

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2008

Front cover: Five of eight plants new to science that were discovered by accident in Bibb County, Alabama in 1992. Research scientists have described the discovery as the most unique botanical discovery in the continental United States in the last one hundred years. Over sixty rare plants have since been found in a treeless limestone glade near the Little Cahaba River. Clockwise, starting in the upper left, are the Alabama gentian-pinkroot, Cahaba paintbrush, Cahaba torch, Ketona tickseed, and the Cahaba prairie-clover. These photographs and the complete story of the Bibb County glades as published in the 2008 edition of Outdoor Alabama Magazine can be found at:
<http://www.outdooralabama.com/outdoor-alabama/glades.pdf>.

Comments concerning this report should be addressed to:
Office of the State Comptroller
Financial Reporting Section
RSA Union, Suite 206
Montgomery, AL 36130-2602

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2008



Bob Riley
Governor

James Main
Director of Finance

Samantha Shaw
State Auditor

Kay Ivey
State Treasurer

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

TABLE OF CONTENTS

(Page 1 of 3)

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	2
Certificate of Achievement for Excellence in Financial Reporting for the September 30, 2007 CAFR	8
Principal State Officials	9
Organization Chart	10

FINANCIAL SECTION	
Independent Auditor's Report	12
Management's Discussion and Analysis	16

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Assets	28
Statement of Activities	30

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet – Governmental Funds	32
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38

Proprietary Fund Financial Statements

Statement of Net Assets – Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	42
Statement of Cash Flows – Proprietary Funds	44

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Assets – Fiduciary Funds	48
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	49

Component Unit Financial Statements

Statement of Net Assets – Component Units	50
Statement of Activities – Component Units	52

Notes to the Financial Statements	54
---	----

TABLE OF CONTENTS

(Page 2 of 3)

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – All Budgeted Funds	130
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	132
Notes on Budgetary Accounting and Reporting	134
State Insurance Fund Ten Year Loss Development Information	137
Schedule of Funding Progress for Employees’ Retirement System	138
Schedule of Funding Progress for Retired State Employees’ Health Care Trust	139
Notes to Schedule of Funding Progress for Retired State Employees’ Health Care Trust	140
Information about Infrastructure Assets Reported Using the Modified Approach	141
 COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds by Fund Type	147
Combining Balance Sheet – Nonmajor Special Revenue Funds	150
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	152
Combining Balance Sheet – Other Nonmajor Special Revenue Funds	154
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Nonmajor Special Revenue Funds	156
Combining Balance Sheet – Nonmajor Debt Service Funds	160
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	162
Combining Balance Sheet – Nonmajor Capital Projects Funds	166
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	168
Combining Balance Sheet – Nonmajor Permanent Funds	172
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds	173
Detail Schedule of Budget and Actual Expenditures – All Agencies and Appropriations, Non-GAAP, Budget Basis	176
Schedule of Revenues by Principal Sources – Governmental Funds in State Treasury – Cash Basis, Transfers Excluded	216
Schedule of Revenues by Principal Sources and Distributions of Revenues – Governmental Funds in State Treasury – Cash Basis, Transfers Excluded	218
 Proprietary Funds	
Combining Statement of Net Assets – Nonmajor Enterprise Funds	222
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds	224
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	226
Combining Statement of Net Assets – Internal Service Funds	232
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	234
Combining Statement of Cash Flows – Internal Service Funds	236
 Fiduciary Funds	
Combining Statement of Plan Net Assets – Pension (and Other Employee Benefit) Trust Funds	242
Combining Statement of Changes in Plan Net Assets – Pension (and Other Employee Benefit) Trust Funds	244
Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds	248
Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	249
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	252
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	254

TABLE OF CONTENTS

(Page 3 of 3)

	Page
Component Units	
Combining Statement of Net Assets – Nonmajor Component Units	258
Combining Statement of Activities – Nonmajor Component Units	260
Combining Statement of Net Assets – Other Nonmajor Component Units	262
Combining Statement of Activities – Other Nonmajor Component Units	264
Supplemental Statements and Schedules	
Schedule of Federal Revenues by Agency – All Funds and Component Units Except Higher Education	268

STATISTICAL SECTION

Financial Trends – Net Assets by Component	270
Changes in Net Assets	272
Fund Balances of Governmental Funds	276
Changes in Fund Balances of Governmental Funds	278
Revenue Capacity – Major Revenue Base: Personal Income by Industry – Last Ten Years	280
Revenue Rates: Individual and Corporate Income Tax Rates – Last Ten Years	282
Principal Revenue Payers: Individual Income Tax Filers and Liability by Taxable Income – Tax Year 2006	283
Principal Revenue Payers: Corporate Income Tax Filers and Liability by Taxable Income – Tax Year 2006	284
Debt Capacity – Ratios of Outstanding Debt – Last Seven Fiscal Years	286
Ratios of General Bonded Debt Outstanding – Last Seven Fiscal Years	288
Debt Limitations	288
Pledged Revenue Coverage – Last Five Fiscal Years	290
Demographic and Economic Information – Labor Force Statistics – Last Ten Years	292
Population/Per Capita Personal Income Statistics – Last Ten Years	293
Top Ten Employers in Alabama – Last Ten Years	294
Operating Information – State Government Employment by Function – Last Seven Years	296
Indicators of Demand or Level of Service – Last Three Fiscal Years	297
Indicators of Volume, Usage, and Nature of Capital Assets – Last Five Fiscal Years	298



STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

RSA UNION
100 North Union Street, Suite 220
Montgomery, Alabama 36130-2602
Telephone (334) 242-7050
FAX (334) 242-2440

BOB RILEY
Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

March 31, 2009

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, 2008. 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

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. 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.

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 Public Education Employees' Health Insurance Board, the State Employees' Health Insurance Board, 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Beginning Cash Balance, October 1	\$ 286,670	\$ 325,122	\$ 214,652	\$ 187,411	\$ 137,471
Receipts	1,814,313	1,634,581	1,656,451	1,437,230	1,297,452
Disbursements	1,836,256	1,673,033	1,545,981	1,409,989	1,247,512
Net Increase (Decrease) in Cash Balance	(21,943)	(38,452)	110,470	27,241	49,940
Ending Cash Balance, September 30	264,727	286,670	325,122	214,652	187,411
Cash Balance Reserved for Obligations	44,424	46,335	60,686	45,945	30,704
Unobligated Cash Balance, September 30	\$ 220,303	\$ 240,335	\$ 264,436	\$ 168,707	\$ 156,707

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Beginning Cash Balance, October 1	\$ 315,967	\$ 739,687	\$ 587,114	\$ 216,210	\$ 32,078
Receipts	6,414,631	5,854,027	5,498,362	4,969,255	4,456,027
Disbursements	6,682,595	6,277,747	5,345,789	4,598,351	4,271,895
Net Increase (Decrease) in Cash Balance	(267,964)	(423,720)	152,573	370,904	184,132
Ending Cash Balance, September 30	48,003	315,967	739,687	587,114	216,210
Cash Balance Reserved for Obligations	48,003	35,922	44,632	16,455	26,304
Unobligated Cash Balance, September 30	\$ -	\$ 280,045	\$ 695,055	\$ 570,659	\$ 189,906

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund 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.

FUND BALANCES - GAAP Basis (Amounts in Millions)					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund	\$ 381.7	\$ 404.8	\$ 404.7	\$ 293.9	\$ 236.7
Education Trust Fund	186.8	528.4	1,029.5	1,016.1	543.1

Cash Management

The State Treasurer has the responsibility for the investment of cash balances. In accordance with statutory requirements, treasury cash is primarily invested in time deposit - open accounts held in Alabama banks, repurchase agreements, and U.S. Treasury and Agency securities.

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 excess funds being invested. Interest earnings during the 2008 fiscal year were as follows:

Time Deposit Open Accounts	\$ 23.0 million
Repurchase Agreements	\$ 27.3 million
US Treasury and Agency Securities	\$ 23.1 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.

Economic Condition and Outlook

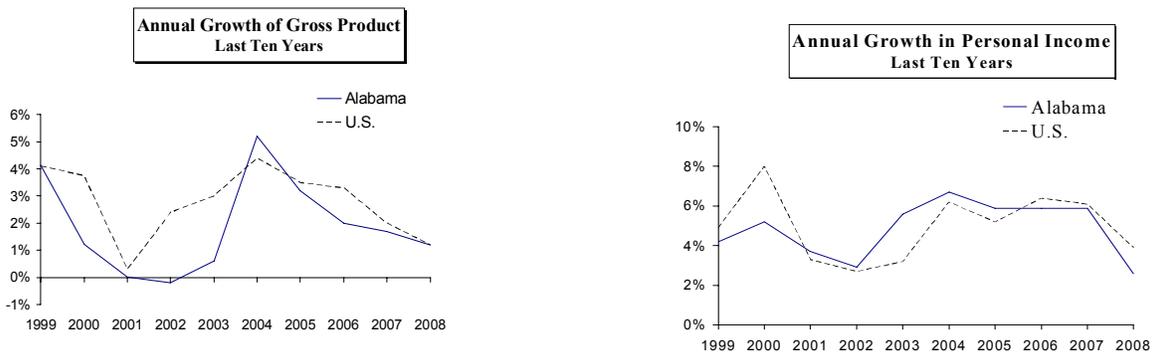
Alabama’s economy grew an estimated 1.4 percent in 2008, compared to the nation’s 1.2 percent. Alabama’s economy deteriorated in the second half of 2008: employment growth was into negative ground, unemployment rate was highest in the last five years and house price appreciation was below inflation. Building activity decreased significantly and the economic activity indexes showed a descending trend. However, strong exports growth and positive personal income gains have limited the economic slowdown.

Alabama lost 2,900 jobs during the 12-month period ending in October 2008. The seasonally adjusted unemployment rate of 5.6 percent was significantly higher than the 3.5 percent rate seen in October 2007, but lower than the U. S. rate of 6.5 percent. Goods producing sectors – construction, mining, and manufacturing – lost 11,400 jobs, while service providing industries gained 8,500. Job growth was stable in governmental, professional and business services, and leisure and hospitality services. Retail trade lost 1,400 jobs, with department stores and motor vehicle and parts dealers hit the hardest.

Manufacturing sector output declined by 3.3 percent in 2008, primarily due to output decreases of 11.1 percent in motor vehicle and parts manufacturing, 8.3 percent in textiles, and 7.4 percent in machinery manufacturing. Weak consumer demand, slowing business spending, and a worldwide economic slowdown contributed to the drop.

On the positive side, according to the U. S. Department of Commerce’s International Trade Administration, Alabama exports increased 4.0 percent to \$14.4 billion in 2007, accounting for over 10.0 percent of Alabama Gross Domestic Product. Germany is Alabama’s largest trading partner, while other Alabama export destinations include Canada, China, Mexico, the United Kingdom, Japan, and South Korea. Transportation equipment was the state’s top export in 2007 at \$5.9 billion. Other major export sectors in 2007 were chemicals, machinery manufacturing, paper products, computers and electronic products and mining. During the first six months of 2008, the fastest growing export was primary metals, with the value of shipments increasing from \$253 million during the same period in 2007 to almost \$465 million, an increase of 83.0 percent.

The Alabama economy had been forecasted to grow by just 0.3 percent in 2009, dragged down by the largest decline in consumer spending in decades and a drop in business spending. Most sectors of the state’s economy are expected to see a net loss in payrolls. The unemployment rate of 7.8 percent in January 2009 exceeded the estimated 7.0 percent by the end of the year. The Alabama economy could actually decline in 2009 instead of the modest growth forecasted by economists a few months ago. Both commercial construction and government spending are expected to decline substantially in 2009 and going forward into 2010.



