund Direct Disbursements			
Fine Arts: Music Hall of Fame	81	81	-
Historical Resources Management: Cahaba Advisory Committee	88	88	-
Historical Resources Management: Historic Chattahoochee Commission	41	41	-
Historical Resources Management: Historic Ironworks Commission	50	50	-
Historical Resources Management: Sports Hall of Fame	69	69	-
Historical Resources Management: St. Stephens Historical Commission	60	60	-
Tourism and Travel Promotion: Historic Blakeley Authority	94	94	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	36	36	-
Water Resource Development: Choccolocco Creek Watershed	18	18	-
Total General Fund Direct Disbursements	537	537	-
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	504	504	-
Non-State: Network of Children's Advocacy Centers	841	841	-
Total General Fund Non-State	1,345	1,345	-
Geological Survey			
Mineral, Energy, and Water Resources	1,764	1,762	2
Total Geological Survey	1,764	1,762	2
Governor's Mansion Advisory Board			
Historical Resources Management	-	-	-
Total Governor's Mansion Advisory Board	-	-	-
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	68	68	-
Total Governor's Office of Faith-Based and Community Initiatives	68	68	-
Governor's Office on Disability			
Executive Direction	158	139	19
Total Governor's Office on Disability	158	139	19
Health Planning and Development			
Health Planning Development and Regulation	272	272	-
Total Health Planning and Development	272	272	-
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating and Air Conditioning Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating and Air Conditioning Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Total Historical Commission	-	-	-
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	88	88	-
-	-	-	-	-	-	41	41	-
-	-	-	-	-	-	50	50	-
-	-	-	-	-	-	69	69	-
-	-	-	-	-	-	60	60	-
-	-	-	-	-	-	94	94	-
-	-	-	-	-	-	36	36	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	537	537	-
-	-	-	-	-	-	504	504	-
-	-	-	-	-	-	841	841	-
-	-	-	-	-	-	1,345	1,345	-
-	-	-	1,358	1,068	290	3,122	2,830	292
-	-	-	1,358	1,068	290	3,122	2,830	292
-	-	-	6	-	6	6	-	6
-	-	-	6	-	6	6	-	6
-	-	-	2,642	1,342	1,300	2,710	1,410	1,300
-	-	-	2,642	1,342	1,300	2,710	1,410	1,300
-	-	-	-	-	-	158	139	19
-	-	-	-	-	-	158	139	19
-	-	-	788	459	329	1,060	731	329
-	-	-	788	459	329	1,060	731	329
-	-	-	54	30	24	54	30	24
-	-	-	54	30	24	54	30	24
-	-	-	878	728	150	878	728	150
-	-	-	878	728	150	878	728	150
5,408	5,406	2	-	-	-	5,408	5,406	2
5,408	5,406	2	-	-	-	5,408	5,406	2
-	-	-	5,833	4,965	868	5,833	4,965	868
-	-	-	821	709	112	821	709	112
-	-	-	267	246	21	267	246	21
-	-	-	6,921	5,920	1,001	6,921	5,920	1,001
-	-	-	2,040	1,599	441	2,040	1,599	441
-	-	-	2,040	1,599	441	2,040	1,599	441

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	-	-	-
Homeland Security Office			
Readiness and Recovery	350	309	41
Total Homeland Security Office	350	309	41
Indian Affairs Commission			
Social Services	151	150	1
Total Indian Affairs Commission	151	150	1
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Translitterators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Translitterators	-	-	-
Joint Legislative Oversight Committee on Community Service			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total Joint Legislative Oversight Committee on Community Service	-	-	-
Judicial Inquiry Commission			
Administrative Services	340	340	-
Total Judicial Inquiry Commission	340	340	-
Knight vs. Alabama Financial Obligation			
Support of State Universities: Attorney's Fees	-	-	-
Support of State Universities: Audit Fees	-	-	-
Support of State Universities: Doctoral Prog in Educ-ASU	-	-	-
Support of State Universities: Employment Practices-White-Def	-	-	-
Support of State Universities: Ext System-Urban/Non Trade Programs-Alabama A&M	-	-	-
Support of State Universities: Health Information Management Program - Alabama State Univ.	-	-	-
Support of State Universities: Master of Accountancy Program - Alabama State University	-	-	-
Support of State Universities: Occupational Therapy Program - Alabama State University	-	-	-
Support of State Universities: Physical Therapy Program-Alabama State University	-	-	-
Support of State Universities: Scholarships to Diversify-ASU	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Total Knight vs. Alabama Financial Obligation	-	-	-
Labor			
Regulatory Services	329	317	12
Total Labor	329	317	12
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	70	58	12	70	58	12
-	-	-	70	58	12	70	58	12
-	-	-	69,345	28,011	41,334	69,695	28,320	41,375
-	-	-	69,345	28,011	41,334	69,695	28,320	41,375
-	-	-	54	42	12	205	192	13
-	-	-	54	42	12	205	192	13
-	-	-	12,027	7,404	4,623	12,027	7,404	4,623
-	-	-	12,027	7,404	4,623	12,027	7,404	4,623
-	-	-	40	12	28	40	12	28
-	-	-	40	12	28	40	12	28
-	-	-	20	5	15	20	5	15
-	-	-	20	5	15	20	5	15
5,850	5,848	2	-	-	-	5,850	5,848	2
5,850	5,237	613	-	-	-	5,850	5,237	613
11,700	11,085	615	-	-	-	11,700	11,085	615
-	-	-	-	-	-	340	340	-
-	-	-	-	-	-	340	340	-
88	88	-	-	-	-	88	88	-
50	50	-	-	-	-	50	50	-
1,655	1,655	-	-	-	-	1,655	1,655	-
3,000	3,000	-	-	-	-	3,000	3,000	-
505	505	-	-	-	-	505	505	-
402	402	-	-	-	-	402	402	-
131	131	-	-	-	-	131	131	-
427	427	-	-	-	-	427	427	-
1,039	1,039	-	-	-	-	1,039	1,039	-
891	891	-	-	-	-	891	891	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
10,188	10,188	-	-	-	-	10,188	10,188	-
-	-	-	1,145	317	828	1,474	634	840
-	-	-	1,145	317	828	1,474	634	840
-	-	-	60	50	10	60	50	10
-	-	-	60	50	10	60	50	10

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Legislative Council			
Legislative Operations and Support	927	517	410
Total Legislative Council	927	517	410
Legislative Fiscal Office			
Legislative Operations and Support	1,766	1,369	397
Total Legislative Fiscal Office	1,766	1,369	397
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	179	105	74
Legislative Operations and Support: Legislative Reference Service	2,466	2,429	37
Total Legislative Reference Service	2,645	2,534	111
Lieutenant Governor			
Legislative Operations and Support	1,046	448	598
Total Lieutenant Governor	1,046	448	598
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	-	-	-
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	-	-	-
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	-	-	-
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	-	-	-
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	-	-	-
Military			
Military Operations: Active Military Service	5,637	1,506	4,131
Military Operations: Dropping Allowance	1	-	1
Military Operations: Operations	1,057	979	78
Military Operations: Operations and Maintenance	1,465	1,417	48
Military Operations: Quartering Allowance to Headquarters	1,093	1,093	-
Military Operations: State Defense Force	23	12	11
Total Military	9,276	5,007	4,269
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	-	-	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	927	517	410
-	-	-	-	-	-	927	517	410
250	249	1	-	-	-	2,016	1,618	398
250	249	1	-	-	-	2,016	1,618	398
100	100	-	200	55	145	300	155	145
-	-	-	-	-	-	179	105	74
-	-	-	-	-	-	2,466	2,429	37
100	100	-	200	55	145	2,945	2,689	256
-	-	-	-	-	-	1,046	448	598
-	-	-	-	-	-	1,046	448	598
-	-	-	1,228	885	343	1,228	885	343
-	-	-	1,228	885	343	1,228	885	343
-	-	-	3,550	1,759	1,791	3,550	1,759	1,791
-	-	-	3,550	1,759	1,791	3,550	1,759	1,791
-	-	-	60	28	32	60	28	32
-	-	-	60	28	32	60	28	32
-	-	-	150	109	41	150	109	41
-	-	-	150	109	41	150	109	41
-	-	-	400	92	308	400	92	308
-	-	-	400	92	308	400	92	308
-	-	-	-	-	-	5,637	1,506	4,131
-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	1,057	979	78
-	-	-	18,189	15,545	2,644	19,654	16,962	2,692
-	-	-	-	-	-	1,093	1,093	-
-	-	-	-	-	-	23	12	11
-	-	-	18,189	15,545	2,644	27,465	20,552	6,913
-	-	-	3,936	3,572	364	3,936	3,572	364
-	-	-	3,936	3,572	364	3,936	3,572	364
-	-	-	105	58	47	105	58	47
-	-	-	105	58	47	105	58	47
-	-	-	130	85	45	130	85	45
-	-	-	130	85	45	130	85	45

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Office of Prosecution Services			
Prosecution Training Education and Management	342	342	-
Total Office of Prosecution Services	342	342	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	2,212	2,211	1
Total Oil and Gas Board	2,212	2,211	1
Pardons and Paroles			
Administration of Pardons and Paroles	24,343	24,342	1
Total Pardons and Paroles	24,343	24,342	1
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	1,759	1,216	543
Total President Pro Tempore Senate	1,759	1,216	543
Professional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Professional Engineers Registration Board	-	-	-
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	-	-	-
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	-	-	-
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,916	2,588	1,328	4,258	2,930	1,328
-	-	-	3,916	2,588	1,328	4,258	2,930	1,328
-	-	-	697	473	224	2,909	2,684	225
-	-	-	697	473	224	2,909	2,684	225
-	-	-	13,913	10,335	3,578	38,256	34,677	3,579
-	-	-	13,913	10,335	3,578	38,256	34,677	3,579
-	-	-	494	387	107	494	387	107
-	-	-	494	387	107	494	387	107
466	466	-	450	300	150	916	766	150
308	308	-	1,000	882	118	1,308	1,190	118
774	774	-	1,450	1,182	268	2,224	1,956	268
-	-	-	8,213	6,913	1,300	8,213	6,913	1,300
-	-	-	8,213	6,913	1,300	8,213	6,913	1,300
198	197	1	24	9	15	222	206	16
198	197	1	24	9	15	222	206	16
-	-	-	325	264	61	325	264	61
-	-	-	325	264	61	325	264	61
-	-	-	1,645	1,449	196	1,645	1,449	196
-	-	-	1,645	1,449	196	1,645	1,449	196
-	-	-	25	19	6	25	19	6
-	-	-	25	19	6	25	19	6
-	-	-	-	-	-	1,759	1,216	543
-	-	-	-	-	-	1,759	1,216	543
-	-	-	1,135	838	297	1,135	838	297
-	-	-	1,135	838	297	1,135	838	297
-	-	-	75	67	8	75	67	8
-	-	-	75	67	8	75	67	8
-	-	-	179	110	69	179	110	69
-	-	-	179	110	69	179	110	69
-	-	-	3,804	3,407	397	3,804	3,407	397
-	-	-	3,804	3,407	397	3,804	3,407	397

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Public Library Service			
Public Library Services	-	-	-
Total Public Library Service	-	-	-
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	-	-	-
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	-	-	-
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	-	-	-
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	1,350	1,350	-
Medicaid Waiver Services	8,594	8,594	-
Planning and Advocacy for Elderly	4,384	4,384	-
Total Senior Services	14,328	14,328	-
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Water Resource Development	1,579	1,568	11
Total Soil and Water Conservation Commission	1,579	1,568	11
Speaker of the House			
Speaker of House, Office of	669	428	241
Total Speaker of the House	669	428	241
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	-	-	-
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
9,985	9,984	1	2,967	2,215	752	12,952	12,199	753
9,985	9,984	1	2,967	2,215	752	12,952	12,199	753
-	-	-	4	1	3	4	1	3
-	-	-	4	1	3	4	1	3
-	-	-	711	544	167	711	544	167
-	-	-	711	544	167	711	544	167
-	-	-	3,292	2,171	1,121	3,292	2,171	1,121
-	-	-	3,292	2,171	1,121	3,292	2,171	1,121
-	-	-	32,416	25,843	6,573	32,416	25,843	6,573
-	-	-	32,416	25,843	6,573	32,416	25,843	6,573
-	-	-	15,013	13,748	1,265	15,013	13,748	1,265
-	-	-	15,013	13,748	1,265	15,013	13,748	1,265
-	-	-	-	-	-	1,350	1,350	-
-	-	-	35,315	32,907	2,408	43,909	41,501	2,408
-	-	-	28,010	27,535	475	32,394	31,919	475
-	-	-	63,325	60,442	2,883	77,653	74,770	2,883
1,144	1,144	-	-	-	-	1,144	1,144	-
1,144	1,144	-	-	-	-	1,144	1,144	-
-	-	-	256	203	53	256	203	53
-	-	-	256	203	53	256	203	53
-	-	-	5	1	4	5	1	4
-	-	-	3,340	723	2,617	4,919	2,291	2,628
-	-	-	3,345	724	2,621	4,924	2,292	2,632
-	-	-	-	-	-	669	428	241
-	-	-	-	-	-	669	428	241
-	-	-	204	120	84	204	120	84
-	-	-	204	120	84	204	120	84
-	-	-	4,292	3,540	752	4,292	3,540	752
-	-	-	4,292	3,540	752	4,292	3,540	752
-	-	-	4,396	2,990	1,406	4,396	2,990	1,406
-	-	-	585	347	238	585	347	238
-	-	-	4,981	3,337	1,644	4,981	3,337	1,644