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

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, 2007. This was the tenth 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, 2007

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, 2008

EXECUTIVE BRANCH

Bob Riley
Governor

Jim Folsom, Jr.
Lt. Governor

Kay Ivey
State Treasurer

Beth Chapman
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Sue Bell Cobb
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Rodger M. Smitherman
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. J. Christopher Murphy
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Bill Johnson
ADECA

Adjutant General Abner C. Blalock
State Military Department

Nancy Buckner
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

Dr. Marquita Davis
Department of Children's Affairs

Richard Allen
Department of Corrections

Brock Long
Emergency Management Agency

Joe McInnes
Department of Transportation

Tom Surtees
Department of Industrial
Relations

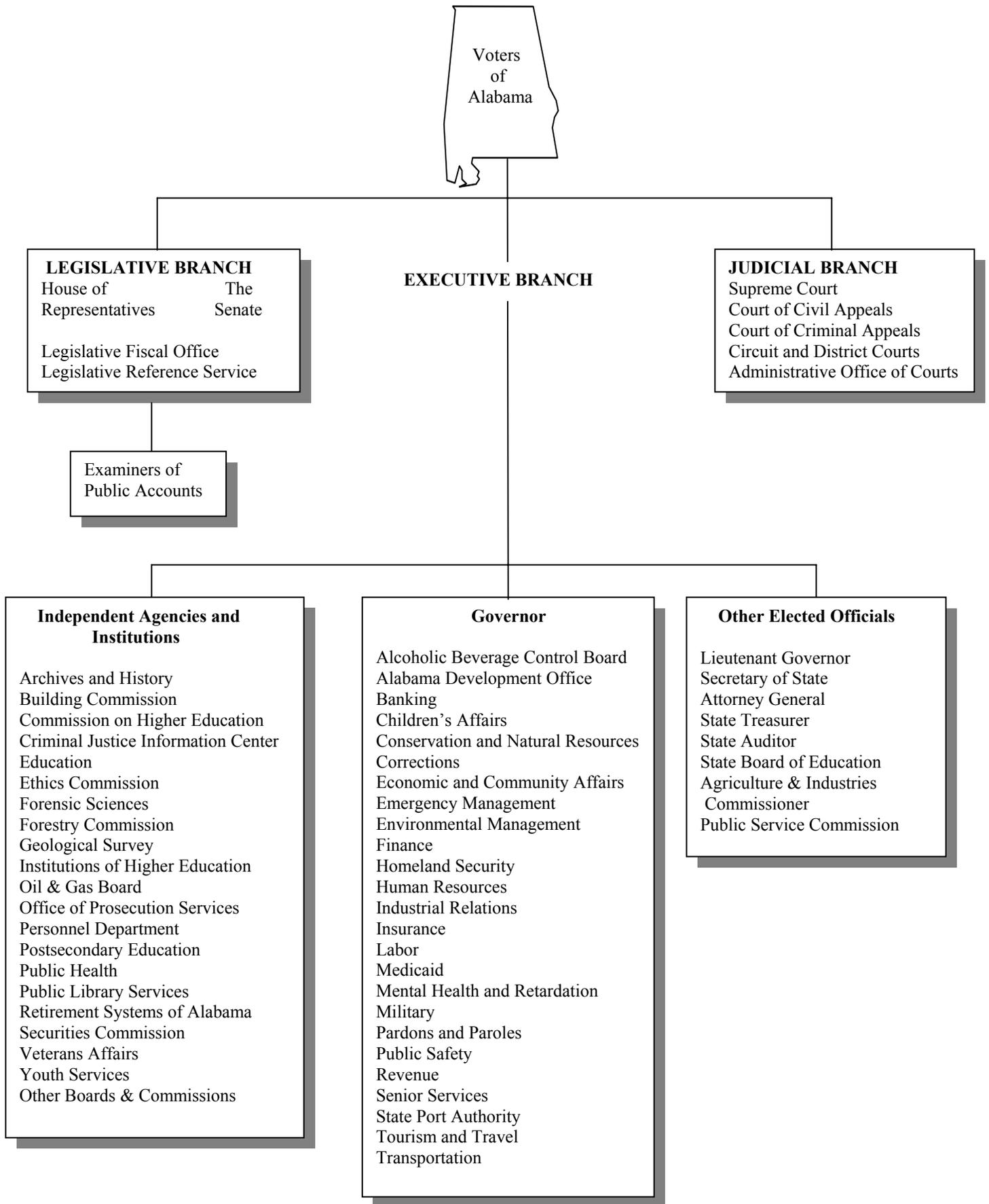
Carol H. Steckel
Alabama Medicaid Agency

Tim Russell
Department of Revenue

Jim L. Ridling
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART





Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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, 2008, 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: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.06%	0.06%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	31%	10%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund 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	80%	73%

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%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama College Education Savings Plan Alabama Public Health Care Authority	93%	69%

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 RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, the Retired State Employees' Health Care Trust, 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 and the report of other auditors provide 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, 2008, 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, 2009, 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 Management's Discussion and Analysis and the other 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.



RONALD L. JONES
Chief Examiner

Department of Examiners of Public Accounts

March 31, 2009



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, 2008. 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 decreased by \$832 million during fiscal year 2008. The assets of the State exceeded its liabilities at the close of the fiscal year by \$23.5 billion (*net assets*). Of this amount, \$18.3 billion was invested in capital assets (net of related debt), and \$2.6 billion was in the Alabama Trust Fund Capital.
- The Change in Net Assets in governmental activities was a negative \$903 million.
- Governmental activities have \$3.3 billion in investments, \$3.0 billion of which is in the Alabama Trust Fund.
- Tax receipts were essentially unchanged compared to the previous year, reflecting the downturn in the economy in the second half of the year.
- Investment earnings were a net loss of \$107 million, a decrease of \$661 million compared to the previous year.
- The business-type activities reported net assets at year-end of \$1.6 billion, an increase of \$70 million for the fiscal year.
- The State's total bonded debt at the end of the fiscal year was \$1.66 billion, a decrease of \$22 million, which represents the net difference between new issuances and payments and refundings of outstanding debt.
- During the year the State issued \$65 million in new revenue bonds and \$84 million in refunding bonds. The State made payments on general obligation bonds of \$52 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$5.1 billion, a decrease of \$1.4 billion from last year. Approximately \$1.8 billion of this amount is unreserved, undesignated fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$21 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$24 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, State Employees' Insurance Board, Public Education Employees' Health Insurance Board, 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 nonmajor 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, and the Alcoholic Beverage Control Board. Individual fund data for each of the nonmajor enterprise funds can be found in the combining and individual fund statements and schedules section of this report.

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, manufacturing activities, 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, (4) a schedule of funding progress for the Retired State Employees' Health Care Trust, and (5) 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 \$23.5 billion as of September 30, 2008.

The largest component (78 percent) 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. Capital Assets increased \$731 million. Of that amount \$473 million was infrastructure and infrastructure construction in progress.

Long-term liabilities increased 5 percent, or \$111 million. The increase in long-term liabilities was primarily the result of the implementation of GASB Statement No. 45 requiring Other Post Employment Benefits in long-term debt in the amount of \$187 million.

About 98 percent of the State's net assets that are unrelated to capital assets are restricted and represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. The remaining balance of \$121 million is unrestricted net assets and represents the amount that 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. The State has a deficit in unrestricted net assets for governmental activities of \$223 million.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 7,468,425	\$ 8,957,451	\$ 1,083,882	\$ 1,080,603	\$ 8,552,307	\$ 10,038,054
Capital Assets	18,004,733	17,418,977	1,338,637	1,193,377	19,343,370	18,612,354
Total Assets	<u>25,473,158</u>	<u>26,376,428</u>	<u>2,422,519</u>	<u>2,273,980</u>	<u>27,895,677</u>	<u>28,650,408</u>
Long-term Liabilities	1,550,419	1,422,719	590,330	606,264	2,140,749	2,028,983
Other Liabilities	1,945,095	2,073,554	254,061	160,056	2,199,156	2,233,610
Total Liabilities	<u>3,495,514</u>	<u>3,496,273</u>	<u>844,391</u>	<u>766,320</u>	<u>4,339,905</u>	<u>4,262,593</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	17,576,424	16,973,157	753,665	709,460	18,330,089	17,682,617
Restricted	4,624,715	6,020,208	479,666	513,663	5,104,381	6,533,871
Unrestricted	(223,495)	(113,210)	344,797	284,537	121,302	171,327
Total Net Assets	<u>\$ 21,977,644</u>	<u>\$ 22,880,155</u>	<u>\$ 1,578,128</u>	<u>\$ 1,507,660</u>	<u>\$ 23,555,772</u>	<u>\$ 24,387,815</u>

STATE OF ALABAMA

The following table was derived from the government-wide Statement of Activities. As a result of the excess of expenses over revenues, the State's net assets decreased by \$832 million during fiscal year 2008. Taxes provided \$7.7 billion, or approximately 42 percent, of the State's total revenue. Tax revenues held relatively steady compared to the previous year as Alabama's economy slowed down. Investment earnings were a loss of \$107 million, a decrease of \$661 million from the previous year, reflecting the steep declines in market returns for investments. Charges for Services revenue increased \$224 million, or 11 percent. \$111 million was from increased revenue from oil and gas leases. Also, court ordered settlements increased by \$83 million because of settlements received by the Department of Conservation and Natural Resources. Capital Grants and Contributions revenue increased \$149 million, or 20 percent, largely from an increase in federal grant reimbursements for road and bridge construction.

Total expenses increased by \$1.3 billion in 2008. Spending on Education and Cultural Resources increased by 10.3 percent, or \$671 million. Included in this amount was an increase in support for local school systems of \$392 million, or 8.5 percent and an increase in support for universities of \$190 million, or 16 percent. Included in both of these increases was funding for a pay raise for teachers and related personnel. The increase in total expenses also included the accrual of other post employment benefits, as required by GASB Statement No. 45, which added \$187 million to expenses, and an increase in payroll costs of \$163 million, reflecting a general pay raise of 3.5 percent for state employees.

Education and Cultural Resources spending was \$7.2 billion, or 37.2 percent, of the State's total expenses. A total of \$5.1 billion, or 26.4 percent, was spent on Health, down from 28.6 percent the previous year as spending held steady. Of the \$5.1 billion total, \$4.2 billion was spent on Medicaid programs. Spending for the Medicaid program decreased \$94 million, or 2 percent. Costs for pharmaceuticals and physician care increased 13 percent and 15 percent respectively, while nursing home and hospital care decreased 11 percent and 19 percent respectively. Spending decline for nursing home and hospital care because of a reduction in special enhancements paid to providers with high levels of Medicaid patients. The Public Health Department spent \$19 million more on the Children's Health Insurance Program.

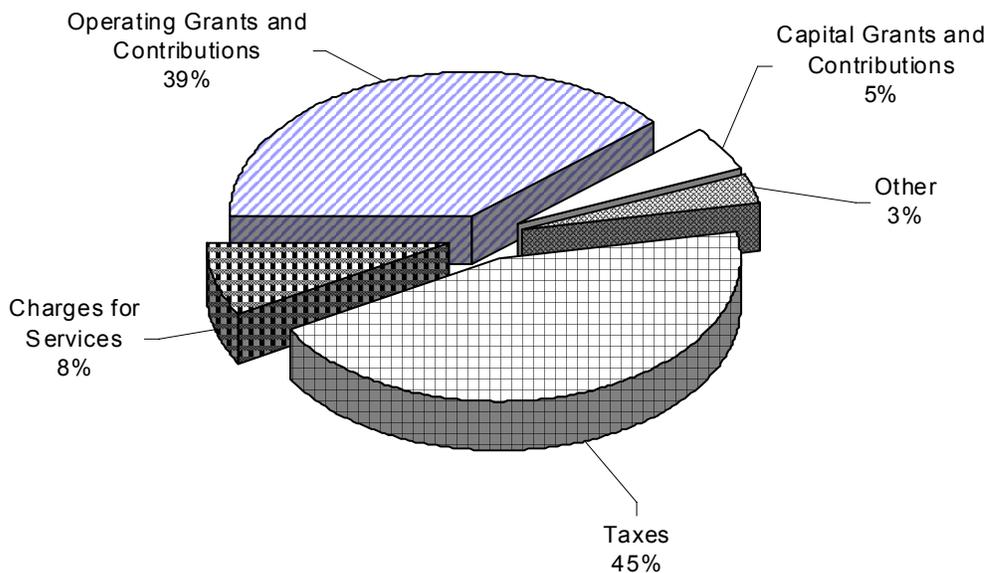
Changes in Net Assets
For the Fiscal Year Ended September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,450,729	\$ 1,263,166	\$ 815,230	\$ 778,765	\$ 2,265,959	\$ 2,041,931
Operating Grants and Contributions	6,670,099	6,617,849	305,339	270,897	6,975,438	6,888,746
Capital Grants and Contributions	874,111	719,041	13,717	19,413	887,828	738,454
General Revenues:						
Taxes	7,729,358	7,678,176	9,912	9,831	7,739,270	7,688,007
Investment Earnings	(141,251)	513,750	34,631	40,206	(106,620)	553,956
Miscellaneous	738,746	744,942	13,257	3,421	752,003	748,363
Total Revenues	<u>17,321,792</u>	<u>17,536,924</u>	<u>1,192,086</u>	<u>1,122,533</u>	<u>18,513,878</u>	<u>18,659,457</u>
Expenses:						
Economic Development and Regulation	281,176	213,756			281,176	213,756
Education and Cultural Resources	7,198,488	6,527,515			7,198,488	6,527,515
Natural Resources and Recreation	135,368	131,688			135,368	131,688
Health	5,144,802	5,165,470			5,144,802	5,165,470
Social Services	1,743,177	1,678,091			1,743,177	1,678,091
Protection of Persons and Property	1,103,566	1,014,248			1,103,566	1,014,248
Transportation	1,094,598	997,376			1,094,598	997,376
General Government	1,021,561	925,237			1,021,561	925,237
Debt Service - Interest and Other Charges	57,253	43,391			57,253	43,391
Unemployment Compensation			330,068	248,448	330,068	248,448
State Port Authority			127,200	115,714	127,200	115,714
Alabama College System			812,195	745,122	812,195	745,122
Alcoholic Beverage Control Board			249,389	230,370	249,389	230,370
Nonmajor Proprietary Funds			47,168	45,955	47,168	45,955
Total Expenses	<u>17,779,989</u>	<u>16,696,772</u>	<u>1,566,020</u>	<u>1,385,609</u>	<u>19,346,009</u>	<u>18,082,381</u>
Increase (Decrease) in Net Assets						
Before Contributions and Transfers	(458,197)	840,152	(373,934)	(263,076)	(832,131)	577,076
Contributions to Permanent Funds & Endowments	-	-	88	131	88	131
Transfers	(444,314)	(379,209)	444,314	379,209	-	-
Change in Net Assets	(902,511)	460,943	70,468	116,264	(832,043)	577,207
Net Assets- Beginning	<u>22,880,155</u>	<u>22,419,212</u>	<u>1,507,660</u>	<u>1,391,396</u>	<u>24,387,815</u>	<u>23,810,608</u>
Net Assets- Ending	<u>\$ 21,977,644</u>	<u>\$ 22,880,155</u>	<u>\$ 1,578,128</u>	<u>\$ 1,507,660</u>	<u>\$ 23,555,772</u>	<u>\$ 24,387,815</u>