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
Supercomputer Authority			
Administrative Support Service	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	7,905	7,522	383
Total Supreme Court	7,905	7,522	383
Supreme Court Law Library			
Court Operations	1,338	1,338	-
Total Supreme Court Law Library	1,338	1,338	-
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism and Travel			
Tourism and Travel Promotion	-	-	-
Total Tourism and Travel	-	-	-
Veterans Affairs			
Administration of Veterans Affairs	5,236	5,173	63
Total Veterans Affairs	5,236	5,173	63
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	15	15	-
Total Women's Commission	15	15	-
TOTAL Other	164,959	147,951	17,008
TOTAL EXPENDITURES	\$ 1,181,501	\$ 1,152,799	\$ 28,702

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	350	66	284	350	66	284
-	-	-	350	66	284	350	66	284
-	-	-	7,257	7,067	190	7,257	7,067	190
-	-	-	7,257	7,067	190	7,257	7,067	190
-	-	-	-	-	-	7,905	7,522	383
-	-	-	-	-	-	7,905	7,522	383
-	-	-	-	-	-	1,338	1,338	-
-	-	-	-	-	-	1,338	1,338	-
-	-	-	4,150	3,609	541	4,150	3,609	541
-	-	-	4,150	3,609	541	4,150	3,609	541
-	-	-	9,495	8,114	1,381	9,495	8,114	1,381
-	-	-	9,495	8,114	1,381	9,495	8,114	1,381
14,323	14,323	-	26,919	23,723	3,196	46,478	43,219	3,259
14,323	14,323	-	26,919	23,723	3,196	46,478	43,219	3,259
-	-	-	400	319	81	400	319	81
-	-	-	400	319	81	400	319	81
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	15	15	-
91,193	90,543	650	862,474	727,401	135,073	1,118,626	965,895	152,731
\$ 4,490,214	\$ 4,488,278	\$ 1,936	\$ 9,748,291	\$ 8,833,476	\$ 914,815	\$ 15,420,006	\$ 14,474,553	\$ 945,453

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Data Center Revolving	-	-	-
Finance-Telephone Revolving	-	-	-
Forensic Science	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Proration Prevention Fund	-	-	-
Public School Fund Endowment	-	-	-
Special Mental Health Fund	-	-	-
Supercomputer	-	-	-
Veterans Affairs	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-
<u>General Fund Transfers</u>			
ABI Cost of Evidence	86	86	-
ADEM-Hazardous Substance Fund	25	25	-
ADEM-Operations	3,976	3,976	-
Alabama Agricultural Museum	33	33	-
Alabama Building Renovation Finance Authority	-	-	-
Child Health Insurance Program	18,692	18,692	-
Children's Policy Council	20	20	-
Fair Trial Tax Transfer	28,961	24,961	4,000
Finance - Telephone Revolving	1,060	1,000	60
Forestry Commission	10,216	10,216	-
Historical Commission	2,690	2,690	-
Human Resources	91,912	91,912	-
Mental Health	107,097	107,097	-
Parks System Improvement Corp	-	-	-
Penny Trust Fund	300	287	13
Pollution Grant	517	517	-
Public Historical Sites Corp.	-	-	-
Revenue-Ad Valorem Equalization	250	250	-
Secretary of State-HAVA	493	493	-
Surface Mining Commission	438	438	-
Treasurer-Unclaimed Property	230	230	-
TOTAL General Fund Transfers	266,996	262,923	4,073
TOTAL TRANSFERS OUT	\$ 266,996	\$ 262,923	\$ 4,073
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,448,497	\$ 1,415,722	\$ 32,775

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
480	480	-	-	-	-	480	480	-
1,855	1,855	-	-	-	-	1,855	1,855	-
2,089	2,089	-	-	-	-	2,089	2,089	-
6,692	6,692	-	-	-	-	6,692	6,692	-
1,400	1,400	-	-	-	-	1,400	1,400	-
1,500	1,500	-	-	-	-	1,500	1,500	-
7,443	7,443	-	-	-	-	7,443	7,443	-
18,634	18,634	-	-	-	-	18,634	18,634	-
287	287	-	-	-	-	287	287	-
53,037	53,037	-	-	-	-	53,037	53,037	-
533	533	-	-	-	-	533	533	-
1,633	1,633	-	-	-	-	1,633	1,633	-
4,513	4,513	-	-	-	-	4,513	4,513	-
2,493	2,493	-	-	-	-	2,493	2,493	-
102,589	102,589	-	-	-	-	102,589	102,589	-
-	-	-	-	-	-	86	86	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	3,976	3,976	-
-	-	-	-	-	-	33	33	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	18,692	18,692	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	28,961	24,961	4,000
-	-	-	-	-	-	1,060	1,000	60
-	-	-	-	-	-	10,216	10,216	-
-	-	-	-	-	-	2,690	2,690	-
-	-	-	-	-	-	91,912	91,912	-
-	-	-	-	-	-	107,097	107,097	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	300	287	13
-	-	-	-	-	-	517	517	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	493	493	-
-	-	-	-	-	-	438	438	-
-	-	-	-	-	-	230	230	-
-	-	-	-	-	-	266,996	262,923	4,073
\$ 102,589	\$ 102,589	\$ -	\$ -	\$ -	\$ -	\$ 369,585	\$ 365,512	\$ 4,073
\$ 4,592,803	\$ 4,590,867	\$ 1,936	\$ 9,748,291	\$ 8,833,476	\$ 914,815	\$ 15,789,591	\$ 14,840,065	\$ 949,526

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	1,807,811	11.5%
General Use Tax	229,170	1.5%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	2,864,100	18.3%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	35,881	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	228,561	1.5%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	411,190	2.6%
Utilities Tax (6% telephone, 4% other)	352,490	2.2%
Insurance Premium Tax (1% to 6%)	271,515	1.7%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	80,718	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	152,887	1.0%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	88,056	0.6%
State Beer Tax (5¢ per 12 oz.)	52,952	0.3%
Public Utilities (2.2%)	103,855	0.7%
Motor Fuel Tax (diesel 17¢ per gallon)	147,844	0.9%
Tennessee Valley Authority (payments in-lieu of all state taxes)	87,308	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	64,158	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	131,878	0.8%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	28,738	0.2%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	73,859	0.5%
Coal Severance Tax (33.5¢ per ton)	7,343	0.0%
Forestry Severance Tax	5,590	0.0%
Inheritance Tax (amount of federal credit)	14,462	0.1%
Contractors Gross Receipts Tax (5% of gross receipts)	32,841	0.2%
Lodgings Tax (4% or 5% of charge)	35,931	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	1,705	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,983	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	3,099	0.0%
Court Cost Taxes	27,482	0.2%
Medicaid Taxes	57,053	0.4%
Cellular Telephones (6%)	84,893	0.5%
Ground Materials Severance Tax	4,610	0.0%
Miscellaneous Taxes	7,570	0.0%
TOTAL TAXES	7,497,533	47.8%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	19,343	0.1%
Drivers Licenses and Fees	47,201	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	61,867	0.4%
Agricultural Licenses and Fees	10,404	0.1%
Wholesale Oil Company License	4,146	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	140,581	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	64,993	0.4%
Court Fees	59,500	0.4%
Alcoholic Beverage Licenses	2,479	0.0%
Insurance Corporation Licenses and Fees	1,202	0.0%
Miscellaneous License and Fees	113,887	0.7%
TOTAL LICENSES AND FEES	525,603	3.4%

FINES AND FORFEITS

Court Fines and Forfeits	27,638	0.2%
Tobacco Settlement	101,872	0.7%
Miscellaneous Fines and Forfeits	18,939	0.1%
TOTAL FINES AND FORFEITS	148,449	0.9%

INVESTMENT INCOME

223,410 1.4%

FEDERAL REVENUES

6,216,968 39.7%

OTHER REVENUES

Rents and Royalties	285,220	1.8%
Reimbursements	50,354	0.3%
Sales of Property or Services	35,312	0.2%
Contributions	13,976	0.1%
Intragovernmental Services	19,513	0.1%
Local Revenues	40,401	0.3%
Other Revenues	615,619	3.8%
TOTAL OTHER REVENUES	1,060,395	6.8%

TOTAL REVENUES

\$15,672,358 100.0%

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 1,807,811	\$ 33,876	\$ 1,773,935	\$ 31,388	\$ 121,743	\$ -	\$ 1,501,484	\$ -
General Use Tax	229,170	2,938	226,232	500	4,356	-	220,353	-
Income Tax	2,864,100	31,890	2,832,210	-	-	-	2,832,210	-
Property Tax Relief	35,881	-	35,881	5,299	14,684	15,898	-	-
General Property Tax	228,561	1,053	227,508	34,198	86,152	107,158	-	-
Gasoline Taxes	411,190	11,041	400,149	-	-	-	-	-
Utilities Tax	352,490	6,568	345,922	-	-	-	331,322	-
Insurance Premium Tax	271,515	-	271,515	-	234,829	-	30,993	-
Liquor & Wine Tax	80,718	-	80,718	28,953	40,359	-	-	-
Tobacco & Cigarette Taxes	152,887	81	152,806	3,465	132,627	-	-	-
Corporation Taxes	88,056	-	88,056	11	16,609	-	-	-
State Beer Tax	52,952	-	52,952	10,590	15,886	-	21,181	-
Public Utilities	103,855	-	103,855	-	15,578	-	-	-
Motor Fuel Tax	147,844	2,251	145,593	-	-	-	-	-
Tennessee Valley Authority	87,308	-	87,308	-	-	-	-	-
Leasing/Renting Personal Property	64,158	-	64,158	-	64,542	-	-	-
Production Privilege Tax	131,878	-	131,878	-	104,977	-	-	-
Financial Institutions Excise Tax	28,738	512	28,226	-	9,750	-	-	-
Documentary Filing Taxes	73,859	-	73,859	-	73,859	-	-	-
Coal Severance Tax	7,343	-	7,343	-	(1)	-	-	-
Forestry Severance Tax	5,590	189	5,401	-	-	-	-	-
Inheritance Tax	14,462	(104)	14,566	-	14,566	-	-	-
Contractors Gross Receipts Tax	32,841	67	32,774	4,892	-	-	-	-
Lodgings Tax	35,931	9	35,922	-	25,888	-	-	-
Hydroelectric Companies	1,705	5	1,700	-	-	-	714	-
Lubricating Oil Tax	1,983	7	1,976	-	662	-	-	-
Pari-mutuel Betting	3,099	-	3,099	-	3,098	-	-	-
Court Cost Taxes	27,482	-	27,482	-	8,530	-	-	-
Medicaid Provider Taxes	57,053	104	56,949	-	-	-	-	-
Cellular Telephone Tax	84,893	-	84,893	-	54,284	-	29,388	-
Ground Materials Severance Tax	4,610	-	4,610	-	-	-	-	-
Hazardous Waste	-	-	-	-	-	-	-	-
Miscellaneous Taxes	7,570	-	7,570	28	3,107	83	-	-
TOTAL TAXES	7,497,533	90,487	7,407,046	119,324	1,046,085	123,139	4,967,645	0
LICENSES AND FEES								
Conservation Licenses	19,343	-	19,343	-	-	-	-	-
Drivers Licenses and Fees	47,201	-	47,201	-	31,263	-	-	-
Petroleum Products Inspection Fee	61,867	-	61,867	-	-	-	-	-
Agricultural License and Fees	10,404	-	10,404	-	-	-	-	-
Wholesale Oil Company License	4,146	-	4,146	-	4,146	-	-	-
Motor Vehicle License	140,581	790	139,791	-	39,664	-	-	-
Privilege License	64,993	1,267	63,726	-	9,191	-	528	-
Court Fees	59,500	-	59,500	-	45,232	-	-	-
Alcoholic Beverage Licenses	2,479	-	2,479	-	2,479	-	-	-
Insurance Corp Licenses and Fees	1,202	-	1,202	-	577	-	-	-
Miscellaneous License and Fees	113,887	270	113,617	306	4,378	-	-	-
TOTAL LICENSES AND FEES	525,603	2,327	523,276	306	136,930	0	528	0
FINES AND FORFEITS								
Court Fines and Forfeits	27,638	-	27,638	-	18,993	-	-	-
Tobacco Settlement	101,872	-	101,872	-	-	-	-	-
Miscellaneous Fines and Forfeits	18,939	18	18,921	-	1,393	-	-	-
TOTAL FINES AND FORFEITS	148,449	18	148,431	0	20,386	-	0	0
INVESTMENT INCOME	223,410	-	223,410	122	72,848	-	-	122,929
FEDERAL REVENUES	6,216,968	1,423	6,215,545	921,796	-	-	-	-
Other Revenues	1,060,395	2,888	1,057,507	6,495	3,232	499	242	267,923
TOTAL REVENUES	\$ 15,672,358	\$ 97,143	\$ 15,575,215	\$ 1,048,043	\$ 1,279,481	\$ 123,638	\$ 4,968,415	\$ 390,852

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 3,761	\$ 110,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,023	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
178,086	-	-	217,710	-	-	-	4,353	Conservation 3.7M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,168	Insurance Dept
-	-	-	-	11,406	-	-	-	-
1,123	111	-	-	12,015	-	-	3,465	State Parks
70,891	-	-	-	-	-	-	545	Secretary of State
5,295	-	-	-	-	-	-	-	-
-	-	-	-	88,277	-	-	-	-
2,541	-	-	143,052	-	-	-	-	-
69,846	17,462	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(384)	-
26,901	-	-	-	-	-	-	-	-
18,476	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,376	-	-	-	-	-	-	2,968	State Port Authority
-	-	-	-	-	-	-	5,401	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	27,882	-	-	-	-
1,405	-	-	-	-	-	-	8,629	Tourism & Travel
-	-	-	-	986	-	-	-	-
723	-	-	591	-	-	-	-	-
-	-	-	-	-	-	-	1	-
-	-	-	-	-	2,418	-	16,534	Fair Trial Fd 14.4M
-	-	56,949	-	-	-	-	-	-
-	1,221	-	-	-	-	-	-	-
4,610	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
37	-	-	60	-	-	-	4,255	Industrial Relations 4.2M
388,071	129,353	56,949	361,413	159,691	2,418	0	52,958	
-	-	-	-	-	-	-	19,343	Conservation 19.3M
-	-	-	-	-	-	-	15,938	Public Safety 15.8M
9,226	-	-	49,515	-	-	-	3,126	Agriculture
-	-	-	-	-	-	-	10,404	Agriculture
-	-	-	-	-	-	-	-	-
17,262	-	-	81,479	-	-	-	1,386	ADEM 700
-	-	-	3,021	2,301	1,411	-	47,274	Prof & Occup Bds 24.6 M
-	-	-	-	135	-	-	14,133	AOC 7.3M; DPS 2.1; DFS 2.5
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	625	Insurance Dept
-	-	-	1,438	13,412	-	4	94,079	ADEM 48.8M; PSC 13.4; Bank 11
26,488	0	0	135,453	15,848	1,411	4	206,308	
-	-	-	-	-	-	1,447	7,198	Forensics 2.4M
-	-	-	-	-	-	-	101,872	21st Century Fund
4	-	2,568	-	-	-	-	14,956	16th Section/School Lands 7.3M
4	0	2,568	0	0	0	1,447	124,026	
-	1,935	72	1,910	17	-	246	23,331	
2,350	-	2,854,357	630,383	320,393	766,513	168,122	551,631	Rehab 55M; EMA 231; DIR 53
-	3,999	564,548	37,528	43,270	8,539	3,803	117,429	DOC 16; Cons 28.7; Uncl Prop 31.7
\$ 416,913	\$ 135,287	\$ 3,478,494	\$ 1,166,687	\$ 539,219	\$ 778,881	\$ 173,622	\$ 1,075,683	



Nonmajor Enterprise Funds

Nonmajor Enterprise Funds are used to account for the operations of State agencies that provide goods and services to the public in a manner similar to private business enterprises. The cost of providing the goods or services are recovered primarily through user charges.

Alabama Health Insurance Plan

Provides health insurance coverage for citizens who have lost their group health insurance.

Local Government Employees' Health Insurance

Is a public entity risk pool providing health insurance coverage for the employees of local governments.

Other Enterprise Funds

Are aggregated for reporting purposes and account for other small enterprise funds operated by the State, including the Guaranteed Student Loan Fund, Military Billeting, and the canteen funds of the National Guard and the Department of Corrections.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2005

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Other Enterprise Funds	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 10,722	\$ 3,425	\$ 4,782	\$ 18,929
Investments, Short-term	-	27,917	-	27,917
Accounts Receivable	60	415	186	661
Interest and Dividends Receivable	-	186	-	186
Due from Other Funds	-	-	3	3
Inventory	-	-	650	650
Other Current Assets	347	320	-	667
Total Current Assets	11,129	32,263	5,621	49,013
Noncurrent Assets				
Investments, Long-term	-	6,896	-	6,896
Capital Assets, Net of Accumulated Depreciation	-	-	3,387	3,387
Capital Assets Not Depreciated	-	-	2,630	2,630
Total Noncurrent Assets	0	6,896	6,017	12,913
TOTAL ASSETS	11,129	39,159	11,638	61,926
LIABILITIES				
Current Liabilities				
Warrants Payable	-	-	21	21
Accounts Payable	120	76	321	517
Salaries Payable	-	-	93	93
Due to Other Funds	93	537	469	1,099
Due to Component Units	-	1	-	1
Due to Other Governments	-	-	6	6
Deferred Revenue	478	6,124	-	6,602
Claims Payable	4,185	15,022	-	19,207
Notes Payable	-	-	94	94
Total Current Liabilities	4,876	21,760	1,004	27,640
Long-term Liabilities				
Compensated Absences	-	-	259	259
Notes Payable	-	-	1,426	1,426
Total Long-term Liabilities	0	0	1,685	1,685
Total Liabilities	4,876	21,760	2,689	29,325
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	4,929	4,929
Restricted for:				
Unrestricted	6,253	17,399	4,020	27,672
TOTAL NET ASSETS	\$ 6,253	\$ 17,399	\$ 8,949	\$ 32,601

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Other Enterprise Funds	Totals
OPERATING REVENUES				
Charges for Goods and Services	\$ 0	\$ 0	\$ 23,276	\$ 23,276
Investment Earnings	-	996	12	1,008
Premiums and Contributions	19,703	114,372	-	134,075
Rents and Leases	-	-	713	713
Total Operating Revenues	19,703	115,368	24,001	159,072
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	-	1,325	1,325
Utilities and Communications	-	-	169	169
Professional Services	359	4,305	323	4,987
Supplies, Materials, and Operating Expenses	12	-	16,426	16,438
Depreciation	-	-	257	257
Claims and Benefits	28,031	106,862	-	134,893
Other	-	-	878	878
Total Operating Expenses	28,402	111,167	19,378	158,947
Operating Income (Loss)	(8,699)	4,201	4,623	125
NONOPERATING REVENUES (EXPENSES)				
Taxes	8,817	-	-	8,817
Grants	-	-	50	50
Investment Income	224	-	2	226
Other Nonoperating Revenues	-	173	378	551
Interest Expense	-	-	(61)	(61)
Total Nonoperating Revenues (Expenses)	9,041	173	369	9,583
Income (Loss) Before Contributions and Transfers	342	4,374	4,992	9,708
Transfers In	-	-	36	36
Transfers Out	-	-	(5,078)	(5,078)
Increase (Decrease) in Net Assets	342	4,374	(50)	4,666
Total Net Assets, October 1, 2004, as Restated	5,911	13,025	8,999	27,935
Total Net Assets, September 30, 2005	\$ 6,253	\$ 17,399	\$ 8,949	\$ 32,601

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Other Enterprise Funds	Totals
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	\$ 28,413	\$ 116,022	\$ 24,004	\$ 168,439
Receipts from Interfund Services	-	1	66	67
Receipts from Other Operating Activities	285	154	254	693
Payments for Goods Held for Resale	(359)	-	(15,531)	(15,890)
Payments for Other Goods & Services	(27,551)	(1,143)	(2,269)	(30,963)
Payments for Employees Services	-	-	(1,266)	(1,266)
Payments for Interfund Services	-	(1)	(116)	(117)
Payments for Other Operating Activities	-	-	(3)	(3)
Payments for Claims	-	(103,564)	-	(103,564)
Net Cash Provided by (Used In) Operating Activities	788	11,469	5,139	17,396
Cash Flows from Noncapital Financing Activities:				
Transfers from Other Funds for Noncapital Financing	-	-	36	36
Principal Paid on Program Bonds & Other Noncapital Debt	-	-	(38)	(38)
Transfers to Other Funds for Noncapital Financing	-	(2,300)	(5,076)	(7,376)
Net Cash Provided By (Used In)				
Noncapital Financing Activities	0	(2,300)	(5,078)	(7,378)
Cash Flows From Capital & Related Financing Activities:				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	-	224	224
Payments to Acquire, Construct, & Improve Capital Assets	-	-	(47)	(47)
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	(90)	(90)
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	(61)	(61)
Net Cash Provided by (Used in)				
Capital and Related Financing Activities	0	0	26	26
Cash Flows From Investing Activities				
Receipts from Sales & Maturities of Investments	-	136,246	-	136,246
Receipts from Interest & Dividends on Investments & Loans	224	277	14	515
Purchase of Investments	-	(147,698)	-	(147,698)
Net Cash Provided By (Used In) Investing Activities	224	(11,175)	14	(10,937)
Net Increase (Decrease) In Cash and Cash Equivalents	1,012	(2,006)	101	(893)
Cash Balance, October 1, 2004	9,710	5,431	4,660	19,801
Cash Balance, September 30, 2005	10,722	3,425	4,761	18,908
Add: Warrants Payable	-	-	21	21
Cash and Cash Equivalents,				
as Reported on Balance Sheet	\$ 10,722	\$ 3,425	\$ 4,782	\$ 18,929

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Other Enterprise Funds	Totals
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	(8,699)	4,201	4,623	125
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Accounts Receivable	(58)	2,530	(73)	2,399
Due from Other Funds	-	-	151	151
Inventory	-	-	(107)	(107)
Other Assets	(67)	-	-	(67)
Accounts Payable	42	7,876	(45)	7,873
Salaries Payable	-	-	20	20
Due to Other Funds	12	-	33	45
Due to Other Governments	-	-	(3)	(3)
Claims Payable	832	(2,296)	-	(1,464)
Deferred Revenue	(90)	-	-	(90)
Compensated Absences	-	-	41	41
Investment Income	-	(996)	-	(996)
Depreciation	-	-	257	257
Nonoperating Revenues	8,816	154	242	9,212
Total Adjustments	9,487	7,268	516	17,271
Net Cash Provided (Used) by Operating Activities	\$ 788	\$ 11,469	\$ 5,139	\$ 17,396
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Transfers and Donations of Capital Assets	-	-	28	28
Interest Accruals and Other Adjustments	-	(768)	-	(768)
Unrealized Gains (Losses) in Investment Fair Value	-	49	-	49
Transfers In (Out)	-	(2,300)	-	(2,300)



Internal Service Funds

Internal Service Funds account for the operation of State organizations which provide goods and services to other State agencies on a cost-reimbursement basis.

Information Services Fund

Provides equipment, computer services, information technology, and planning and coordination in equipment and system selection used by State agencies.