Governmental Activities

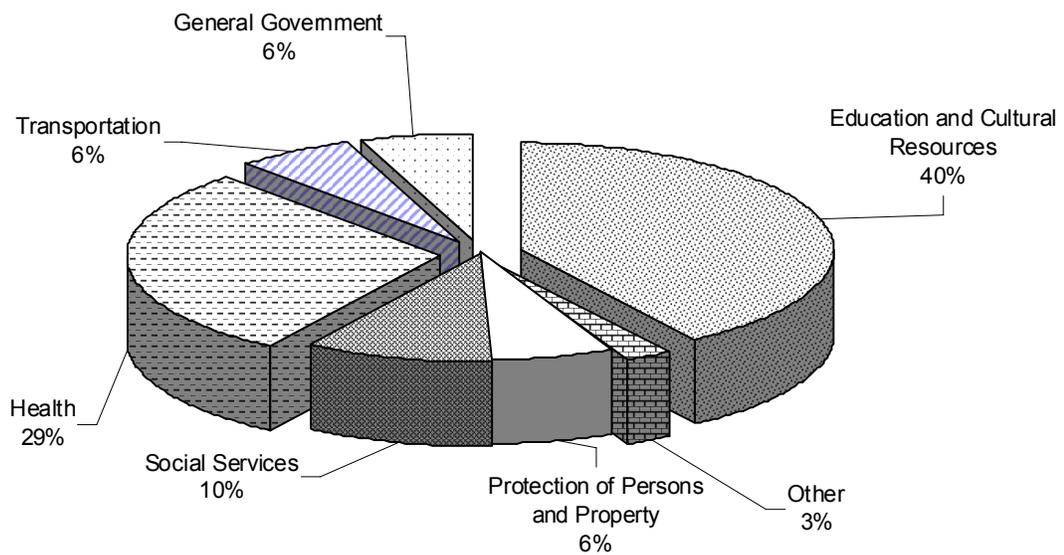
Total revenues for governmental activities in fiscal year 2008 were \$17.3 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues totaled \$9.0 billion, up from \$8.6 billion the previous year. Operating grants and contributions are the largest program revenues, and at \$6.7 billion, make up 39 percent of total governmental revenues. Operating grants and contributions grew very slightly for the second year in a row, increasing by \$52 million compared to the previous year. About 88 percent of operating and 96 percent of the capital grants were received from the Federal government. Capital grants and contributions increased \$155 million, or 21.5%, primarily because the Department of Transportation had more federal grant reimbursements this year. Charges for services increased \$188 million, or 15 percent, compared to the previous year. Of that \$188 million, \$111 million is attributable to an increase in revenues from oil and gas leases. General revenues, which include taxes, of governmental activities were \$8.3 billion, a decrease of nearly 7 percent. Taxes were \$7.7 billion. Revenue from all tax types represents 45 percent of total governmental revenues earned during fiscal year 2008. Of the \$7.7 billion in tax revenues, the largest taxes were income taxes of \$3.5 billion and sales and use taxes of \$2.3 billion. Sales and use taxes were level while income taxes grew 1.9 percent, reflecting the downturn in the economy.

**Revenues - Governmental Activities
Fiscal Year Ended September 30, 2008**



The two largest activities (1) Education and Cultural Resources and (2) Health together accounted for 69 percent of the governmental activities expenses for fiscal year 2008. Social Services accounted for 10 percent of the governmental activities expenses. Overall expenses increased by \$1.1 billion, or 6.5 percent. Education spending increased 10 percent, or \$670 million, which included a pay raise for teachers and education support personnel. Education and Cultural Resources now makes up 40 percent of governmental activity expenses, up from 39 percent last year. Within Education and Cultural, 91 percent is for support for local school systems and state universities. Health accounted for 29 percent of state spending, the same as last year. The Medicaid program accounts for 81 percent of Health spending and the Department of Public Health accounts for 13 percent.

**Expenses - Governmental Activities
Fiscal Year Ended September 30, 2008**



Business-type Activities

The largest business-type activity is the Alabama College System, which accounts for half of business-type net assets. The other major business-type activities are the Alabama Port Authority, the Alcoholic Beverage Control Board, and the Unemployment Compensation Trust. In fiscal year 2008 the net assets of business-type activities increased by \$70 million. Transfers from the Education Trust Fund to the Alabama College System were a major part of the increase in net assets. Revenues of business-type activities totaled \$1.2 billion. Most of this revenue was self-generated program revenues so only \$58 million of the \$1.2 billion revenues came from general revenues. The program revenues consisted of \$815 million of charges for services, \$305 million of operating grants and contributions, and \$14 million of capital grants and contributions. The total expenses for business-type activities were \$1.6 billion.

Financial Analysis of the State'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 2008, the governmental funds reported combined ending fund balances of \$5.1 billion. Of this total amount, \$3.2 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 reserved amount of \$2.6 billion is for Alabama Trust Capital. 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. \$248 million of the balance of the Alabama Trust Fund is reserved for the Education Rainy Day Account for the Education Trust Fund. That account was created by a constitutional amendment. Another \$353 million has been reserved for a variety of purposes while \$191 million of the Governmental Funds have been designated for various capital projects and debt service, leaving \$1.8 billion as unreserved and undesignated.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$376 million, and reserved fund balance was \$5 million. Expenditures for the General Fund increased \$159 million, or 11 percent. Health expenditures increased \$71 million, for increased grant payments related to Medicaid programs. Protection of Persons and Property expenditures increased \$56 million, with the majority of these increases being for inmate administration and highway patrol for the State. Spending on General Government increased \$24 million, with \$21 million going for employee salaries and benefits. The legislature granted all state employees a 3.5 percent raise in 2008 so General Fund spending for salaries and benefits was up in all functional categories along with spending for professional services, supplies and grants. Spending for travel, equipment and debt service were down.

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, 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 economy for fiscal year 2008 were up approximately \$21 million as compared to fiscal year 2007, a less than one percent increase. Sales and use tax revenues were down by \$65 million, individual income tax revenues were up by \$90 million and corporate income tax revenues were down by \$31 million. Expenditures, as limited by the budget, were up 10 percent, or \$571 million, as the State used a portion of the large surplus left from last year's budget. A large portion of the increase, \$350 million was for financial assistance for local school systems. Included in that amount was a pay raise for teachers and support personnel. Because spending increased at a much larger rate than revenue growth, the balance of cash and cash equivalents in the ETF decreased \$275 million to \$66 million and the fund balance decreased \$342 million to \$187 million. The ETF had transfers in of \$440 million, an increase of \$440 million due to a transfer of funds from the ETF Proration Prevention Account during fiscal year 2008. The ETF transferred out \$528 million, with the largest of these transfers going to the Alabama College System, in the amount of \$462 million, to supplement operations.

STATE OF 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 state and local capital projects and debt service. Revenues from royalties and other payments related to the production of oil and gas increased by \$108 million in 2008. Amendment 666 directs the Alabama Trust Fund Board of Trustees to transfer 35 percent 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. Investment income declined from \$315 million gain to \$271 million loss, a decrease of \$586 million. During the 2008 fiscal year, the amount constitutionally reserved for Trust Capital declined by \$190 million, a 7 percent decrease.

Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Federal revenues increased 2 percent, or \$52 million. Overall, revenues were down 3 percent, or \$105 million. Expenditures declined 4 percent or \$168 million with the largest decrease being \$233 million less in hospital care programs with the biggest portion being due to \$151 million decrease in program inpatient and outpatient enhancement payments. Nursing Home Care declined \$114 million with \$47 million being due to less program enhancement payments in 2008. All other programs increased with the largest increases being \$51 million in pharmaceutical programs, \$37 million in physician care programs and \$30 million in mental health waiver programs. Total fund balance for Medicaid decreased by \$77 million to a deficit of \$78 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) 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 26 percent, or \$176 million over 2007. Expenditures rose by 3 percent, or \$34 million. The fund balance increased by \$43 million to a total fund balance of \$520 million. \$54 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$29 million is in inventory of materials on hand, and \$43 million is reserved by statute for replacement of equipment. The remaining \$394 million is unreserved but the management of the 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. 85 percent of the funding is from federal funds, but is supplemented by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Over \$1.3 billion was spent in the fund in 2008, but the fund balance at year end is a mere \$36 million, the same as 2007. The low fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

Only Medicaid had a negative fund balance at September 30, 2008. This is typical for the State's major governmental 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 always has a large fund balance.

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. During the fiscal year, total net assets for all enterprise funds increased by \$70 million. The net assets of the Unemployment Compensation Trust Fund decreased by \$48 million in fiscal year 2008. Unemployment benefits payments increased by \$81 million because of a gradual rise in the unemployment rate from 3.5 percent in September 2007 to 5.4 percent in September 2008. The net assets of the State Port Authority increased by \$26 million. This was partly due to \$16 million in capital contributions and payments from the Capital Improvement Trust Fund (a non-major special revenue fund). Operating revenues were up substantially, to \$125 million from \$110 million the prior year, a 14 percent increase. The Alabama College System's net assets increased \$91 million in 2008, primarily because of larger appropriations from the Education Trust Fund which are reported as transfers in. However, the salaries increased because of legislatively mandated employee pay raises of 7 percent. The net assets of the Alcoholic Beverage Control Board's increased by \$1 million in fiscal year 2008, resulting in a \$4 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative.