Telecommunications Fund

Provides for the coordination and promotion of the efficiency in the acquisition, operation and maintenance of telecommunications equipment, systems, and networks used by state agencies.

Service Division

Accounts for various services provided to State agencies including janitorial services, motor pool, mail services, and building maintenance.

Printing & Publications

Provides printing services to State agencies.

State Employees' Health Insurance Board

Manages a health insurance plan for State employees, as well as smaller health plans for children and prisoners.

Correctional Industries

Accounts for the agricultural operations and manufacturing activities of the State's correctional facilities.

Building Renovation Finance Authority

Accounts for the rental and maintenance of the buildings in the State Capitol Complex.

Risk Management

Accounts for resources used to provide insurance coverage for State buildings, school buildings, and their contents. Risk Management also insures State employees against work related injuries as well as employment-related liability claims.

Other Internal Service Funds

Account for other small internal service funds operated by the Finance and Military Departments.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS

Internal Service Funds

September 30, 2005

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 25,506	\$ 4,471	\$ 4,436	\$ 2,417	\$ 1,251
Investments, Short-term	-	-	-	-	89,230
Accounts Receivable	-	1,025	9	-	284
Interest and Dividends Receivable	-	-	-	-	403
Due from Other Funds	3,865	2,832	1,067	619	1,615
Due from Component Units	44	81	99	7	79
Inventory	-	-	1,787	75	-
Other Current Assets	-	-	-	-	397
Total Current Assets	29,415	8,409	7,398	3,118	93,259
Noncurrent Assets					
Investments, Long-term	-	-	-	-	14,273
Due From Other Funds, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	1,711	3,013	1,776	24	154
Capital Assets Not Depreciated	-	-	-	-	-
Total Noncurrent Assets	1,711	3,013	1,776	24	14,427
TOTAL ASSETS	31,126	11,422	9,174	3,142	107,686
LIABILITIES					
Current Liabilities					
Warrants Payable	81	456	2	1	6
Accounts Payable	916	1,901	664	40	221
Salaries Payable	795	6	64	43	190
Due to Other Funds	62	928	51	10	269
Due to Component Units	-	5	-	-	26
Due to Other Governments	1,864	-	-	-	-
Deferred Revenue	-	-	-	-	25,796
Funds Held in Escrow	-	-	-	-	1
Compensated Absences	-	31	-	56	1
Claims Payable	-	-	-	-	34,744
Revenue Bonds Payable	-	-	-	-	-
Capital Leases	-	-	83	-	-
Total Current Liabilities	3,718	3,327	864	150	61,254
Long-term Liabilities					
Compensated Absences	1,465	568	89	36	427
Revenue Bonds Payable	-	-	-	-	-
Capital Leases Payable	-	-	161	-	-
Claims Payable	-	-	-	-	-
Total Long-term Liabilities	1,465	568	250	36	427
Total Liabilities	5,183	3,895	1,114	186	61,681
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,711	3,013	1,531	24	154
Unrestricted	24,232	4,514	6,529	2,932	45,851
TOTAL NET ASSETS	\$ 25,943	\$ 7,527	\$ 8,060	\$ 2,956	\$ 46,005

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
\$ 8,587	\$ 12,193	\$ 5,989	\$ 805	\$ 65,655
-	-	19,281	-	108,511
1	-	986	-	2,305
-	-	763	-	1,166
1,089	74	998	5	12,164
25	-	35,085	67	35,487
2,440	-	-	-	4,302
-	-	4,868	-	5,265
12,142	12,267	67,970	877	234,855
-	-	75,273	-	89,546
-	-	9,524	-	9,524
-	658	-	-	658
2,428	33,000	152	20	42,278
545	17,398	-	-	17,943
2,973	51,056	84,949	20	159,949
15,115	63,323	152,919	897	394,804
47	19	602	-	1,214
697	424	1,408	3	6,274
317	164	148	107	1,834
156	33	1,086	27	2,622
-	-	50	-	81
3	33	-	-	1,900
-	-	-	-	25,796
-	-	-	30	31
-	7	-	-	95
-	-	22,010	-	56,754
-	5,140	-	-	5,140
-	-	-	-	83
1,220	5,820	25,304	167	101,824
812	307	261	307	4,272
-	67,071	-	-	67,071
-	-	-	-	161
-	-	33,716	-	33,716
812	67,378	33,977	307	105,220
2,032	73,198	59,281	474	207,044
2,974	(22,458)	152	20	(12,879)
10,109	12,583	93,486	403	200,639
\$ 13,083	\$ (9,875)	\$ 93,638	\$ 423	\$ 187,760

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Internal Service Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
OPERATING REVENUES					
Charges for Goods and Services	\$ 15,651	\$ 19,867	\$ 9,669	\$ 3,625	\$ 3,172
Investment Earnings	-	-	-	-	4,526
Premiums and Contributions	-	-	-	-	326,674
Rents and Leases	-	-	-	-	-
Interest from Mortgages and Loans Receivable	-	-	-	-	-
Total Operating Revenues	15,651	19,867	9,669	3,625	334,372
OPERATING EXPENSES					
Salaries, Wages, and Benefits	8,264	2,923	1,016	1,526	2,205
Utilities and Communications	207	13,065	30	139	175
Professional Services	3,085	1,227	183	225	3,336
Supplies, Materials, and Operating Expenses	5,049	487	6,943	1,252	231
Interest	-	-	-	-	-
Depreciation	931	3,505	595	274	52
Claims and Benefits	-	-	-	-	302,972
Other	1,436	1,216	934	544	455
Total Operating Expenses	18,972	22,423	9,701	3,960	309,426
Operating Income (Loss)	(3,321)	(2,556)	(32)	(335)	24,946
NONOPERATING REVENUES (EXPENSES)					
Grants	-	-	-	-	-
Investment Income	-	-	-	-	-
Other Nonoperating Revenues	132	3	68	2,975	3
Interest Expense	-	(17)	(21)	(8)	-
Other Nonoperating Expenses	-	(8)	-	-	-
Total Nonoperating Revenues (Expenses)	132	(22)	47	2,967	3
Income (Loss) Before Contributions and Transfers	(3,189)	(2,578)	15	2,632	24,949
Capital Contributions	-	-	283	-	-
Transfers In	6,692	2,400	18	-	-
Transfers Out	(20)	(9)	(66)	(9)	(803)
Increase (Decrease) in Net Assets	3,483	(187)	250	2,623	24,146
Total Net Assets, October 1, 2004, as Restated	22,460	7,714	7,810	333	21,859
Total Net Assets, September 30, 2005	\$ 25,943	\$ 7,527	\$ 8,060	\$ 2,956	\$ 46,005

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
\$ 11,667	\$ 5	\$ 1,384	\$ 2,047	\$ 67,087
-	-	5,449	-	9,975
-	-	32,923	-	359,597
-	14,419	-	-	14,419
-	-	1,315	-	1,315
11,667	14,424	41,071	2,047	452,393
5,022	2,402	2,222	1,816	27,396
503	3,062	116	24	17,321
290	1,036	9,438	305	19,125
6,700	290	11,918	41	32,911
-	3,971	-	-	3,971
296	3,502	44	10	9,209
-	-	27,697	-	330,669
1,123	903	851	124	7,586
13,934	15,166	52,286	2,320	448,188
(2,267)	(742)	(11,215)	(273)	4,205
-	-	-	100	100
-	82	-	-	82
831	112	8,378	350	12,852
-	-	-	-	(46)
-	-	-	-	(8)
831	194	8,378	450	12,980
(1,436)	(548)	(2,837)	177	17,185
-	-	-	-	283
2,485	2,189	41	2	13,827
(21)	(1,105)	(7)	(5)	(2,045)
1,028	536	(2,803)	174	29,250
12,055	(10,411)	96,441	249	158,510
\$ 13,083	\$ (9,875)	\$ 93,638	\$ 423	\$ 187,760

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 17	\$ 717	\$ 883	\$ 50	\$ 1
Receipts from Interfund Services	17,128	18,964	9,044	3,616	329,653
Receipts from Other Operating Activities	132	6,115	75	14	5
Payments for Goods Held for Resale	(293)	-	(6,309)	(1,202)	-
Payments for Other Goods & Services	(8,647)	(15,454)	(822)	(794)	(3,854)
Payments for Employees Services	(7,717)	(3,016)	(989)	(1,865)	(2,025)
Payments for Taxes, Fines, Penalties, & Similar Fees	(1,508)	-	-	-	-
Payments for Interfund Services	(977)	(814)	(264)	(210)	(378)
Payments for Other Operating Activities	(13)	(6,143)	(6)	(2)	(13)
Payments for Claims	-	-	-	-	(297,320)
Net Cash Provided by (Used In) Operating Activities	(1,878)	369	1,612	(393)	26,069
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	6,692	2,400	-	-	2,641
Transfers to Other Funds for Noncapital Financing	(20)	(9)	(6)	(9)	(803)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	6,672	2,391	(6)	(9)	1,838
Cash Flows From Capital & Related Financing Activities:					
Receipts from Sale of Capital Assets & Insurance Proceeds	1	1	98	2,500	-
Payments to Acquire, Construct, & Improve Capital Assets	(319)	(1,581)	(499)	(1)	(29)
Principal Paid on Revenue Bonds & Other Capital Debt	(258)	(4,502)	(65)	(76)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(19)	(17)	(9)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(576)	(6,101)	(483)	2,414	(29)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	348,659
Receipts from Interest & Dividends on Investments & Loans	-	-	-	-	408
Purchase of Investments	-	-	-	-	(376,538)
Net Cash Provided By (Used In) Investing Activities	0	0	0	0	(27,471)
Net Increase (Decrease) In Cash and Cash Equivalents	4,218	(3,341)	1,123	2,012	407
Cash Balance, October 1, 2004	21,207	7,356	3,311	404	838
Cash Balance, September 30, 2005	25,425	4,015	4,434	2,416	1,245
Add: Warrants Payable	81	456	2	1	6
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 25,506	\$ 4,471	\$ 4,436	\$ 2,417	\$ 1,251

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
\$ 4,780	\$ 22	\$ 18,795	\$ 0	\$ 25,265
6,513	14,895	15,635	2,107	417,555
6	111	8,770	151	15,379
(6,016)	-	-	-	(13,820)
(2,155)	(4,622)	(20,200)	(200)	(56,748)
(4,922)	(2,375)	(2,174)	(1,810)	(26,893)
-	-	-	-	(1,508)
(398)	(485)	(2,592)	(307)	(6,425)
(98)	(1)	(521)	(23)	(6,820)
-	-	(20,471)	-	(317,791)
(2,290)	7,545	(2,758)	(82)	28,194
2,485	1,098	-	350	15,666
(21)	(14)	(7)	(5)	(894)
2,464	1,084	(7)	345	14,772
2	11	-	-	2,613
(320)	(4,035)	(112)	(9)	(6,905)
-	(4,730)	-	-	(9,631)
-	(3,901)	-	-	(3,946)
(318)	(12,655)	(112)	(9)	(17,869)
-	-	357,590	-	706,249
-	82	5,121	-	5,611
-	-	(363,312)	-	(739,850)
0	82	(601)	0	(27,990)
(144)	(3,944)	(3,478)	254	(2,893)
8,684	16,118	8,865	551	67,334
8,540	12,174	5,387	805	64,441
47	19	602	-	1,214
\$ 8,587	\$ 12,193	\$ 5,989	\$ 805	\$ 65,655

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STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)
Internal Service Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	(3,321)	(2,556)	(32)	(335)	24,946
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	(1)	982	2	-	23,551
Due from Other Funds	1,415	(83)	325	286	141
Due From Other Governments	-	-	-	-	-
Inventory	-	-	520	122	-
Other Assets	-	-	-	-	-
Accounts Payable	(159)	(290)	49	(170)	3,197
Salaries Payable	334	(181)	8	(72)	67
Due to Other Funds	83	(1,096)	50	9	57
Due to Other Governments	(1,508)	-	-	-	-
Claims Payable	-	-	-	-	(2,270)
Deferred Revenue	-	-	-	(242)	(23,522)
Amounts Held in Custody for Others	-	-	-	-	-
Compensated Absences	216	88	20	(275)	116
Investment Income	-	-	-	-	(4,526)
Operating Interest Expense	-	-	-	-	-
Depreciation	931	3,505	595	274	52
Nonoperating Revenues	132	-	75	10	3
Nonoperating Expenses	-	-	-	-	4,257
Total Adjustments	1,443	2,925	1,644	(58)	1,123
Net Cash Provided (Used) by Operating Activities	\$ (1,878)	\$ 369	\$ 1,612	\$ (393)	\$ 26,069
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	471	24	349	-	410
Disposals, Write-offs, and Other Reductions to Capital Asset	(1,160)	(1,679)	(726)	(2,093)	(472)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	-	-	-	-	(3,546)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(573)
Transfers In (Out)	-	-	47	-	2,716