Budgetary Highlights**General Fund**

The original budget for the General Fund was increased by a net of \$26 million during fiscal year 2008. Expenditures were increased by \$14 million and Transfers Out increased by \$12 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Conditional and other appropriations were approximately \$34 million. Conditional amounts are not included in the budget until the conditions have been met. There were \$4 million of conditional appropriations released during the fiscal year. The Department of Finance received a conditional appropriation in the amount of \$1 million for its annual budget to be used for Smart Business Systems. Smart Business Systems is designed to improve planning, accountability, and performance measurement. The annual budget was decreased by \$15 million as a result of capital project appropriations including \$14 million for the Department of Corrections. The Department of Corrections and the Department of Agriculture and Industries received supplemental appropriations of \$5 million and \$1 million, respectively. Also, the Department of Corrections received another appropriation for the sale of land in the amount of \$17 million. These funds for the Department of Corrections were needed because of the conditions of the overcrowded prison system. 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. Transfers out include an increase in the appropriation for indigent defense in the amount of \$10 million. Emergency appropriations of \$3 million are included in the original budget and are included in the budgeted amounts as other on the Budgetary Comparison Schedule. Also, a conditional amount of \$2 million was released as an emergency appropriation. Emergency appropriations cannot exceed two percent of the total amount appropriated. Allotments from the emergency appropriations including the conditional amount totaled approximately \$5 million to various agencies in fiscal year 2008. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$21 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$24 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 2008, the State had invested \$19.3 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$129 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Assets Not Being Depreciated:						
Land	\$ 225,088	\$ 179,045	\$ 64,661	\$ 62,763	\$ 289,749	\$ 241,808
Construction In Progress	149,301	133,247	281,364	249,717	430,665	382,964
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress - Infrastructure	4,712,849	4,399,528	-	-	4,712,849	4,399,528
Infrastructure	12,092,320	11,932,373	-	-	12,092,320	11,932,373
Total Capital Assets Not Being Depreciated	<u>17,182,216</u>	<u>16,646,851</u>	<u>348,375</u>	<u>314,830</u>	<u>17,530,591</u>	<u>16,961,681</u>
Capital Assets Being Depreciated:						
Buildings	1,089,379	1,050,204	1,216,778	1,098,196	2,306,157	2,148,400
Machinery & Equipment	581,419	590,565	448,729	411,176	1,030,148	1,001,741
Total Capital Assets Being Depreciated	<u>1,670,798</u>	<u>1,640,769</u>	<u>1,665,507</u>	<u>1,509,372</u>	<u>3,336,305</u>	<u>3,150,141</u>
Less Accumulated Depreciation	848,281	868,643	675,245	630,825	1,523,526	1,499,468
Total Capital Assets Being Depreciated, Net	<u>822,517</u>	<u>772,126</u>	<u>990,262</u>	<u>878,547</u>	<u>1,812,779</u>	<u>1,650,673</u>
Capital Assets, Net	<u>\$ 18,004,733</u>	<u>\$ 17,418,977</u>	<u>\$ 1,338,637</u>	<u>\$ 1,193,377</u>	<u>\$ 19,343,370</u>	<u>\$ 18,612,354</u>

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 or an improvement in the efficiency 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.

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 77.19, which exceeds the State's goal.

The State maintains 5,362 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 6.67, in the upper end of the satisfactory range, unchanged from the previous year.

In fiscal years 2008, 2007, 2006, 2005, and 2004, the State estimated it would need to spend \$320.0, \$277.7, \$247.1, \$247.1, and \$205.0 million, 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 2008, the State spent \$265,160,000 for roadway preservation and \$22,434,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$310,027,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels".

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.

STATE OF ALABAMA

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 721,145	\$ 773,253	\$ -	\$ -	\$ 721,145	\$ 773,253
Revenue Bonds	323,483	333,438	612,959	572,782	936,442	906,220
Total	<u>\$ 1,044,628</u>	<u>\$ 1,106,691</u>	<u>\$ 612,959</u>	<u>\$ 572,782</u>	<u>\$ 1,657,587</u>	<u>\$ 1,679,473</u>

The Alabama Judicial Building Authority issued \$22,660,000 in refunding bonds and \$10,000,000 in new bonds. The State Port Authority issued \$61,300,000 in refunding bonds and \$50,000,000 in new bonds. The Alabama College System issued \$4,559,000 in new bonds. 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 Governor's Deficit Prevention Plan includes a hiring freeze on state workers, a freeze on state employee merit pay raises, stopping new vehicle purchases, limiting equipment purchases and professional service contracts, and curtailing travel by state employees. This plan includes fiscal year 2009 budget cuts of ten percent for various state agencies. Proration has been implemented for the fiscal year 2009 Education Trust Fund budget. Some of the education rainy-day account in the Alabama Trust Fund has been transferred to the Education Trust Fund and effectively lessened the impact of proration from 12.5 percent to 9 percent. Tax collections are down and the future economic condition is uncertain for the nation. This economic recession will continue to impact Alabama. The State's seasonally adjusted unemployment rate, at 7.8 percent in January 2009, increased from December 2008's rate of 6.5 percent and was above the year-ago rate of 3.9 percent.

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.

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2008

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 2,287,271	\$ 696,986	\$ 2,984,257	\$ 1,952,406
Investments	3,335,540	234,094	3,569,634	6,022,232
Internal Balances	14,085	(14,085)	-	-
Due from Primary Government	-	-	-	52,683
Due from Component Units	53,530	-	53,530	-
Accounts Receivable	130,444	99,289	229,733	705,419
Due from Other Governments	492,810	2,401	495,211	752,533
Taxes Receivable	624,665	-	624,665	150,143
Interest and Dividends Receivable	28,406	4,984	33,390	24,404
Mortgages, Notes, and Loans Receivable	49	-	49	663,066
Securities Lending Collateral	441,151	1,145	442,296	30,133
Inventory	47,747	39,423	87,170	34,691
Restricted Assets	1,465	-	1,465	100,323
Other Assets	11,262	19,645	30,907	151,515
Capital Assets, Net of Accumulated Depreciation	822,517	990,262	1,812,779	3,748,768
Capital Assets Not Depreciated	17,182,216	348,375	17,530,591	883,753
TOTAL ASSETS	25,473,158	2,422,519	27,895,677	15,272,069
LIABILITIES				
Warrants Payable	22,388	920	23,308	3,488
Salaries Payable	174,655	7,401	182,056	23,575
Due to Primary Government	-	-	-	53,530
Due to Component Units	47,271	5,412	52,683	-
Accounts Payable	868,204	72,956	941,160	463,581
Interest Payable	7,363	7,387	14,750	75,444
Due to Other Governments	239,752	2,124	241,876	94,929
Securities Lending Obligation	441,151	1,145	442,296	30,133
Unearned Revenue	19,775	63,711	83,486	514,520
Amounts Held in Custody for Others	36,234	12,906	49,140	271,858
Noncurrent Liabilities:				
Due Within One Year	88,302	80,099	168,401	699,190
Due In More Than One Year	1,550,419	590,330	2,140,749	6,563,186
TOTAL LIABILITIES	3,495,514	844,391	4,339,905	8,793,434
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	17,576,424	753,665	18,330,089	2,644,931
Restricted for:				
Permanent - Expendable	-	44,572	44,572	852,173
Permanent - Non-expendable	31,541	5,703	37,244	1,047,637
Unemployment Compensation	-	391,108	391,108	-
Forever Wild Stewardship Account	18,067	-	18,067	-
Alabama Trust Capital	2,595,847	-	2,595,847	-
Education	594,672	-	594,672	-
Health	37,941	-	37,941	-
Social Services	84,757	-	84,757	-
Transportation	454,523	-	454,523	-
General Government	349,003	-	349,003	-
Debt Service	28,524	38,283	66,807	615,161
Capital Projects	34,749	-	34,749	-
Other Purposes	395,091	-	395,091	28,780
Unrestricted	(223,495)	344,797	121,302	1,289,953
TOTAL NET ASSETS	\$ 21,977,644	\$ 1,578,128	\$ 23,555,772	\$ 6,478,635

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, 2008

(Amounts in Thousands)

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Economic Development and Regulation	\$ 281,176	\$ 59,859	\$ 21,220	\$ 0
Education and Cultural Resources	7,198,488	12,131	832,615	9,296
Natural Resources and Recreation	135,368	164,709	33,323	20
Health	5,144,802	204,561	4,085,016	-
Social Services	1,743,177	6,590	1,307,374	25
Protection of Persons and Property	1,103,566	230,745	237,255	-
Transportation	1,094,598	198,669	30,131	864,770
General Government	1,021,561	573,465	123,165	-
Debt Service - Interest and Other Charges	57,253	-	-	-
Total Governmental Activities	17,779,989	1,450,729	6,670,099	874,111
Business-type Activities				
Unemployment Compensation	330,068	227,906	42,644	-
State Port Authority	127,200	132,481	203	6,030
Alabama College System	812,195	155,559	260,668	7,687
Alcoholic Beverage Control Board	249,389	252,265	352	-
Nonmajor Proprietary Funds	47,168	47,019	1,472	-
Total Business-type Activities	1,566,020	815,230	305,339	13,717
Total Primary Government	19,346,009	2,265,959	6,975,438	887,828
Component Units:				
Public School and College Authority	374,079	-	4	-
Mental Health	900,386	9,229	67,067	-
Housing Finance Authority	73,103	33,187	-	-
Water Pollution Control Authority	31,281	20,088	15,085	-
University of Alabama	3,023,329	1,724,920	707,785	73,630
Auburn University	806,326	356,726	201,141	23,507
University of South Alabama	580,148	368,876	31,033	19,268
Public Education Employees' Health Insurance	700,506	657,667	8	-
State Employees' Health Insurance Board	383,392	364,740	16	-
Nonmajor Component Units	1,067,496	538,522	258,658	7,747
Total Component Units	7,940,046	4,073,955	1,280,797	124,152
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				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Payments from State of Alabama				
Special Items				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets, October 1, 2007, as Restated				
Net Assets, September 30, 2008				

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
\$ (200,097)	\$ 0	\$ (200,097)	\$ 0
(6,344,446)	-	(6,344,446)	-
62,684	-	62,684	-
(855,225)	-	(855,225)	-
(429,188)	-	(429,188)	-
(635,566)	-	(635,566)	-
(1,028)	-	(1,028)	-
(324,931)	-	(324,931)	-
(57,253)	-	(57,253)	-
<u>(8,785,050)</u>	<u>0</u>	<u>(8,785,050)</u>	<u>0</u>
-	(59,518)	(59,518)	-
-	11,514	11,514	-
-	(388,281)	(388,281)	-
-	3,228	3,228	-
-	1,323	1,323	-
<u>0</u>	<u>(431,734)</u>	<u>(431,734)</u>	<u>0</u>
(8,785,050)	(431,734)	(9,216,784)	0
-	-	-	(374,075)
-	-	-	(824,090)
-	-	-	(39,916)
-	-	-	3,892
-	-	-	(516,994)
-	-	-	(224,952)
-	-	-	(160,971)
-	-	-	(42,831)
-	-	-	(18,636)
-	-	-	(262,569)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,461,142)</u>
2,261,452	-	2,261,452	-
3,512,255	-	3,512,255	-
550,811	-	550,811	-
539,337	-	539,337	128,236
288,341	-	288,341	4,525
314,181	-	314,181	-
122,195	9,912	132,107	13,930
140,786	-	140,786	3,050
(141,251)	34,631	(106,620)	(163,598)
738,746	13,257	752,003	82,505
-	88	88	34,111
-	-	-	2,267,546
-	-	-	26,067
(444,314)	444,314	-	-
<u>7,882,539</u>	<u>502,202</u>	<u>8,384,741</u>	<u>2,396,372</u>
(902,511)	70,468	(832,043)	(64,770)
22,880,155	1,507,660	24,387,815	6,543,405
<u>\$ 21,977,644</u>	<u>\$ 1,578,128</u>	<u>\$ 23,555,772</u>	<u>\$ 6,478,635</u>

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2008

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 345,835	\$ 65,799	\$ 154,433	\$ 8,518	\$ 453,282
Investments	-	-	2,955,890	-	49,502
Due from Other Funds	13,401	908	-	10,449	4,401
Due from Component Units	72	2	-	12,470	-
Accounts Receivable	205	102	104,561	1,507	4,082
Due from Other Governments	2	3	-	226,598	159,293
Taxes Receivable	215,037	179,146	-	-	23,878
Interest and Dividends Receivable	406	-	25,914	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	21,696	4,493	314,838	532	29,802
Inventory	3,772	-	-	-	29,000
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 600,426	\$ 250,453	\$ 3,555,636	\$ 260,074	\$ 753,240
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,426	\$ 7,178	\$ 0	\$ 187	\$ 5,140
Salaries Payable	57,238	8,862	-	2,142	22,362
Due to Other Funds	4,341	7,784	94	27,024	2,832
Due to Component Units	452	21	-	38,496	89
Accounts Payable	19,277	29,479	252,954	269,947	139,421
Due to Other Governments	6,241	5,680	-	3	13,360
Securities Lending Obligation	21,696	4,493	314,838	532	29,802
Deferred Revenue	107,012	-	4,912	-	5,701
Amounts Held in Custody for Others	393	-	-	2	14,228
Compensated Absences	656	107	-	21	259
Total Liabilities	218,732	63,604	572,798	338,354	233,194
Fund Balances					
Reserved for:					
Encumbrances	1,531	2,720	93	4,188	53,737
Inventory	3,772	-	-	-	29,000
Highway Equipment Replacement	-	-	-	-	43,544
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Education Rainy Day Account	-	-	248,000	-	-
Forever Wild Stewardship Account	-	-	18,067	-	-
Alabama Trust Capital	-	-	2,595,847	-	-
Local Government	-	-	24,166	-	-
Capital Improvement Trust	-	-	96,665	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Designated	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	376,391	-	-	-	-
Special Revenue Funds	-	184,129	-	(82,468)	393,765
Permanent Funds	-	-	-	-	-
Total Fund Balances	381,694	186,849	2,982,838	(78,280)	520,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 600,426	\$ 250,453	\$ 3,555,636	\$ 260,074	\$ 753,240