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
(2,267)	(742)	(11,215)	(273)	4,205
1	-	(982)	-	23,553
(357)	488	3	(6)	2,212
-	-	(523)	-	(523)
(64)	-	-	-	578
-	168	(260)	-	(92)
13	11	810	(8)	3,453
39	24	18	16	253
(21)	8	(211)	(3)	(1,124)
-	-	-	-	(1,508)
-	-	7,026	-	4,756
-	-	(22)	-	(23,786)
1	-	8	30	39
64	5	30	52	316
-	-	(5,862)	-	(10,388)
-	3,971	-	-	3,971
296	3,502	44	10	9,209
5	110	8,378	100	8,813
-	-	-	-	4,257
(23)	8,287	8,457	191	23,989
<u>\$ (2,290)</u>	<u>\$ 7,545</u>	<u>\$ (2,758)</u>	<u>\$ (82)</u>	<u>\$ 28,194</u>

1,059	1,188	-	53	3,554
(385)	(1,391)	(66)	(64)	(8,036)
-	22	-	-	22
-	-	165	-	(3,381)
-	-	26	-	(547)
-	-	(41)	(2)	2,720



Pension (and Other Employee Benefit) Trust Funds

Pension (and Other Employee Benefit) Trust Funds account for the resources held in trust for members and beneficiaries of retirement plans and other employee benefit plans administered by the State.

Employees' Retirement System

Accounts for the accumulation of resources for pension benefit payments to State employees, State police, and employees of other eligible governmental organizations such as cities and counties within the State.

Teachers' Retirement System

Accounts for the accumulation of resources for pension benefit payments to employees of state-supported educational institutions.

Judicial Retirement Fund

Accounts for the accumulation of resources for pension benefit payments to judges of the State's Supreme Court, Court of Civil Appeals, Court of Criminal Appeals, and Circuit Court.

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

Is a retirement fund for certain hourly employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

State Port Authority Railway Plan

Is a retirement fund for certain employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

Clerks And Registers Supernumerary

Is a pension plan for certain employees of the court system.

Flexible Employee's Benefit Board

Provides a number of benefit programs to State employees such as a cafeteria plan, health care reimbursement accounts, and dependent care reimbursement accounts.

Employee Savings Plans

Accounts for resources contributed by public employees for deferred compensation plans and individual retirement accounts.

STATE OF ALABAMA

COMBINING STATEMENT OF PLAN NET ASSETS
Pension (and Other Employee Benefit) Trust Funds

September 30, 2005

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 16,239	\$ 36,335	\$ 1,353	\$ 260	\$ 0
Investments					
U.S. Treasury Securities	124,872	269,342	8,535	2,744	592
U.S. Agency Securities	387,999	875,823	19,577	964	1,307
Mortgage Backed Securities	35,202	91,459	837	2,524	-
Corporate Stocks	3,861,335	8,329,184	140,393	57	1,202
Corporate Bonds	1,761,998	3,753,927	42,262	2,983	2,239
Real Estate	553,441	1,147,347	2,473	-	-
Commercial Paper	458,628	745,011	11,597	-	919
International Stocks	1,053,851	2,496,648	-	-	-
International Bonds	31,177	66,089	-	-	-
Mutual and Money Market Funds	93,647	176,519	5,326	9,603	201
Other	9,014	20,011	-	-	-
Receivables					
Accounts Receivable	3	-	-	-	-
Due from Primary Government	52	-	-	-	-
Employer Contributions Receivable	15,042	29,360	304	-	-
Member Contributions Receivable	10,624	21,478	114	-	-
Interest and Dividends Receivable	64,086	134,163	1,217	98	-
Securities Lending Collateral	644,950	1,460,243	19,058	-	786
Capital Assets, Net of Accumulated Depreciation	1,730	2,615	-	1	-
Capital Assets Not Depreciated	499	691	-	-	-
TOTAL ASSETS	9,124,389	19,656,245	253,046	19,234	7,246
LIABILITIES					
Warrants Payable	\$ 12,543	\$ 23,826	\$ 443	\$ 155	\$ 0
Accounts Payable	189	249	-	10	-
Salaries Payable	482	681	27	15	-
Due to Other Funds	-	-	-	2	-
Due to Primary Government	2	83	-	-	-
Securities Lending Obligation	644,950	1,460,243	19,058	-	786
Deferred Revenue	894	1,828	-	-	-
Compensated Absences	894	1,530	128	55	-
TOTAL LIABILITIES	659,954	1,488,440	19,656	237	786
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	8,464,435	18,167,805	233,390	18,997	6,460
TOTAL NET ASSETS	\$ 8,464,435	\$ 18,167,805	\$ 233,390	\$ 18,997	\$ 6,460

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$ 0	\$ 18	\$ 709	\$ 595	\$ 55,509
51	765	-	104,524	511,425
112	2,032	-	216,762	1,504,576
-	-	-	4,559	134,581
103	-	-	118,428	12,450,702
192	3,093	-	408,743	5,975,437
-	-	-	-	1,703,261
79	1,146	-	57,491	1,274,871
-	-	-	-	3,550,499
-	-	-	-	97,266
16	129	-	36,346	321,787
-	-	-	-	29,025
-	-	446	-	449
-	-	-	-	52
-	-	-	-	44,706
-	-	-	-	32,216
-	-	-	11,665	211,229
67	1,091	-	131,305	2,257,500
-	-	-	-	4,346
-	-	-	-	1,190
620	8,274	1,155	1,090,418	30,160,627
\$ 0	\$ 18	\$ 0	\$ 595	\$ 37,580
-	-	1,155	-	1,603
-	-	-	-	1,205
-	-	-	-	2
-	-	-	-	85
67	1,091	-	131,305	2,257,500
-	-	-	-	2,722
-	-	-	-	2,607
67	1,109	1,155	131,900	2,303,304
553	7,165	-	958,518	27,857,323
\$ 553	\$ 7,165	\$ 0	\$ 958,518	\$ 27,857,323

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Pension (and Other Employee Benefit) Trust Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Plan members	\$ 158,128	\$ 260,149	\$ 2,350	\$ 786	\$ 0
Employer	195,875	346,957	8,943	-	579
Total Contributions	354,003	607,106	11,293	786	579
Investment Earnings					
Investment Interest and Dividends	295,631	624,398	7,420	613	627
Net Increase (Decrease) in Fair Value of Investments	545,701	1,220,809	11,877	600	(7)
Securities Lending Income	17,604	40,399	422	-	(2)
Total Investment Earnings	858,936	1,885,606	19,719	1,213	618
Less:					
Investment Expense	2,652	4,278	2	44	-
Securities Lending Interest and Fees	15,396	35,178	370	-	(2)
Net Investment Income	840,888	1,846,150	19,347	1,169	620
Other Additions					
Licenses and Fees	-	-	-	2,548	-
Miscellaneous	2,363	3,039	49	16	-
Transfers In	-	-	-	-	-
Total Other Additions	2,363	3,039	49	2,564	0
Total Additions	1,197,254	2,456,295	30,689	4,519	1,199
DEDUCTIONS					
Benefit Payments	518,318	1,129,073	18,252	3,877	-
Return of Contributions	-	-	-	92	-
Administrative Expense	9,993	12,285	740	314	-
Total Deductions	528,311	1,141,358	18,992	4,283	0
Changes in Net Assets	668,943	1,314,937	11,697	236	1,199
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2004, as Restated	7,795,492	16,852,868	221,693	18,761	5,261
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2005	\$ 8,464,435	\$ 18,167,805	\$ 233,390	\$ 18,997	\$ 6,460

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$ 0	\$ 291	\$ 4,221	\$ 66,347	\$ 492,272
-	-	-	-	552,354
0	291	4,221	66,347	1,044,626
54	480	-	46,172	975,395
10	(158)	-	3,156	1,781,988
2	29	-	3,871	62,325
66	351	0	53,199	2,819,708
-	-	-	-	6,976
2	26	-	3,443	54,413
64	325	0	49,756	2,758,319
-	-	-	-	2,548
-	-	-	-	5,467
-	-	797	-	797
0	0	797	0	8,812
64	616	5,018	116,103	3,811,757
-	184	4,427	39,980	1,714,111
-	-	-	-	92
-	-	595	-	23,927
0	184	5,022	39,980	1,738,130
64	432	(4)	76,123	2,073,627
489	6,733	4	882,395	25,783,696
\$ 553	\$ 7,165	\$ 0	\$ 958,518	\$ 27,857,323



Private-Purpose Trust

Private-Purpose Trust report trust arrangements where the principal and income benefit individuals, private organizations or other governments.

Prepaid Affordable College Tuition

Accounts for the operation of a prepaid college tuition plan for the benefit of the citizens of Alabama.

Local Education Endowments

Accounts for the proceeds of several endowments donated by private citizens for the benefit of specific local school systems.

Alabama Education Foundation

Accounts for monies donated by the private sector which are invested and used for the benefit of specific local public schools.

Alabama College Education Savings Plan

Accounts for the operation of an individual college tuition savings plan.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS Private-Purpose Trust Funds

September 30, 2005

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation For Local Schools	Alabama College Education Savings Plan	Totals
ASSETS					
Cash and Cash Equivalents	\$ 22,008	\$ 625	\$ 0	\$ 768	\$ 23,401
Investments					
Time Deposits	-	132	-	-	132
U.S. Treasury Securities	29,592	-	59	-	29,651
U.S. Agency Securities	29,122	-	164	-	29,286
State and Local Government Securities	1,020	-	-	-	1,020
Mortgage Backed Securities	57,618	-	-	-	57,618
Corporate Stocks	380,336	3,738	-	-	384,074
Corporate Bonds	54,883	1,781	276	-	56,940
Real Estate	-	849	-	-	849
International Stocks	99,345	-	-	-	99,345
Mutual and Money Market Funds	-	272	80	416,143	416,495
Receivables					
Accounts Receivable	437	-	-	900	1,337
Due from Other Funds	36	-	-	-	36
Interest and Dividends Receivable	1,892	-	-	-	1,892
Securities Lending Collateral	-	159	79	-	238
TOTAL ASSETS	676,289	7,556	658	417,811	1,102,314
LIABILITIES					
Warrants Payable	534	-	-	-	534
Accounts Payable	953	-	-	1,019	1,972
Salaries Payable	18	-	-	4	22
Due to Other Funds	38	-	-	-	38
Securities Lending Obligation	-	159	79	-	238
Compensated Absences	63	-	-	-	63
TOTAL LIABILITIES	1,606	159	79	1,023	2,867
NET ASSETS					
Held in Trust for Beneficiaries	674,683	7,397	579	416,788	1,099,447
TOTAL NET ASSETS	\$ 674,683	\$ 7,397	\$ 579	\$ 416,788	\$ 1,099,447

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation For Local Schools	Alabama College Education Savings Plan	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 32,720	\$ 0	\$ 0	\$ 170,839	\$ 203,559
Total Contributions	32,720	0	0	170,839	203,559
Investment Earnings					
Investment Interest and Dividends	19,549	222	28	8,153	27,952
Net Increase (Decrease) in Fair Value of Investments	47,915	210	(15)	33,092	81,202
Securities Lending Income	-	6	2	-	8
Total Investment Earnings	67,464	438	15	41,245	109,162
Less:					
Securities Lending Interest and Fees	-	5	2	-	7
Net Investment Income	67,464	433	13	41,245	109,155
Other Additions					
Miscellaneous	738	12	-	-	750
Total Other Additions	738	12	0	0	750
Total Additions	100,922	445	13	212,084	313,464
DEDUCTIONS					
Benefit Payments	43,109	-	-	62,016	105,125
Administrative Expense	3,701	-	-	2,410	6,111
Transfers Out	-	279	-	-	279
Total Deductions	46,810	279	0	64,426	111,515
Changes in Net Assets	54,112	166	13	147,658	201,949
Net Assets Held in Trust					
for Beneficiaries, October 1, 2004, as Restated	620,571	7,231	566	269,130	897,498
Net Assets Held in Trust					
for Beneficiaries, September 30, 2005	\$ 674,683	\$ 7,397	\$ 579	\$ 416,788	\$ 1,099,447



Agency Funds

Agency Funds report assets held by the State in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of resources to individuals, organizations or other governments.

State Clearing Accounts

Accounts for the collection and distribution of State taxes and licenses as well as amounts collected and held by courts for individuals.

Taxes Collected For Local Governments

Accounts for local taxes which are collected by the State as a service for local governments. These taxes do not represent future revenues of the State.

Payroll

Accounts for amounts withheld from employees that are not yet distributed to outside organizations or governments.

Other Agency Funds

Are aggregated for financial reporting purposes and represent amounts held for child support payments, cash bonds, and numerous other amounts held for individuals and organizations outside of State government.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Agency Funds

September 30, 2005

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected For Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 124,002	\$ 4,555	\$ 6,534	\$ 17,284	\$ 152,375
Investments	-	-	-	54,034	54,034
Accounts Receivable	16	-	-	-	16
Due from Other Funds	1	-	5	-	6
TOTAL ASSETS	\$ 124,019	\$ 4,555	\$ 6,539	\$ 71,318	\$ 206,431
LIABILITIES					
Warrants Payable	\$ 9,935	\$ 145	\$ 2,591	\$ 5,668	\$ 18,339
Accounts Payable	34	-	-	147	181
Due to Other Governments	849	3,444	-	97	4,390
Amounts Held in Custody for Others	113,201	966	3,948	65,406	183,521
TOTAL LIABILITIES	\$ 124,019	\$ 4,555	\$ 6,539	\$ 71,318	\$ 206,431



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Balance October 1, 2004	Additions	Reductions	Balance September 30, 2005
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	205,985	14,674,070	14,756,053	124,002
Accounts Receivable	8	16	8	16
Due from Other Funds	1	2,942	2,942	1
Taxes Receivable	-	986,265	986,265	-
TOTAL ASSETS	\$ 205,994	\$ 15,663,293	\$ 15,745,268	\$ 124,019
LIABILITIES				
Warrants Payable	14,510	531,615	536,190	9,935
Accounts Payable	80	27,450	27,496	34
Due to Other Funds	-	358,101	358,101	-
Due to Other Governments	640	14,955	14,746	849
Amounts Held Pending Distribution	-	16,208,785	16,208,785	-
Deferred Revenue	-	2,527	2,527	-
Amounts Held in Custody for Others	190,764	466,178	543,741	113,201
TOTAL LIABILITIES	\$ 205,994	\$ 17,609,611	\$ 17,691,586	\$ 124,019
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	7,955	210,502	213,902	4,555
TOTAL ASSETS	\$ 7,955	\$ 210,502	\$ 213,902	\$ 4,555
LIABILITIES				
Warrants Payable	317	208,521	208,693	145
Accounts Payable	-	11,573	11,573	-
Due to Other Governments	6,341	209,442	212,339	3,444
Amounts Held Pending Distribution	-	189	189	-
Amounts Held in Custody for Others	1,297	992	1,323	966
TOTAL LIABILITIES	\$ 7,955	\$ 430,717	\$ 434,117	\$ 4,555
PAYROLL				
ASSETS				
Cash and Cash Equivalents	6,895	1,815,954	1,816,315	6,534
Due from Other Funds	4	34	33	5
TOTAL ASSETS	\$ 6,899	\$ 1,815,988	\$ 1,816,348	\$ 6,539
LIABILITIES				
Warrants Payable	2,846	1,439,142	1,439,397	2,591
Accounts Payable	-	553,791	553,791	-
Due to Other Funds	-	139	139	-
Amounts Held Pending Distribution	-	426,639	426,639	-
Amounts Held in Custody for Others	4,053	503,979	504,084	3,948
TOTAL LIABILITIES	\$ 6,899	\$ 2,923,690	\$ 2,924,050	\$ 6,539

	Balance October 1, 2004	Additions	Reductions	Balance September 30, 2005
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	15,854	613,560	612,130	17,284
Investments	47,982	7,949	1,897	54,034
Accounts Receivable	1	-	1	-
TOTAL ASSETS	\$ 63,837	\$ 621,509	\$ 614,028	\$ 71,318
LIABILITIES				
Warrants Payable	6,866	276,603	277,801	5,668
Accounts Payable	21	13,501	13,375	147
Due to Other Funds	-	5	5	-
Due to Other Governments	80	683	666	97
Amounts Held Pending Distribution	-	290,517	290,517	-
Amounts Held in Custody for Others	56,266	330,698	321,558	65,406
TOTAL LIABILITIES	\$ 63,233	\$ 912,007	\$ 903,922	\$ 71,318
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	236,689	17,314,086	17,398,400	152,375
Investments	47,982	7,949	1,897	54,034
Accounts Receivable	9	16	9	16
Due from Other Funds	5	2,976	2,975	6
Taxes Receivable	-	986,265	986,265	-
TOTAL ASSETS	\$ 284,685	\$ 18,311,292	\$ 18,389,546	\$ 206,431
LIABILITIES				
Warrants Payable	24,539	2,455,881	2,462,081	18,339
Accounts Payable	101	606,315	606,235	181
Due to Other Funds	-	358,245	358,245	-
Due to Other Governments	7,061	225,080	227,751	4,390
Amounts Held Pending Distribution	-	16,926,130	16,926,130	-
Deferred Revenue	-	2,527	2,527	-
Amounts Held in Custody for Others	252,380	1,301,847	1,370,706	183,521
TOTAL LIABILITIES	\$ 284,081	\$ 21,876,025	\$ 21,953,675	\$ 206,431



Nonmajor Component Units

Higher Education Loan Corporation

Provides Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the Federal Guaranteed Student Loan Program.

Drinking Water Finance Authority

Issues revolving loan bonds and lends the bond proceeds to local governments at below market rates for the construction of drinking water treatment and distribution facilities.

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy State University

Reports the operations and balances of the University.

Space Science Exhibit Commission

Operates the U.S. Space and Rocket Center and the U.S. Space Camp.

Historical Commission

Preserves and maintains buildings, objects, and sites of historical significance.

Incentives Finance Authority

Issues bonded debt for the purpose of making incentive grants to major industries locating or expanding within the State.

Twenty-first Century Authority

Finances economic development and industrial recruitment incentives primarily with debt secured by tobacco settlement revenues.

Other Nonmajor Component Units

Combined totals of other nonmajor component units, which are reported in more detail later in this report.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Component Units

September 30, 2005

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
ASSETS					
Cash and Cash Equivalents	\$ 13,182	\$ 22,799	\$ 6,562	\$ 19,943	\$ 26,006
Investments	35,756	85,239	8,358	77,874	37,424
Accounts Receivable	-	221	19,545	7,328	13,198
Due from Primary Government	-	-	-	-	-
Due from Other Governments	-	181,168	-	789	-
Interest and Dividends Receivable	344	996	-	204	-
Mortgages, Notes, and Loans Receivable	8,963	-	-	2,578	1,912
Securities Lending Collateral	-	-	-	-	-
Inventory	-	-	158	831	-
Other Assets	324	4,014	12,784	2,241	602
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	136	100,729	58,250	53,783
Capital Assets Not Depreciated	-	-	7,384	14,615	3,829
TOTAL ASSETS	58,569	294,573	155,520	184,653	136,754
LIABILITIES					
Warrants Payable	-	-	-	-	-
Accounts Payable	143	423	218	6,983	6,204
Salaries Payable	-	-	-	-	2,195
Interest Payable	125	954	714	-	-
Due to Primary Government	-	85	-	-	-
Due to Other Governments	-	53,718	-	-	97
Claims Payable	-	-	-	-	-
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	-	-	21,908	8,741	13,226
Amounts Held in Custody for Others	-	-	286	-	789
Compensated Absences	-	-	1,058	1,769	1,375
Other Liabilities	9,176	-	-	29	-
Notes and Mortgages Payable	-	-	-	-	-
Revenue Bonds Payable	38,725	157,885	57,450	57,779	24,460
Capital Lease Obligations	-	-	4,064	3	-
TOTAL LIABILITIES	48,169	213,065	85,698	75,304	48,346
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	136	46,976	50,089	33,561
Restricted for:					
Permanent - Expendable	1,936	-	10,632	9,821	27,157
Permanent - Non-expendable	-	-	-	29,034	8,111
Debt Service	-	81,372	8,334	2,382	-
Other Purposes	-	-	3,360	-	-
Unrestricted	8,464	-	520	18,023	19,579
TOTAL NET ASSETS	\$ 10,400	\$ 81,508	\$ 69,822	\$ 109,349	\$ 88,408

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 36,948	\$ 83,101	\$ 61	\$ 638	\$ 43,270	\$ 57,164	\$ 48,831	\$ 358,505
17,738	25,428	-	7,277	-	-	42,999	338,093
5,665	31,307	1,033	6	-	80,923	12,217	171,443
-	-	-	16	-	-	55	71
-	-	-	-	-	-	-	181,957
-	-	-	-	-	-	265	1,809
1,740	2,581	-	-	-	-	422	18,196
-	-	-	3,148	-	-	-	3,148
87	112	293	114	-	-	6,075	7,670
1,632	4,739	287	-	-	-	3,536	30,159
-	-	4,480	-	-	-	1,608	6,088
50,210	105,280	28,210	377	9,268	730	82,416	489,389
3,975	8,149	9,402	70,953	596	-	7,694	126,597
117,995	260,697	43,766	82,529	53,134	138,817	206,118	1,733,125
-	-	-	20	-	-	1	21
1,101	8,977	1,872	200	-	-	6,099	32,220
518	-	-	219	-	-	110	3,042
508	-	334	-	3,171	2,937	205	8,948
-	-	-	17	34,913	-	77	35,092
-	-	-	37	-	-	542	54,394
-	-	-	-	-	-	651	651
-	-	-	3,148	-	-	-	3,148
8,718	28,287	1,425	-	-	-	10,122	92,427
541	4,969	-	-	-	-	999	7,584
858	1,543	-	444	-	-	3,162	10,209
364	2,333	-	-	-	-	-	11,902
667	-	2,830	-	-	-	3,972	7,469
24,625	52,060	16,101	-	126,920	143,205	43,508	742,718
494	172	-	-	-	-	1,823	6,556
38,394	98,341	22,562	4,085	165,004	146,142	71,271	1,016,381
31,134	62,859	20,459	71,330	9,864	730	71,507	398,645
6,450	18,864	-	-	-	-	11,483	86,343
12,811	1,500	-	7,695	-	-	15,424	74,575
2,221	-	-	-	-	-	-	94,309
-	-	4,276	-	-	-	-	7,636
26,985	79,133	(3,531)	(581)	(121,734)	(8,055)	36,433	55,236
\$ 79,601	\$ 162,356	\$ 21,204	\$ 78,444	\$ (111,870)	\$ (7,325)	\$ 134,847	\$ 716,744

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 2,435	\$ 8,233	\$ 118,901	\$ 98,830	\$ 90,693
Program Revenues					
Charges for Services	838	4,253	40,319	40,396	37,077
Operating Grants and Contributions	-	2,800	41,294	33,777	27,498
Capital Grants and Contributions	-	-	-	1	301
Total Program Revenues	838	7,053	81,613	74,174	64,876
Net (Expense) Revenue	(1,597)	(1,180)	(37,288)	(24,656)	(25,817)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	1,857	4,096	(20)	3,316	3,024
Miscellaneous	-	3,828	2,485	9	-
Payments from State of Alabama	-	-	34,232	32,211	30,443
Total General Revenues, Special Items, and Transfers	1,857	7,924	36,697	35,536	33,467
Change in Net Assets	260	6,744	(591)	10,880	7,650
Net Assets, October 1, 2004, as Restated	10,140	74,764	70,413	98,469	80,758
Net Assets, September 30, 2005	\$ 10,400	\$ 81,508	\$ 69,822	\$ 109,349	\$ 88,408