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

	Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$	86,115	\$ 1,110,889	\$ 2,224,871
	-	255,841	3,261,233
	16,307	41,906	87,372
	202	2,471	15,217
	437	7,141	118,035
	-	106,914	492,810
	46,535	160,069	624,665
	-	1,630	27,950
	-	49	49
	5,221	61,138	437,720
	-	1,041	33,813
	-	1,465	1,465
\$	154,817	\$ 1,750,554	\$ 7,325,200

\$	577	\$ 7,782	\$ 22,290
	21,923	59,476	172,003
	10,072	44,234	96,381
	128	1,693	40,879
	40,279	110,067	861,424
	827	213,438	239,549
	5,221	61,138	437,720
	36,751	122,333	276,709
	2,766	18,845	36,234
	301	593	1,937
	118,845	639,599	2,185,126

	4,853	30,032	97,154
	-	1,041	33,813
	-	-	43,544
	-	7,876	7,876
	-	33	33
	-	-	248,000
	-	-	18,067
	-	-	2,595,847
	-	-	24,166
	-	-	96,665
	-	31,540	31,540
	-	185,790	185,790
	-	4,630	4,630
	-	702	702
	-	-	376,391
	31,119	824,373	1,350,918
	-	24,938	24,938
	35,972	1,110,955	5,140,074
\$	154,817	\$ 1,750,554	\$ 7,325,200

STATE OF ALABAMA

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

September 30, 2008

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$5,140,074

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

Land	224,567	
Historical Exhibits	2,657	
Construction in progress	110,240	
Construction in progress - Infrastructure	4,712,849	
Infrastructure	12,092,320	
Buildings	957,699	
Equipment	544,845	
Accumulated Depreciation - Buildings	(402,670)	
Accumulated Depreciation - Equipment	(309,422)	
		17,933,085

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. 256,934

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. 151,275

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	(41,845)	
Compensated Absences	(286,119)	
Claims and Judgments	(28,598)	
Due to Component Units	(6,365)	
Other Post-Employment Benefits	(175,765)	
		(538,692)

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	(705,480)	
Revenue Bonds Payable	(236,020)	
Unamortized Premiums	(18,895)	
Unamortized Discounts	482	
Unamortized Loss	1,486	
Deferred Debt Financing Costs	758	
Accrued Interest Payable	(7,363)	
		(965,032)

Net Assets of Governmental Activities \$21,977,644

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, 2008

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,159,828	\$ 5,878,913	\$ 0	\$ 0	\$ 352,354
Licenses, Permits, and Fees	159,733	615	-	-	143,368
Fines, Forfeits, and Court Settlements	116,128	-	-	5,196	-
Investment Income	90,181	-	(271,499)	182	1,787
Federal Grants and Reimbursements	3,378	596	-	3,010,212	857,679
Other Revenues	18,798	32,710	356,396	691,357	37,390
Total Revenues	1,548,046	5,912,834	84,897	3,706,947	1,392,578
EXPENDITURES					
Current:					
Economic Development and Regulation	11,712	-	-	-	-
Education and Cultural Resources	10,630	6,005,717	-	-	-
Natural Resources and Recreation	6,283	-	344	-	-
Health	658,170	49,332	-	3,647,533	-
Social Services	15,113	35,505	-	-	-
Protection of Persons and Property	580,773	50,784	-	-	-
Transportation	-	-	-	-	1,321,880
General Government	331,960	20,065	41,503	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	691	2,919	-	-	6,263
Debt Service - Interest and Other Charges	152	1,442	-	-	3,034
Total Expenditures	1,615,484	6,165,764	41,847	3,647,533	1,331,177
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(67,438)	(252,930)	43,050	59,414	61,401
OTHER FINANCING SOURCES (USES)					
Transfers In	286,509	439,654	3,786	128,555	17,867
Transfers Out	(243,280)	(528,266)	(366,652)	(265,355)	(46,674)
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Current Refunding to Bondholders	-	-	-	-	-
Capital Leases	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	2	-	-	-	2,009
Total Other Financing Sources (Uses)	43,231	(88,612)	(362,866)	(136,800)	(26,798)
Net Change in Fund Balances	(24,207)	(341,542)	(319,816)	(77,386)	34,603
Fund Balances, October 1, 2007, as Restated	404,781	528,391	3,302,654	(894)	477,516
Increase (Decrease) in Inventory	1,120	-	-	-	7,927
Fund Balances, September 30, 2008	\$ 381,694	\$ 186,849	\$ 2,982,838	\$ (78,280)	\$ 520,046

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 140,536	\$ 917,465	\$ 8,449,096
860	342,959	647,535
-	26,706	148,030
92	36,910	(142,347)
1,036,110	1,789,094	6,697,069
43,848	343,411	1,523,910
1,221,446	3,456,545	17,323,293
-	72,915	84,627
-	1,150,026	7,166,373
-	188,098	194,725
-	770,452	5,125,487
1,335,620	331,285	1,717,523
-	394,105	1,025,662
-	234,450	1,556,330
510	593,264	987,302
-	272,032	272,032
2,456	58,884	71,213
1,217	55,669	61,514
1,339,803	4,121,180	18,262,788
(118,357)	(664,635)	(939,495)
192,066	773,381	1,841,818
(74,005)	(765,681)	(2,289,913)
-	10,000	10,000
-	22,660	22,660
-	(23,625)	(23,625)
-	171	171
-	1,210	1,210
13	2,555	4,579
118,074	20,671	(433,100)
(283)	(643,964)	(1,372,595)
36,255	1,755,233	6,503,936
-	(314)	8,733
\$ 35,972	\$ 1,110,955	\$ 5,140,074

STATE OF ALABAMA

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

September 30, 2008

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		(\$1,372,595)
<p>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.</p>		
Capital Outlay	674,041	
Depreciation Expense	<u>(68,490)</u>	605,551
<p>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.</p>		
		(24,978)
<p>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.</p>		
		(171)
<p>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.</p>		
		8,733
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(3,348)
<p>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.</p>		
		(4,127)
<p>Capital asset reassignments for the general government have not been reported in fund financial statements.</p>		
Capital asset transfers to the general government	411	
Capital asset transfers from the general government	<u>(17)</u>	394
<p>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.</p>		
Bond proceeds	(32,660)	
Bond premium	(1,210)	
Repayment of bond principal	59,703	
Current refunding to bondholders	23,625	
Accrued interest	<u>7,577</u>	57,035
<p>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.</p>		
Capital lease payments	11,512	
Compensated absences payments	(15,647)	
Other post-employment benefit payments	(175,765)	
Claims and judgments	10,886	
Other debt payments	<u>9</u>	(169,005)
Change in Net Assets of Governmental Activities		<u><u>(\$902,511)</u></u>

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



STATE OF ALABAMA

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2008

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 391,310	\$ 18,752	\$ 255,857	\$ 15,169	\$ 15,898
Investments, Short-term	-	41,296	131,271	-	-
Due from Other Funds	490	4,194	-	5	-
Due from Component Units	-	-	-	-	-
Accounts Receivable	4,053	22,878	72,279	34	45
Interest and Dividends Receivable	4,984	-	-	-	-
Due from Other Governments	-	2,401	-	-	-
Inventory	-	5,156	8,610	24,813	844
Securities Lending Collateral	5	-	-	1,015	125
Other Current Assets	-	2,099	-	-	300
Total Current Assets	400,842	96,776	468,017	41,036	17,212
Noncurrent Assets					
Investments, Long-term	-	45,433	16,094	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	6,686	10,470	90	-
Capital Assets, Net of Accumulated Depreciation	-	342,176	637,644	7,647	2,795
Capital Assets Not Depreciated	-	239,864	105,881	-	2,630
Total Noncurrent Assets	0	634,159	770,089	7,737	5,425
TOTAL ASSETS	400,842	730,935	1,238,106	48,773	22,637
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	907	13
Salaries Payable	-	3,540	-	3,819	42
Due to Other Funds	158	-	-	18,556	67
Due to Component Units	-	-	-	5,190	222
Accounts Payable	8,765	22,719	30,447	10,776	242
Due to Other Governments	731	-	-	1,392	1
Interest Payable	-	7,387	-	-	-
Claims Payable	-	454	-	-	3,508
Unearned Revenue	-	-	59,156	58	413
Funds Held in Escrow	75	-	12,831	-	-
Compensated Absences	-	-	2,149	55	-
Securities Lending Obligation	5	-	-	1,015	125
Notes and Capital Leases Payable	-	-	2,953	-	-
Revenue Bonds Payable	-	56,830	14,150	-	-
Total Current Liabilities	9,734	90,930	121,686	41,768	4,633
Long-term Liabilities					
Claims Payable	-	1,361	-	-	-
Unearned Revenue, Noncurrent	-	4,084	-	-	-
Compensated Absences	-	-	16,942	6,469	27
Other Post-employment Benefits	-	3,460	-	4,735	90
Notes and Capital Leases Payable	-	-	11,305	-	1,965
Revenue Bonds Payable	-	290,584	251,395	-	-
Other Long-term Liabilities	-	1,949	48	-	-
Total Long-term Liabilities	0	301,438	279,690	11,204	2,082
TOTAL LIABILITIES	9,734	392,368	401,376	52,972	6,715
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	246,469	496,090	7,647	3,460
Restricted for:					
Permanent - Expendable	-	-	44,572	-	-
Permanent - Non-expendable	-	-	5,703	-	-
Unemployment Compensation	391,108	-	-	-	-
Debt Service	-	38,283	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	-	53,815	290,365	(11,846)	12,462
TOTAL NET ASSETS	\$ 391,108	\$ 338,567	\$ 836,730	\$ (4,199)	\$ 15,922

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

Governmental Activities

	<u>Total Enterprise Funds</u>		<u>Internal Service Funds</u>
\$	696,986	\$	62,400
	172,567		19,511
	4,689		13,444
	-		1,780
	99,289		12,347
	4,984		456
	2,401		-
	39,423		13,934
	1,145		3,431
	2,399		9,689
	1,023,883		136,992
	61,527		54,796
	-		10,826
	-		36,533
	17,246		815
	990,262		32,065
	348,375		39,582
	1,417,410		174,617
	2,441,293		311,609
	920		98
	7,401		2,652
	18,781		1,166
	5,412		27
	72,949		6,728
	2,124		203
	7,387		-
	3,962		14,994
	59,627		-
	12,906		-
	2,204		1
	1,145		3,431
	2,953		89
	70,980		6,750
	268,751		36,139
	1,361		37,485
	4,084		-
	23,438		4,734
	8,285		2,526
	13,270		-
	541,979		79,450
	1,997		-
	594,414		124,195
	863,165		160,334
	753,666		(3,615)
	44,572		-
	5,703		-
	391,108		-
	38,283		-
	-		25,476
	344,796		129,414
\$	1,578,128	\$	151,275

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 125,068	\$ 155,559	\$ 248,336	\$ 29,251
Investment Earnings	-	-	-	-	12
Premiums and Contributions	218,253	-	-	-	16,712
Rents and Leases	-	-	-	-	874
Interest from Mortgages and Loans Receivable	-	-	-	-	-
Total Operating Revenues	218,253	125,068	155,559	248,336	46,849
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	487,799	48,747	883
Utilities and Communications	-	-	26,183	2,552	128
Professional Services	-	-	-	1,342	449
Supplies, Materials, and Operating Expenses	-	2,314	172,326	182,401	23,636
Interest	-	-	12,730	-	-
Depreciation	-	20,664	28,257	3,099	272
Claims and Benefits	326,213	-	-	-	21,226
Operations and Maintenance	-	72,177	-	-	-
General and Administrative	-	15,749	-	-	-
Other	-	-	78,554	11,248	212
Total Operating Expenses	326,213	110,904	805,849	249,389	46,806
Operating Income (Loss)	(107,960)	14,164	(650,290)	(1,053)	43
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	9,912	4,691
Grants	42,644	203	260,668	352	1,472
Investment Income	19,956	4,354	10,082	-	227
Insurance Recoveries	-	7,411	-	-	-
Other Nonoperating Revenues	9,653	-	7,270	5,044	365
Interest Expense	-	(14,317)	-	-	(63)
Other Nonoperating Expenses	(3,855)	(1,979)	(6,346)	-	(299)
Total Nonoperating Revenues (Expenses)	68,398	(4,328)	271,674	15,308	6,393
Income (Loss) Before Contributions and Transfers	(39,562)	9,836	(378,616)	14,255	6,436
Capital Contributions	-	6,030	7,687	-	-
Contributions to Endowments	-	-	88	-	-
Transfers In	3,419	10,157	461,899	410	4
Transfers Out	(11,927)	(44)	-	(13,516)	(6,088)
Increase (Decrease) in Net Assets	(48,070)	25,979	91,058	1,149	352
Total Net Assets, October 1, 2007, as Restated	439,178	312,588	745,672	(5,348)	15,570
Total Net Assets, September 30, 2008	\$ 391,108	\$ 338,567	\$ 836,730	\$ (4,199)	\$ 15,922