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 59,098	\$ 171,787	\$ 22,358	\$ 6,599	\$ 8,601	\$ 109,356	\$ 167,650	\$ 864,541
28,130	117,107	21,701	893	-	106,391	71,157	468,262
9,746	31,118	-	812	-	-	26,472	173,517
1,819	-	3,432	-	67	-	1,698	7,318
39,695	148,225	25,133	1,705	67	106,391	99,327	649,097
(19,403)	(23,562)	2,775	(4,894)	(8,534)	(2,965)	(68,323)	(215,444)
-	-	-	-	-	-	1,221	1,221
-	-	-	-	-	-	2,611	2,611
-	-	-	-	-	-	20	20
2,100	3,928	73	781	899	1,226	2,680	23,960
111	-	-	410	16,960	-	895	24,698
22,281	37,081	917	3,330	-	-	72,464	232,959
24,492	41,009	990	4,521	17,859	1,226	79,891	285,469
5,089	17,447	3,765	(373)	9,325	(1,739)	11,568	70,025
74,512	144,909	17,439	78,817	(121,195)	(5,586)	123,279	646,719
\$ 79,601	\$ 162,356	\$ 21,204	\$ 78,444	\$ (111,870)	\$ (7,325)	\$ 134,847	\$ 716,744

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2005

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
ASSETS					
Cash and Cash Equivalents	\$ 1,379	\$ 666	\$ 377	\$ 3,567	\$ 15,245
Investments	-	612	-	918	26,262
Accounts Receivable	-	28	-	3,129	3,281
Due from Primary Government	55	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	422
Inventory	-	148	22	666	-
Other Assets	206	18	-	1,570	1,544
Restricted Assets	-	-	-	-	1,608
Capital Assets, Net of Accumulated Depreciation	1,462	12,051	1,865	11,411	29,466
Capital Assets Not Depreciated	174	255	1,683	493	1,076
TOTAL ASSETS	3,276	13,778	3,947	21,754	78,904
LIABILITIES					
Warrants Payable	1	-	-	-	-
Accounts Payable	485	41	88	-	1,672
Salaries Payable	-	-	25	-	-
Interest Payable	-	7	-	-	-
Due to Primary Government	6	-	-	-	-
Due to Other Governments	15	7	-	-	520
Claims Payable	-	-	-	-	-
Deferred Revenue	-	-	-	3,461	6,655
Amounts Held in Custody for Others	-	-	-	339	400
Compensated Absences	145	121	-	750	506
Notes and Mortgages Payable	-	1,387	422	-	-
Revenue Bonds Payable	-	-	-	3,225	13,035
Capital Lease Obligations	-	-	-	-	331
TOTAL LIABILITIES	652	1,563	535	7,775	23,119
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,636	12,306	3,548	8,679	18,408
Restricted for:					
Permanent - Expendable	-	-	-	-	8,560
Permanent - Non-expendable	-	-	-	411	12,185
Unrestricted	988	(91)	(136)	4,889	16,632
TOTAL NET ASSETS	\$ 2,624	\$ 12,215	\$ 3,412	\$ 13,979	\$ 55,785

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Tennessee Valley Exhibit Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Music Hall of Fame	Miscellaneous Component Units	Totals
\$ 17,792	\$ 418	\$ 501	\$ 5,428	\$ 0	\$ 28	\$ 3,430	\$ 48,831
7,655	-	-	-	-	-	7,552	42,999
4,478	1,301	-	-	-	-	-	12,217
-	-	-	-	-	-	-	55
265	-	-	-	-	-	-	265
-	-	-	-	-	-	-	422
5,042	173	-	-	-	24	-	6,075
185	-	13	-	-	-	-	3,536
-	-	-	-	-	-	-	1,608
18,798	6,016	-	-	-	767	580	82,416
2,949	903	-	-	-	161	-	7,694
57,164	8,811	514	5,428	0	980	11,562	206,118
-	-	-	-	-	-	-	1
3,800	6	-	-	-	-	7	6,099
-	-	-	-	-	-	85	110
-	-	-	126	72	-	-	205
-	-	-	66	-	-	5	77
-	-	-	-	-	-	-	542
-	-	-	-	-	-	651	651
6	-	-	-	-	-	-	10,122
155	84	-	-	-	21	-	999
1,074	297	-	-	-	28	241	3,162
1,676	362	-	-	-	125	-	3,972
-	-	1,623	15,090	10,535	-	-	43,508
262	1,230	-	-	-	-	-	1,823
6,973	1,979	1,623	15,282	10,607	174	989	71,271
19,809	5,688	-	-	-	853	580	71,507
2,422	501	-	-	-	-	-	11,483
2,828	-	-	-	-	-	-	15,424
25,132	643	(1,109)	(9,854)	(10,607)	(47)	9,993	36,433
\$ 50,191	\$ 6,832	\$ (1,109)	\$ (9,854)	\$ (10,607)	\$ 806	\$ 10,573	\$ 134,847

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 7,822	\$ 3,603	\$ 1,605	\$ 32,488	\$ 38,571
Program Revenues					
Charges for Services	2,352	2,926	1,313	15,725	20,592
Operating Grants and Contributions	297	100	637	5,521	5,712
Capital Grants and Contributions	-	200	-	1,464	34
Total Program Revenues	2,649	3,226	1,950	22,710	26,338
Net (Expense) Revenue	(5,173)	(377)	345	(9,778)	(12,233)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	26	3	13	1,469
Miscellaneous	(4)	-	-	125	-
Payments from State of Alabama	4,513	-	-	9,870	15,739
Total General Revenues, Special Items, and Transfers	4,509	26	3	10,008	17,208
Change in Net Assets	(664)	(351)	348	230	4,975
Net Assets, October 1, 2004, as Restated	3,288	12,566	3,064	13,749	50,810
Net Assets, September 30, 2005	\$ 2,624	\$ 12,215	\$ 3,412	\$ 13,979	\$ 55,785

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Tennessee Valley Exhibit Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Music Hall of Fame	Miscellaneous Component Units	Totals
\$ 68,012	\$ 7,947	\$ 61	\$ 825	\$ 874	\$ 368	\$ 5,474	\$ 167,650
21,564	2,144	-	180	-	84	4,277	71,157
10,693	3,190	-	-	-	43	279	26,472
-	-	-	-	-	-	-	1,698
32,257	5,334	0	180	0	127	4,556	99,327
(35,755)	(2,613)	(61)	(645)	(874)	(241)	(918)	(68,323)
-	-	-	-	1,221	-	-	1,221
-	-	-	2,611	-	-	-	2,611
-	-	-	-	-	-	20	20
674	13	-	1	-	-	481	2,680
264	-	501	-	-	-	9	895
39,023	2,999	-	-	-	131	189	72,464
39,961	3,012	501	2,612	1,221	131	699	79,891
4,206	399	440	1,967	347	(110)	(219)	11,568
45,985	6,433	(1,549)	(11,821)	(10,954)	916	10,792	123,279
\$ 50,191	\$ 6,832	\$ (1,109)	\$ (9,854)	\$ (10,607)	\$ 806	\$ 10,573	\$ 134,847



Capital Assets Used in Governmental Fund Operations

Capital Assets Used in Governmental Fund Operations accounts for capital assets used in the operation of governmental funds.

STATE OF ALABAMA

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS By Function and Activity, Excluding Internal Service Funds

September 30, 2005

(Amounts in Thousands)

	Land	Buildings	Equipment	Historical Exhibits	Construction In Progress
Economic Development and Regulation					
Agricultural	\$ 422	\$ 7,740	\$ 1,354	\$ 0	\$ 138
Forestry Commission	1,683	9,687	27,090	-	252
Geological	-	1,573	1,815	-	-
Other	-	-	3,404	-	-
Total Economic Development and Regulation	2,105	19,000	33,663	0	390
Education and Cultural Resources					
Department of Education	-	-	3,439	-	-
Educational Television Commission	330	1,203	25,943	-	-
Public Library Service	138	1,695	8,056	-	-
Sports Hall of Fame	-	-	262	2,255	-
Youth Services	566	2,504	155	-	-
Other	1,938	66	1,600	-	-
Total Education and Cultural Resources	2,972	5,468	39,455	2,255	0
Natural Resources and Recreation					
Conservation and Natural Resources	40,581	54,277	33,837	-	3,519
Other	30	5,255	139	-	23,258
Total Natural Resources and Recreation	40,611	59,532	33,976	0	26,777
Health - Physical and Mental					
Environmental Management	-	11,105	9,971	-	-
Medicaid Agency	-	-	2,684	-	-
Public Health	3,157	39,914	13,664	-	425
Other	3	31	282	-	-
Total Health - Physical and Mental	3,160	51,050	26,601	0	425
Social Services					
Human Resources	-	41,646	8,858	-	-
Industrial Relations	1,125	12,233	7,474	-	-
Rehabilitation Services	63	661	3,884	-	-
Veterans Affairs	670	19,615	541	-	7,543
Other	-	11	3,362	-	-
Total Social Services	1,858	74,166	24,119	0	7,543
Protection of Persons and Property					
Agriculture and Industries	-	9,178	6,930	-	-
Corrections	5,611	222,725	16,496	-	3,874
Emergency Management	45	2,855	1,899	-	-
Forensic Sciences	76	10,683	9,614	-	-
Judicial	3,264	39,877	174	-	-
Military	5,414	188,654	733	-	5,942
Professional and Occupational Boards	310	1,043	2,084	-	829
Public Safety	-	11,514	42,882	-	-
Youth Services	5,512	24,369	1,509	-	-
Other	521	1,575	8,596	-	-
Total Protection of Persons and Property	20,753	512,473	90,917	0	10,645
Transportation					
Transportation Department	3,734	90,669	196,916	-	8,537
Total Transportation	3,734	90,669	196,916	0	8,537
General Government					
Executive	69,178	3,471	11,870	-	-
Judicial	-	-	10,537	403	-
Legislative	-	-	2,300	-	-
Total General Government	69,178	3,471	24,707	403	0
Total Governmental Capital Assets	\$ 144,371	\$ 815,829	\$ 470,354	\$ 2,658	\$ 54,317

Construction In Progress - Infrastructure	Infrastructure	Totals
\$ 0	\$ 0	\$ 9,654
-	-	38,712
-	-	3,388
-	-	3,404
0	0	55,158
-	-	3,439
-	-	27,476
-	-	9,889
-	-	2,517
-	-	3,225
-	-	3,604
0	0	50,150
-	-	132,214
-	-	28,682
0	0	160,896
-	-	21,076
-	-	2,684
-	-	57,160
-	-	316
0	0	81,236
-	-	50,504
-	-	20,832
-	-	4,608
-	-	28,369
-	-	3,373
0	0	107,686
-	-	16,108
-	-	248,706
-	-	4,799
-	-	20,373
-	-	43,315
-	-	200,743
-	-	4,266
-	-	54,396
-	-	31,390
-	-	10,692
0	0	634,788
3,759,332	11,602,717	15,661,905
3,759,332	11,602,717	15,661,905
-	-	84,519
-	-	10,940
-	-	2,300
0	0	97,759
\$ 3,759,332	\$ 11,602,717	\$ 16,849,578



Supplemental Statements and Schedules

Supplemental Statements and Schedules This section presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.