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 558,214	\$ 78,071
12	2,063
234,965	53,073
874	17,251
-	1,391
794,065	151,849
537,429	33,856
28,863	21,789
1,791	18,249
380,677	37,266
12,730	3,307
52,292	8,139
347,439	24,833
72,177	-
15,749	-
90,014	12,637
1,539,161	160,076
(745,096)	(8,227)
14,603	-
305,339	498
34,619	694
7,411	-
22,332	902
(14,380)	(17)
(12,479)	(2,057)
357,445	20
(387,651)	(8,207)
13,717	-
88	-
475,889	8,257
(31,575)	(4,177)
70,468	(4,127)
1,507,660	155,402
\$ 1,578,128	\$ 151,275

STATE OF ALABAMA

STATEMENT OF CASH FLOWS
Proprietary Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 225,500	\$ 110,111	\$ 119,710	\$ 245,439	\$ 51,319
Receipts from Interfund Services	-	-	-	11	153
Receipts from Operating Grants	42,992	8,265	255,344	-	-
Receipts from Interfund Reimbursements	4,765	-	-	-	-
Receipts from Other Operating Activities	7	-	24,952	15,072	291
Payments for Goods Held for Resale	-	-	-	(175,960)	(21,743)
Payments for Other Goods & Services	-	(38,310)	(182,827)	(20,077)	(25,201)
Payments for Employees Services	-	(33,475)	(487,798)	(43,227)	(1,097)
Payments for Taxes, Fines, Penalties, & Similar Fees	(2,154)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,770)	(143)
Payments for Other Operating Activities	(400)	-	(81,211)	(2,702)	(17)
Payments for Claims	(329,533)	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(58,823)	46,591	(351,830)	16,786	3,562
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	51	-	8,025	-	1,443
Transfers from Other Funds for Noncapital Financing	3,419	-	461,899	510	4
Receipts from Noncapital Financing Taxes	9,602	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(5,925)	-	(906)	-	-
Transfers to Other Funds for Noncapital Financing	(9,934)	-	-	(13,516)	(6,411)
Net Cash Provided By (Used In) Noncapital Financing Activities	(2,787)	0	469,018	(13,006)	(4,964)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	111,300	2,534	-	425
Receipts from Capital Grants & Contributions	-	12,318	4,606	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	9,193	1,136	74	21
Payments to Acquire, Construct, & Improve Capital Assets	-	(115,086)	(92,355)	(4,780)	(182)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(60,465)	(17,100)	-	-
Lease Payments to Acquire and Improve Capital Assets	-	-	-	-	(101)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(8,347)	(10,687)	-	(63)
Net Cash Provided by (Used in) Capital and Related Financing Activities	0	(51,087)	(111,866)	(4,706)	100
Cash Flows From Investing Activities					
Loan Payments Received	-	-	64,550	-	-
Receipts from Sales & Maturities of Investments	-	52,320	-	-	-
Receipts from Interest & Dividends on Investments & Loans	20,434	4,354	9,848	-	239
Purchase of Investments	-	(40,897)	(40,181)	-	-
Net Cash Provided By (Used In) Investing Activities	20,434	15,777	34,217	0	239
Net Increase (Decrease) In Cash and Cash Equivalents	(41,176)	11,281	39,539	(926)	(1,063)
Cash Balance as Restated, October 1, 2007	432,486	7,471	216,318	15,188	16,947
Cash Balance, September 30, 2008	391,310	18,752	255,857	14,262	15,884
Add: Warrants Payable	-	-	-	907	14
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 391,310	\$ 18,752	\$ 255,857	\$ 15,169	\$ 15,898

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

Governmental Activities

	Total Enterprise Funds		Internal Service Funds
\$	752,079	\$	54,543
	164		115,627
	306,601		-
	4,765		-
	40,322		6,240
	(197,703)		(17,920)
	(266,415)		(71,008)
	(565,597)		(30,914)
	(2,154)		(16)
	(1,913)		(6,788)
	(84,330)		(12,284)
	(329,533)		(33,467)
	(343,714)		4,013
	9,519		-
	465,832		7,901
	9,602		-
	(6,831)		-
	(29,861)		(134)
	448,261		7,767
	114,259		(4,545)
	16,924		-
	10,424		431
	(212,403)		(18,311)
	(77,565)		(1,180)
	(101)		-
	(19,097)		(4,594)
	(167,559)		(28,199)
	64,550		-
	52,320		443,288
	34,875		6,330
	(81,078)		(439,657)
	70,667		9,961
	7,655		(6,458)
	688,410		68,760
	696,065		62,302
	921		98
\$	696,986	\$	62,400

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (107,960)	\$ 14,164	\$ (650,290)	\$ (1,053)	\$ 43
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	-	-	-	3	5
Due from Component Units	-	-	-	-	-
Accounts Receivable	(1,266)	(6,693)	(3,234)	1,348	40
Inventory	-	336	810	(3,634)	(140)
Other Assets	-	98	1,283	-	-
Salaries Payable	-	-	-	205	(91)
Due to Other Funds	-	-	-	3,027	(153)
Due to Component Units	-	-	-	128	-
Accounts Payable	8,282	9,132	2,531	(4,311)	(360)
Due to Other Governments	-	-	-	(2,328)	-
Claims Payable	-	-	-	-	(874)
Unearned Revenue	-	-	1,813	(75)	(13)
Amounts Held in Custody for Others	(394)	-	(241)	-	-
Compensated Absences	-	-	-	344	(219)
Other Post-employment Benefits	-	-	-	4,735	85
Other Liabilities	-	2,956	(3)	-	5
Investment Income	-	-	-	-	(12)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	20,664	28,257	3,099	272
Amortization Expense	-	210	-	-	-
Nonoperating Revenues	42,515	-	267,265	15,298	4,986
Nonoperating Expenses	-	5,724	(21)	-	(12)
Total Adjustments	49,137	32,427	298,460	17,839	3,519
Net Cash Provided (Used) by Operating Activities	\$ (58,823)	\$ 46,591	\$ (351,830)	\$ 16,786	\$ 3,562

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers and Donations of Capital Assets	-	-	-	153	-
Capital Assets Acquired by Capital Lease or Other Debt	-	-	4,609	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(3,600)	(2,681)	(1,943)	(2,467)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	(478)	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	-	(1,011)	-	-
Transfers In (Out)	-	-	-	50	-

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

Governmental Activities

<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ (745,096)	\$ (8,227)
8	2,244
-	(645)
(9,805)	1,508
(2,628)	(8,132)
1,381	(319)
114	110
2,874	(1,464)
128	(1)
15,274	247
(2,328)	-
(874)	5,860
1,725	3
(635)	2
125	162
4,820	2,526
2,958	-
(12)	(2,063)
-	3,307
52,292	8,139
210	-
330,064	756
5,691	-
<u>401,382</u>	<u>12,240</u>
<u>\$ (343,714)</u>	<u>\$ 4,013</u>

153	3,206
4,609	-
(10,691)	(66,346)
-	37
(478)	690
(1,011)	2,765
50	3,687

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds

September 30, 2008

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 53,598	\$ 3,351	\$ 169,680
Investments			
Time Deposits	-	132	3,347
U.S. Treasury Securities	934,915	14,820	34,642
U.S. Agency Securities	914,895	21,275	-
State and Local Government Securities	-	546	5,660
Mortgage Backed Securities	482,436	110,935	7,701
Corporate Stocks	12,610,262	321,699	-
Corporate Bonds	6,330,214	38,279	5,410
Real Estate	2,222,942	840	-
Commercial Paper	875,120	-	-
International Stocks	3,673,518	103,769	-
International Bonds	-	681	-
Mutual and Money Market Funds	234,859	563,852	527
Other	14	240	-
Receivables			
Due from Other Funds	-	32	58
Employer Contributions Receivable	90,920	-	-
Member Contributions Receivable	41,323	-	-
Accounts Receivable	7,712	68,080	64
Due from Other Governments	4,033	-	-
Interest and Dividends Receivable	244,085	2,582	-
Securities Lending Collateral	2,748,924	87,159	2,309
Other Assets	593	-	-
Capital Assets, Net of Accumulated Depreciation	148,081	-	-
Capital Assets Not Depreciated	8,810	-	-
TOTAL ASSETS	31,627,254	1,338,272	229,398
LIABILITIES			
Warrants Payable	\$ 38,536	\$ 314	\$ 15,311
Salaries Payable	2,067	30	-
Due to Other Funds	1	92	-
Accounts Payable	3,318	63,321	616
Due to Other Governments	-	25	3,377
Claims Payable	42,062	-	-
Securities Lending Obligation	2,748,924	87,159	2,309
Deferred Revenue	323	-	-
Amounts Held in Custody for Others	2	-	207,785
Compensated Absences	4,654	43	-
Other Post-employment Benefits	1,588	27	-
TOTAL LIABILITIES	2,841,475	151,011	229,398
NET ASSETS			
Held in Trust for Beneficiaries	-	1,187,261	-
Held in Trust for OPEB Benefits	622,991	-	-
Held in Trust for Pension and Other Employee Benefits	28,162,788	-	-
TOTAL NET ASSETS	\$ 28,785,779	\$ 1,187,261	\$ 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, 2008

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 740,216	\$ 260,809
Employer	1,676,211	-
Medicare Part D Retiree Drug Subsidy	35,818	-
Total Contributions	<u>2,452,245</u>	<u>260,809</u>
Investment Earnings		
Investment Interest and Dividends	1,127,518	63,923
Net Increase (Decrease) in Fair Value of Investments	(6,219,837)	(334,859)
Securities Lending Income	137,315	4,052
Total Investment Earnings	<u>(4,955,004)</u>	<u>(266,884)</u>
Less:		
Investment Expense	9,781	-
Securities Lending Interest and Fees	102,376	3,489
Net Investment Income	<u>(5,067,161)</u>	<u>(270,373)</u>
Other Additions		
Licenses and Fees	3,364	-
Miscellaneous	8,708	958
Total Other Additions	<u>12,072</u>	<u>958</u>
Total Additions	(2,602,844)	(8,606)
DEDUCTIONS		
Benefit Payments and Refunds	2,779,086	250,880
Administrative Expense	34,731	10,259
Transfers Out	1	691
Total Deductions	<u>2,813,818</u>	<u>261,830</u>
Changes in Net Assets	(5,416,662)	(270,436)
Net Assets Held in Trust		
for Beneficiaries, October 1, 2007, as Restated	<u>34,202,441</u>	<u>1,457,697</u>
Net Assets Held in Trust		
for Beneficiaries, September 30, 2008	<u>\$ 28,785,779</u>	<u>\$ 1,187,261</u>

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS
Component Units

September 30, 2008

(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	\$ 1,053,872	\$ 110,045	\$ 1,892	\$ 92,616	\$ 85,652
Investments	-	1	1,053,809	113,226	2,393,230
Due from Primary Government	-	45,015	-	6,365	-
Accounts Receivable	-	24	-	2	388,287
Due from Other Governments	-	4,210	-	516,891	-
Taxes Receivable	30,515	119,628	-	-	-
Interest and Dividends Receivable	-	-	12,800	2,755	328
Mortgages, Notes, and Loans Receivable	-	-	462,971	-	61,739
Securities Lending Collateral	1,023	6,279	-	54	-
Inventory	-	2,161	-	-	18,894
Restricted Assets	-	-	-	-	-
Other Assets	-	292	21,565	6,608	66,198
Capital Assets, Net of Accumulated Depreciation	11,031	54,578	-	63	2,107,830
Capital Assets Not Depreciated	-	2,942	-	-	414,739
TOTAL ASSETS	1,096,441	345,175	1,553,037	738,580	5,536,897
LIABILITIES					
Warrants Payable	179	1,175	-	-	-
Salaries Payable	-	14,183	-	-	-
Due to Primary Government	-	12,968	-	645	-
Accounts Payable	-	62,825	1,283	634	257,779
Interest Payable	34,384	168	20,505	2,351	-
Due to Other Governments	-	5,186	-	47,783	26,192
Securities Lending Obligation	1,023	6,279	-	54	-
Unearned Revenue	4,586	-	14,100	446	208,789
Amounts Held in Custody for Others	-	3	200,993	105	16,474
Noncurrent Liabilities:					
Due Within One Year	130,720	4,987	286,086	30,145	30,748
Due In More Than One Year	2,304,622	42,400	792,670	364,440	1,207,729
TOTAL LIABILITIES	2,475,514	150,174	1,315,637	446,603	1,747,711
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	11,031	44,610	-	63	1,350,261
Restricted for:					
Permanent - Expendable	-	-	-	-	554,914
Permanent - Non-expendable	-	-	-	-	533,950
Debt Service	-	-	187,839	291,914	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,390,104)	150,391	49,561	-	1,350,061
TOTAL NET ASSETS	\$ (1,379,073)	\$ 195,001	\$ 237,400	\$ 291,977	\$ 3,789,186

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

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 51,557	\$ 38,602	\$ 3,223	\$ 6,735	\$ 508,212	\$ 1,952,406
1,242,297	586,093	73,716	184,085	375,775	6,022,232
-	-	1	820	482	52,683
40,817	58,897	7,892	1,278	208,222	705,419
-	-	-	-	231,432	752,533
-	-	-	-	-	150,143
4,204	-	103	1,068	3,146	24,404
46,156	5,724	-	-	86,476	663,066
-	-	220	18,763	3,794	30,133
3,724	-	-	-	9,912	34,691
-	95,893	-	-	4,430	100,323
6,071	18,262	1,425	38	31,056	151,515
757,767	232,947	-	786	583,766	3,748,768
112,818	147,538	-	-	205,716	883,753
2,265,411	1,183,956	86,580	213,573	2,252,419	15,272,069
-	-	39	9	2,086	3,488
4,818	-	184	394	3,996	23,575
-	-	245	209	39,463	53,530
59,670	33,122	170	3,078	45,020	463,581
7,791	-	-	-	10,245	75,444
-	-	-	-	15,768	94,929
-	-	220	18,763	3,794	30,133
110,958	26,365	-	37,953	111,323	514,520
20,284	-	-	-	33,999	271,858
31,899	13,097	69,594	37,102	64,812	699,190
596,617	412,755	615	963	840,375	6,563,186
832,037	485,339	71,067	98,471	1,170,881	8,793,434
519,323	186,727	-	786	532,130	2,644,931
132,264	57,810	-	-	107,185	852,173
235,662	193,101	-	-	84,924	1,047,637
-	-	-	-	135,408	615,161
-	-	-	-	28,780	28,780
546,125	260,979	15,513	114,316	193,111	1,289,953
\$ 1,433,374	\$ 698,617	\$ 15,513	\$ 115,102	\$ 1,081,538	\$ 6,478,635

STATE OF ALABAMA

STATEMENT OF ACTIVITIES
Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 374,079	\$ 900,386	\$ 73,103	\$ 31,281	\$ 3,023,329
Program Revenues					
Charges for Services	-	9,229	33,187	20,088	1,724,920
Operating Grants and Contributions	4	67,067	-	15,085	707,785
Capital Grants and Contributions	-	-	-	-	73,630
Total Program Revenues	4	76,296	33,187	35,173	2,506,335
Net (Expense) Revenue	(374,075)	(824,090)	(39,916)	3,892	(516,994)
General Revenues:					
Taxes:					
Utility Taxes	-	127,016	-	-	-
Insurance Premium Tax	-	4,525	-	-	-
Liquor Taxes	-	13,930	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	23,645	498	56,003	10,543	(248,945)
Miscellaneous	-	28,306	169	3,759	4,392
Contributions to Permanent Funds and Endowments	-	-	-	-	24,200
Payments from State of Alabama	173,294	632,247	-	1,492	615,556
Special Items	-	-	-	-	26,067
Total General Revenues, Special Items, and Transfers	196,939	806,522	56,172	15,794	421,270
Change in Net Assets	(177,136)	(17,568)	16,256	19,686	(95,724)
Net Assets, October 1, 2007, as Restated	(1,201,937)	212,569	221,144	272,291	3,884,910
Net Assets, September 30, 2008	\$ (1,379,073)	\$ 195,001	\$ 237,400	\$ 291,977	\$ 3,789,186

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

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 806,326	\$ 580,148	\$ 700,506	\$ 383,392	\$ 1,067,496	\$ 7,940,046
356,726	368,876	657,667	364,740	538,522	4,073,955
201,141	31,033	8	16	258,658	1,280,797
23,507	19,268	-	-	7,747	124,152
581,374	419,177	657,675	364,756	804,927	5,478,904
(224,952)	(160,971)	(42,831)	(18,636)	(262,569)	(2,461,142)
-	-	-	-	1,220	128,236
-	-	-	-	-	4,525
-	-	-	-	-	13,930
-	-	-	-	3,050	3,050
(11,431)	(14,088)	6,413	4,105	9,659	(163,598)
-	18,748	-	132	26,999	82,505
412	9,496	-	-	3	34,111
336,611	139,737	-	-	368,609	2,267,546
-	-	-	-	-	26,067
325,592	153,893	6,413	4,237	409,540	2,396,372
100,640	(7,078)	(36,418)	(14,399)	146,971	(64,770)
1,332,734	705,695	51,931	129,501	934,567	6,543,405
\$ 1,433,374	\$ 698,617	\$ 15,513	\$ 115,102	\$ 1,081,538	\$ 6,478,635

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	55
A. Reporting Entity	55
B. Government-Wide and Fund Financial Statements	62
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	63
D. Fiscal Year	65
E. Assets, Liabilities, and Net Assets and Fund Balances.....	65
F. Proprietary Fund Operating Revenues and Expenses	68
G. New Accounting Pronouncements	68
NOTE 2 - FUND BALANCES/NET ASSETS	69
A. Restricted Net Assets	69
B. Restatements.....	69
C. Fund Balance/Net Assets Deficits	70
NOTE 3 - ASSETS	71
A. Cash Deposits.....	71
B. Investments.....	72
C. Investment Risks	75
D. Securities Lending.....	82
E. Mortgage-Backed Securities.....	84
F. Derivatives.....	85
G. Capital Assets.....	86
NOTE 4 - LIABILITIES	89
A. Commitments.....	89
B. Claims and Judgments.....	90
C. Long-term Debt.....	90
NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES.....	106
A. Interfund Balances	106
B. Balances with Component Units	107
C. Interfund Transfers.....	108
NOTE 6 - RISK MANAGEMENT	109
A. The State Insurance Fund.....	110
B. General Liability Trust Fund.....	111
C. State Employee Injury Compensation Trust Fund.....	112
D. State Employees' Insurance Plan.....	113
E. Public Education Employees' Health Insurance	114
F. Alabama Health Insurance Plan.....	115
G. Alabama State Port Authority	116
NOTE 7 - RETIREMENT PLANS.....	116
A. Retirement Systems of Alabama	116
B. Other Pension Plans.....	120
NOTE 8 - DEFERRED COMPENSATION	120
NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS.....	121
A. Plan Descriptions	121
B. Summary of Significant Accounting Policies.....	122
C. Funding Policy	122
NOTE 10 - RELATED ORGANIZATIONS.....	124
NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS.....	124
A. Joint Ventures	124
B. Jointly Governed Organizations	124
NOTE 12 - RELATED PARTY TRANSACTIONS.....	125
NOTE 13 - CONTINGENCIES	125
A. Grants	125
B. Tobacco Settlement	126
C. Litigation.....	126
NOTE 14 - DONOR-RESTRICTED ENDOWMENTS	127
NOTE 15 - SUBSEQUENT EVENTS	127

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 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
- Marion Military 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 revenues

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 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 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 Public Education Employees' Health Insurance Board operates a health insurance plan for employees of public school systems, state junior colleges, colleges, universities, and related education administrative employees. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at 201 South Union Street, Montgomery, AL 36104-0001.

The State Employees' Insurance Board operates health insurance plans for state employees and for employees of local governments. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at Suite 200, 201 South Union Street, Montgomery, AL 36104.

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 Crimson Tide Foundation, the Southern Research Institute, UAB Research Foundation, and Triton Health Systems, L.L.C. are blended component units of the University of Alabama, therefore, are included in all amounts reported for the University.

In addition to the blended component units, there are other legally separate, tax exempt organizations that are discretely presented 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 the discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

University, the University's component units are The Auburn University Foundation, The Tigers Unlimited Foundation, and Auburn Alumni Association. 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 three component units, the University of South Alabama Foundation, the University of South Alabama Health Services Foundation, and the USA Research and Technology Corporation. The Troy University Foundation is a component unit of Troy University. Jacksonville State University's component unit is Jacksonville State University Foundation, Inc. For the University of North Alabama, the University of North Alabama Foundation is a component unit and is included in the amount reported for North Alabama.

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; Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, 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 (AIDB) 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 of 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.

The Red Mountain Greenway and Recreational Area Commission is responsible for preserving, restoring, and promoting as a greenway, recreational area, or historic site certain land in Birmingham which played an important role in the steel industry of the State. The fifteen member Commission is not controlled by the State, but the Commission is fiscally dependent on the State.

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.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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. 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 201 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 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
- 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
 - Marion Military Institute
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account
 - 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
 - Stonewall Jackson Memorial Fund
 - 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
- Alabama Incentives Financing Authority

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

- 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 Capital Projects - Bank Account
- Music Hall of Fame
- Red Mountain Greenway and Recreational Area Commission
- 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 System Office
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority

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. Agency funds, however, do not have a measurement focus. 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 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,

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 four major enterprise funds. The **Unemployment Compensation Trust** accounts for the activities of the federal unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims to the unemployed. 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, the Alabama Fire College, the Alabama Skills Training Consortia, and Marion Military Institute. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement.

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, and the State Motor Pool. 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, post-employment health care plans, 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 2008 ended on September 28. 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.

2. Receivables

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 collectability 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.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 waters. 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 consists almost entirely of amounts owed by local governments. Most of the amount consists of loans made by the Alabama Water Pollution Control Authority and the Drinking Water Finance Authority. Accounts Receivable as reported for the component units are comprised primarily of amounts owed to colleges.

3. Interfund Activity and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either Due To Other Funds 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. Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Assets.

Eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. However, interfund services, provided and used between different functions, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

4. 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.

5. Investments

Investments as reported on the Statement of Net Assets include long-term investments. As required by GASB Statement 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.

6. 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.

7. Capital Assets

Capital assets, which include buildings, land, equipment, and 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 from 1980 to the present as required by GASB Statement No. 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 road and bridge infrastructure annually 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.

8. Compensated Absences

Employees in permanent positions accrue annual leave at a rate of four hours and 20 minutes to nine hours and 45 minutes semi-monthly, 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 and 20 minutes semi-monthly. 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. If a state employee in the classified service dies while in active service to the State, the estate of the deceased employee receives a 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 made during the first month after the end of the fiscal year which represents unused leave balances for those employees who had left state service by the end of the fiscal year.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

The liability for compensated absences was computed using salary rates effective at fiscal year end 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	.84	.46
State Employees	.77	.34

9. 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.

10. 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 and investment income. For the Alabama College System, these non-operating revenues are federal grants and investment revenue.