STATE OF ALABAMA

SCHEDULE OF FEDERAL REVENUES BY AGENCY All Funds and Component Units Except Higher Education

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 340
Agriculture and Industries	3,221
Alabama Technology Network	1,820
Archives and History	150
Attorney General	1,351
Battleship Commission	150
Child Abuse and Neglect Prevention	873
Children's Affairs	414
Choctawhatchee, Pea & Yellow Rivers Watershed Mgt Authority	13
Commission On Higher Education	1,251
Conservation and Natural Resources	16,873
Corrections	124
Council on the Arts	662
Crime Victims Compensation Commission	265
Criminal Justice Information Center	977
Drinking Water Finance Authority	2,800
Economic and Community Affairs	166,900
Education	786,642
Emergency Management	230,707
Environmental Management	21,344
Farmers' Market Authority	1,340
Finance Special Funds	2,350
Forensic Sciences	605
Forestry Commission	11,075
Forever Wild Land Trust	277
Geological Survey	479
Gov Off/Faith Based/Comm Init	994
Historical Commission	772
Human Resources	924,180
Industrial Relations	67,713
Labor	145
Manufactured Housing Commission	451
Medicaid	2,821,975
Mental Health and Retardation	42,897
Military	23,464
Office of Homeland Security	27,836
Postsecondary Education	10,438
Public Health	276,356
Public Library Service	2,508
Public Safety	7,868
Public Service Commission	228
Rehabilitation Services	54,188
Revenue	1,423
School of Fine Arts	1,642
Secretary of State	23,031
Senior Services	26,389
Soil and Water Conservation Commission	1,519
State Port Authority	6,523
Supercomputer Authority	297
Surface Mining Commission	1,023
Transportation	657,138
Veterans Affairs	9,058
Water Pollution Control Authority	16,513
Youth Services	251
Total Federal Revenues	\$ 6,259,823

STATE OF ALABAMA

REVENUES BY SOURCE

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30

(Amounts in Thousands)

	2005	2004	2003	2002	2001
Revenue Source					
Taxes	\$ 7,272,895	\$ 6,431,299	\$ 6,267,772	\$ 5,699,382	\$ 5,790,458
Licenses, Permits, and Fees	562,461	532,118	502,493	497,191	460,847
Fines, Forfeits, and Court Settlements	47,168	40,221	64,204	34,593	36,717
Investment Income	227,980	183,922	204,596	100,127	117,297
Federal Grants and Reimbursements	6,172,820	5,675,945	5,515,520	5,321,974	4,672,417
Other Revenues	1,309,646	1,347,930	1,511,073	1,335,183	1,006,970
Total Revenues	\$ 15,592,970	\$ 14,211,435	\$ 14,065,658	\$ 12,988,450	\$ 12,084,706

2000	1999	1998	1997	1996
\$ 5,940,174	\$ 5,674,169	\$ 5,435,640	\$ 5,150,709	\$ 4,937,625
469,176	424,675	411,697	387,568	397,228
34,369	32,393	31,610	26,047	19,850
111,456	91,649	94,321	95,636	97,376
4,242,012	3,849,282	3,582,365	3,462,886	3,372,058
980,135	896,735	858,601	844,958	773,714
\$ 11,777,322	\$ 10,968,903	\$ 10,414,234	\$ 9,967,804	\$ 9,597,851

STATE OF ALABAMA

EXPENDITURES BY FUNCTION

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30

(Amounts in Thousands)

	2005	2004	2003	2002	2001
Function of Government					
Current:					
Economic Development and Regulation	\$ 62,894	\$ 59,263	\$ 64,414	\$ 66,362	\$ 62,842
Education and Cultural Resources	5,087,885	4,710,110	4,657,009	4,530,082	3,442,391
Natural Resources and Recreation	120,188	120,095	108,638	96,462	56,213
Health - Physical and Mental	4,477,717	4,295,347	4,216,237	4,151,124	3,548,523
Social Services	1,610,677	1,496,323	1,510,823	1,411,889	1,525,130
Protection of Persons and Property	1,005,967	730,780	680,605	610,113	595,728
Transportation	1,399,903	1,354,816	1,277,739	1,419,426	1,279,024
General Government	726,704	681,502	681,029	648,099	602,787
Capital Outlay	66,823	55,833	48,639	38,983	2,474
Debt Service - Principal Retirement	78,195	73,650	81,963	63,716	64,358
Debt Service - Interest and Other Charges	37,201	38,282	40,125	86,902	21,944
Total Expenditures	\$ 14,674,154	\$ 13,616,001	\$ 13,367,221	\$ 13,123,158	\$ 11,201,414

2000	1999	1998	1997	1996
\$ 59,157	\$ 55,385	\$ 53,932	\$ 103,056	\$ 87,706
3,481,817	3,239,646	3,133,004	2,979,671	2,779,231
49,979	56,072	46,380	49,173	43,098
3,252,677	2,975,908	2,821,525	2,713,390	2,497,717
1,366,767	1,343,668	1,308,549	1,307,381	1,362,749
558,140	553,516	507,681	464,578	458,312
1,160,610	1,011,614	913,544	918,083	954,742
562,207	521,837	497,206	471,001	460,935
7,019	14,065	31,223	23,088	12,059
42,524	69,468	68,709	95,699	111,712
24,262	15,320	18,231	42,390	31,671
\$ 10,565,159	\$ 9,856,499	\$ 9,399,984	\$ 9,167,510	\$ 8,799,932

STATE OF ALABAMA

GENERAL OBLIGATION BONDS RATIOS

Last Ten Fiscal Years

<u>Year</u>	<u>General Obligation Bonds (GOB) \$ Millions</u>	<u>GOB Indebtedness \$ Per Capita</u>	<u>Ratio of GOB Indebtedness To Assessed Value †</u>	<u>Ratio of GOB Indebtedness To Personal Income</u>
2005	\$ 507.5	\$ 111	.99%	0.38%
2004	445.2	98	.87	0.35
2003	490.1	109	1.06	0.40
2002	535.1	119	1.25	0.47
2001	433.1	97	1.09	0.39
2000	292.5	66	.77	0.28
1999	319.1	73	.89	0.33
1998	341.9	79	1.07	0.37
1997	379.6	88	1.30	0.42
1996	417.4	98	1.52	0.49

† Based on Total Assessed Valuation information provided by the State Department of Revenue.

STATE OF ALABAMA

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL EXPENDITURES

Last Ten Fiscal Years

(Amounts in Thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio</u>
2005	\$ 50,130	\$ 18,884	\$ 69,014	\$14,674,154	0.47%
2004	47,975	19,128	67,103	13,616,001	0.49
2003	47,945	21,587	69,532	13,367,221	0.52
2002	42,815	19,064	61,879	13,123,157	0.47
2001	47,395	11,049	58,444	11,201,414	0.52
2000	28,475	9,809	38,284	10,565,159	0.36
1999	54,440	5,404	59,844	9,856,499	0.61
1998	54,320	8,544	62,864	9,399,984	0.67
1997	53,345	11,579	64,924	9,167,510	0.71
1996	50,550	14,370	64,920	8,799,932	0.74

STATE OF ALABAMA

SELECTED DEMOGRAPHIC STATISTICS

Last Ten Years

<u>Year</u>	<u>Population (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Real Gross State Product (in Billions)**</u>
2005	4,558	\$29,408	4.1%	\$ 134.0
2004	4,530	28,441	5.7	128.8
2003	4,503	27,283	5.9	122.8
2002	4,481	25,239	5.9	113.1
2001	4,469	24,564	5.3	112.3
2000	4,452	23,521	4.6	112.2
1999	4,370	22,694	4.8	110.9
1998	4,352	21,904	4.2	106.5
1997	4,319	20,899	5.1	102.7
1996	4,273	20,138	5.1	99.3

** 1996 Dollars

Sources: Population: U.S. Census Bureau
Unemployment: Alabama Department of Industrial Relations
Other Data: Auburn University at Montgomery,
Bureau of Economic Analysis, University Outreach

STATE OF ALABAMA

ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION

Last Ten Years

(Amounts in Thousands)

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Motor Vehicles</u>	<u>Total Assessed Valuation</u>
2005 *	\$34,891,786	\$6,122,319	\$4,228,281	\$5,930,437	\$51,172,823
2004	34,715,112	6,586,646	3,868,265	5,814,154	50,984,177
2003	30,310,804	6,329,063	3,835,294	5,605,939	46,081,100
2002	27,283,157	5,890,665	3,775,679	5,742,699	42,692,200
2001	25,338,677	5,487,577	3,618,070	5,379,308	39,823,632
2000	24,142,191	5,210,608	3,510,138	4,999,654	37,862,591
1999	23,126,262	5,682,382	3,420,443	3,656,796	35,885,883
1998	20,391,019	4,985,767	3,139,629	3,542,710	32,059,125
1997	18,697,963	4,389,181	3,053,138	3,019,200	29,159,482
1996	17,702,384	3,924,821	3,067,168	2,775,209	27,469,582
1995	16,553,154	3,548,509	3,023,248	2,392,148	25,517,059

* Estimated

Source: Alabama Department of Revenue
Property Tax Division

TOP TWENTY MANUFACTURING COMPANIES IN ALABAMA

<u>Rank</u>	<u>Parent Company Name</u>	<u>Employee Range</u>	<u>City</u>	<u>Product</u>
1	Avondale Mills Inc.	Over 4000	Sylacauga	Fabric & Yarn
2	Honda Manufacturing of AL LLC	Over 4000	Lincoln	Odyssey Mini Vans
3	Army Fleet Support (AFS)	3001-4000	Ft Rucker	Aircraft Maint
4	Boeing Company	3001-4000	Huntsville	Space & Defense
5	Mercedes Benz US Internatl Inc.	3001-4000	Vance	Sports Utility Vehicles
6	American Cast Iron Pipe Co.	2501-3000	Birmingham	Pipe & Valves
7	Maples Industries Inc.	2001-2500	Scottsboro	Scatter Rugs
8	United States Pipe Foundry Co.	2001-2500	Birmingham	Ductile Iron Pipe
9	U S Steel Corporation	2001-2500	Fairfield	Steel
10	Computer Sciences Corporation	2001-2500	Huntsville	Optics Technology
11	Delphi Saginaw Steering Systems	2001-2500	Athens	Auto Steering Comp
12	Buffalo Rock Company Inc.	1501-2000	Birmingham	Soft Drinks & Food
13	Gold Kist Inc.	1501-2000	Russellville	Poultry Processing
14	Shaw Industries	1501-2000	Andalusia	Yarn Spinning Mills
15	Cavalier Homes Inc.	1501-2000	Addison	Mobile Homes
16	American Centrifugal	1501-2000	Birmingham	Ferrous Centrifugal
17	Benchmark Electronics Inc.	1501-2000	Huntsville	Electronic Components
18	ADTRAN Inc.	1501-2000	Huntsville	Telephone Equipment
19	General Electric Company	1501-2000	Decatur	Refrigerators
20	Teledyne Brown Engineering	1501-2000	Huntsville	Space & Missile

Source: Alabama Development Office

STATE OF ALABAMA

COMMERCIAL BANK DEPOSITS

Last Ten Years

(Amounts in Millions)

<u>YEAR *</u>	<u>AMOUNT</u>
2004	\$148,842
2003	137,829
2002	131,583
2001	124,796
2000	122,221
1999	116,764
1998	100,129
1997	71,375
1996	44,610
1995	41,379

* *Data not available for 2005*

Source: FDIC

STATE OF ALABAMA

CONSTRUCTION IN ALABAMA

Last Ten Years

Housing Starts

Authorized by Permits*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Single Family Housing Units	24.07	23.40	21.73	19.09	16.25	13.67	14.93	14.66	13.63	14.57
Multifamily Housing Units	<u>6.53</u>	<u>5.26</u>	<u>4.56</u>	<u>3.56</u>	<u>2.89</u>	<u>3.73</u>	<u>4.10</u>	<u>5.88</u>	<u>4.10</u>	<u>5.30</u>
Total Housing Units	30.60	28.66	26.29	22.65	19.14	17.40	19.03	20.54	17.73	19.87

* Units in Thousands

Valuation on

Authorized Housing Units**

Single Family Housing Units	\$3,413	\$ 2,935	\$ 2,638	\$ 2,283	\$ 1,864	\$ 1,499	\$ 1,655	\$ 1,501	\$ 1,353	\$ 1,301
Multifamily Housing Units	<u>669</u>	<u>445</u>	<u>281</u>	<u>171</u>	<u>161</u>	<u>219</u>	<u>227</u>	<u>289</u>	<u>183</u>	<u>208</u>
Total Housing Units	4,082	3,380	2,919	2,454	2,025	1,718	1,882	1,790	1,536	1,509

** Value in Millions of Dollars

Source: U.S. Bureau of the Census, Current Construction Reports

STATE OF ALABAMA

GENERAL INFORMATION

Date Entered Union	December 14, 1819
State Capital	Montgomery
Miles of State Highway	10,846
Land Area (Square Miles)	51,718
State Trooper Protection:	
Number of Stations	14
Number of State Troopers	664
Higher Education (All Public Institutions)	
Number of Campuses in State	39
Number of Full Time Educators (2004-2005)	7,251
Number of Students (Fall 2005)	217,738
Recreation:	
Number of State Parks	22
Area of State Parks (acres)	46,530
Number of State Employees **	35,664

Sources:

Alabama Department of Transportation
Alabama Conservation Department - State Parks Division
Alabama Commission on Higher Education
Alabama Forestry Division
Alabama Department of Public Safety
Alabama Department of Conservation and Natural Resources
Alabama Personnel Department

** Includes State Merit System, House, Senate, and Administrative Office of the Courts