G. New Accounting Pronouncements

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

- GASB Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions
- GASB Statement No. 48: Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues
- GASB Statement No. 50: Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)
- GASB Technical Bulletin 2006-1: Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D (for provisions related to GASB Statement No. 45)

The University of Alabama, a component unit of the State of Alabama, chose to early implement GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports \$5.1 billion of restricted net assets for the primary government, of which \$269 million is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Assets as of October 1, 2007 have been restated for certain accounting changes necessary to conform to GAAP. Those changes are summarized in the following table:

(Amounts In Thousands)	Sept. 30, 2007 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2007 As Restated
Primary Government			
Governmental Funds			
General Fund	\$ 404,781	\$ -	\$ 404,781
Education Trust Fund	528,391	-	528,391
Alabama Trust Fund	3,302,654	-	3,302,654
Medicaid Fund	(894)	-	(894)
Public Road & Bridge Fund	477,516	-	477,516
Public Welfare Trust Fund	36,255	-	36,255
Nonmajor Governmental Funds	1,755,153	80	1,755,233
Total Governmental Funds	\$ 6,503,856	\$ 80	\$ 6,503,936
Proprietary Funds			
Unemployment Compensation	\$ 439,178	\$ -	\$ 439,178
State Port Authority	323,039	(10,451)	312,588
Alabama College System	745,672	-	745,672
Alcoholic Beverage Control Board	(27,005)	21,657	(5,348)
Nonmajor Enterprise Funds	15,485	85	15,570
Internal Service Funds	155,402	-	155,402
Total Proprietary Funds	\$ 1,651,771	\$ 11,291	\$ 1,663,062
Governmental Activities			
September 30, 2007, as Previously Reported	\$ 22,878,727		
Capital Asset Restatements	12,488		
Long-term Debt Restatements	(11,140)		
Governmental Fund Restatements	80		
Internal Service Fund Restatements	-		
Government-wide Restatements	-		
Net Assets, October 1, 2007, as Restated	\$ 22,880,155		

The State Port Authority was restated down by \$10,451,000 for errors in 2007 for depreciation and write-off of certain assets damaged in Hurricane Katrina. The Alcoholic Beverage Control Board was restated because of an understatement of revenues in the prior year of \$21,657,000. Governmental long-term debt was restated for a note payable not recorded in the previous year, and most of the restatement of Governmental Capital Assets was for a building under construction which is financed by that note.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

(Amounts In Thousands)	Sept. 30, 2007 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2007 As Restated
Component Units			
Public School and College Authority	\$ (1,201,937)	\$ -	\$ (1,201,937)
Mental Health	214,926	(2,357)	212,569
Housing Finance Authority	221,144	-	221,144
Water Pollution Control Authority	272,291	-	272,291
University of Alabama	3,805,361	79,549	3,884,910
Auburn University	1,332,734	-	1,332,734
University of South Alabama	705,695	-	705,695
Public Educ Employees' Health Insurance	46,197	5,734	51,931
State Employees' Health Insurance	129,501	-	129,501
Other Component Units	929,823	4,744	934,567
Total Component Units	\$ 6,455,735	\$ 87,670	\$ 6,543,405
Fiduciary Funds			
Pension and Other Employee Benefits Trust Funds	\$ 34,193,153	\$ 9,288	\$ 34,202,441
Private Purpose Trust Funds	1,457,697	-	1,457,697
Total Fiduciary Funds	\$ 35,650,850	\$ 9,288	\$ 35,660,138

Mental Health was restated down by \$2,357,000 because of the failure to report several capital asset disposals in 2007. The University of Alabama was restated by \$79,549,000 because of early implementation of GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. The Public Education Employees' Health Insurance restatement of \$5,734,000 was a prior year accrual for Prescription Drug Plan manufacturer rebates receivable. The Retired Education Employees' Health Care Trust was restated for Medicare Part D retiree drug subsidy and Prescription Drug Plan manufacturer rebates receivables totaling \$9,288,000.

C. Fund Balance/Net Assets Deficits

1. Primary Government

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$82,468,000, and a total deficit in fund balance of \$78,280,000. This was caused by the accrual of claims outstanding on September 30, 2008. The expense was recognized in fiscal year 2008 along with a receivable for the federal share of the claim. The State matching money will not be available until fiscal year 2009 when the claims will be paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$11,846,000, with a total net asset deficit of \$4,199,000. The deficits are largely due to the accrual of liabilities for compensated absences, salaries payable, other post-employment benefits, and profits currently due to other funds. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of \$2,377,000. The Authority has a deficit balance of \$11,119,000 in net assets invested in capital assets, net of related debt and a deficit in unrestricted net assets of \$16,734,000. 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.

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net assets of \$143,000 from the accrual of other post-employment benefits and salaries payable.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,390,104,000 causing a deficit in total net assets of \$1,379,073,000. 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 pledged by the primary government.

Alabama Agricultural & Mechanical University, a nonmajor component unit, has a deficit of \$10,304,000 in unrestricted net assets, but overall net assets are a positive \$71,538,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$7,118,000 and a positive overall net assets of \$35,864,000. Nearly all of the Commission's assets are either restricted or capital assets.

The Incentives Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$85,202,000 with an overall deficit in total net assets of \$76,026,000. The Authority issues bonds to raise money to fund commitments for economic development grants to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues pledged by the primary government.

The Historic Ironworks Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$465,000, with positive total net assets of \$3,057,000.

The Marine Environmental Sciences Consortium, a nonmajor component unit, had a small deficit in unrestricted net assets of \$55,000 but positive total net assets of \$8,713,000.

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$2,560,000. The Authority issues bonds to finance grants for 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 pledged by the primary government.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$9,384,000. 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 pledged by the primary government.

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*, as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial 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.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

B. Investments

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 U.S. government agency securities.

Alabama Trust Fund – 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.

Alabama College Education Savings (ACES) Plan – The ACES Plan is administered by the State Treasurer. The Board of Trustees has entered into a contract with Van Kampen Asset Management. The investment alternatives are made available through investment portfolios each of which represents a separate, segregated portfolio of investments in mutual funds. The asset allocations for each portfolio are recommended by Van Kampen to the Board and approved by the Board.

2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The RSA administers the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). 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 - The Authority 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 uninsured, 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 - 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.

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 Statement No. 31, most investments are stated at fair value.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

The State's investments at September 30, 2008, are as follows:

Investment Types and Fair Value
September 30, 2008
(Amounts in Thousands)

Investment Types	Governmental and Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 9,148	\$ 321	\$ 19,180
Other U S Government Guaranteed Securities	462,935	994,590	444,485
U S Agency Securities	633,578	945,144	910,099
State and Local Government Securities	6,432	5,660	23
Mortgage Backed Securities	889,365	573,769	964,183
TBA Mortgage Backed Securities	189,441	27,306	-
Commercial Paper	20,010	875,120	126,375
Corporate Bonds	557,368	2,290,471	164,906
Private Placements	348	4,083,449	29,290
Repurchase Agreements	848,310	23,030	382,314
International Bonds	-	681	98,383
Bond Mutual Funds	8,780	372,921	1,447,318
Domestic Equities	576,780	12,930,689	422,540
International Equities	170,945	3,777,287	12,516
Other Mutual Funds	58,018	416,950	1,518,341
Real Estate	10,209	2,223,782	296,375
Guaranteed Investment Contracts	-	-	270,576
	<u>\$ 4,441,667</u>	<u>\$ 29,541,170</u>	<u>\$ 7,106,904</u>

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

Investments Per Investment Note	\$ 4,441,667	\$ 29,541,170	\$ 7,106,904
Certificates of Deposit †	84,518	3,479	35,582
Other Cash Equivalents †	(115,231)	(8,089)	(792,530)
Repurchase Agreements ††	(839,855)	(23,030)	(356,527)
Investments Classified as Restricted Assets	(1,465)	-	-
Foundations and pooled investments §	-	-	28,803
Investments per S statements	<u>\$ 3,569,634</u>	<u>\$ 29,513,530</u>	<u>\$ 6,022,232</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. Also, investments of affiliated entities are included in an investment pool. The investment information that is available is being disclosed.

C. Investment Risks

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. The ratings of the State's investments as of September 30, 2008 are presented below.

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		\$ 2,549,206	\$ 1,124,727	\$ 491,723	\$ 3,374,032
	AAA	33,034	176	369	12,434
Aa1		17,338	45,016	11,811	1,060
	AA+	237	-	-	-
Aa2		33,817	93,078	23,995	1,896
	AA	1,008	-	-	3,765
Aa3		40,393	169,805	37,979	3,356
Aa		385	-	640	5,292
	AA-	22	-	-	-
A1		61,805	210,845	45,825	16,373
A2		64,704	175,847	50,653	3,478
	A	1,036	-	-	997
A3		59,131	251,732	58,098	3,926
	A-	1,351	-	-	-
A		104	-	1,084	16,242
P1		7,366	119,693	115,410	100,290
P2		20,010	547,110	307,693	87,997
Baa1		63,403	288,749	56,390	5,082
	BBB+	56	38,313	5,858	-
Baa2		115,091	336,896	82,233	6,080
	BBB	730	23,029	181	1,407
Baa3		41,604	199,993	35,079	1,514
	BBB-	16	-	2,003	-
Ba1		5,245	35,531	12,271	12
Ba2		5,632	65,097	5,868	-
	BB	11	-	-	-
Ba3		3,272	-	1,495	-
B1		8,199	19,650	7,799	-
B2		1,870	160	1,085	-
B3		6,045	15,780	5,119	207
Caa1		4,420	1,073	8,054	-
Caa2		131	-	293	-
Caa3		-	-	98	-
Ca		907	-	-	-
C		3	-	113	-
U S Govt Guaranteed Securities		392,070	804,995	246,295	271,223
Not Rated †		86,063	3,805,690	203,959	73,193
		<u>\$ 3,625,715</u>	<u>\$ 8,372,985</u>	<u>\$ 1,819,473</u>	<u>\$ 3,989,856</u>

† Consists primarily of private placements and bond mutual funds that are not rated.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 U.S. government agency securities, or mutual funds investing in U.S. government or U.S. government agency securities. The U.S. government and U.S. government agency securities are rated Aaa or AAA. Bond mutual funds may or may not be rated.

As mentioned earlier the investments of the Alabama Trust Fund are limited to those authorized for the Retirement Systems of Alabama. 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.

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. 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.

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 U.S. Government 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.

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 Retirement System of Alabama's intent is to hold all fixed maturity investments until maturity, and as such, the System's fixed maturity investments are classified in the table as if they were held to maturity.

As of September 30, 2008 the State had the following investments and maturities:

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	\$ 2,875	\$ 5,370	\$ 17	\$ 886	\$ 9,148
Other U S Government Guaranteed Securities	84,022	219,011	109,714	50,188	462,935
U S Agency Securities	59,897	183,435	177,686	212,560	633,578
State and Local Government Securities	-	325	1,390	4,717	6,432
Mortgage Backed Securities	5,187	29,717	44,994	809,467	889,365
TBA Mortgage Backed Securities	-	-	-	189,441	189,441
Commercial Paper	20,010	-	-	-	20,010
Corporate Bonds	22,262	202,996	161,512	170,598	557,368
Private Placements	25	107	41	175	348
Repurchase Agreements	848,310	-	-	-	848,310
Bond Mutual Funds	8,433	127	154	66	8,780
Total	<u>\$ 1,051,021</u>	<u>\$ 641,088</u>	<u>\$ 495,508</u>	<u>\$ 1,438,098</u>	<u>\$ 3,625,715</u>

Retirement Systems of Alabama (Fiduciary Component Units)
(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					
Other U S Government Guaranteed Securities	\$ 90,380	\$ 206,776	\$ 446,708	\$ -	\$ 743,864
U S Agency Securities	1,480	380,342	280,179	43,440	705,441
Mortgage Backed Securities	83	4,879	1,639	373,215	379,816
Commercial Paper	547,428	-	-	-	547,428
Corporate Bonds	59,726	740,825	657,133	390,022	1,847,706
Private Placements	38,378	504,546	3,338,342	136,013	4,017,279
Bond Mutual Funds	119,375	-	-	-	119,375
Repurchase Agreements	12,076	-	-	-	12,076
Total	<u>\$ 868,926</u>	<u>\$ 1,837,368</u>	<u>\$ 4,724,001</u>	<u>\$ 942,690</u>	<u>\$ 8,372,985</u>

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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	
Debt Securities					
U S Treasury Strips	\$ -	\$ 321	\$ -	\$ -	\$ 321
Other U S Government Guaranteed Securities	23,793	109,270	108,448	9,214	250,725
U S Agency Securities	1,047	132,561	88,904	17,190	239,702
State and Local Government Securities	700	1,795	2,315	850	5,660
Mortgage Backed Securities	360	8,194	4,628	180,771	193,953
TBA Mortgage Backed Securities	-	-	-	27,306	27,306
Commercial Paper	327,692	-	-	-	327,692
Corporate Bonds	17,066	166,635	174,837	84,227	442,765
Private Placements	-	5,265	49,750	11,154	66,169
Repurchase Agreements	10,954	-	-	-	10,954
International Bonds	-	-	572	109	681
Bond Mutual Funds	95,411	2,185	4,363	151,586	253,545
Total	<u>\$ 477,023</u>	<u>\$ 426,226</u>	<u>\$ 433,817</u>	<u>\$ 482,407</u>	<u>\$ 1,819,473</u>

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	
Debt Securities					
U S Treasury Strips	\$ 3,170	\$ 7,573	\$ 8,437	\$ -	\$ 19,180
Other U S Government Guaranteed Securities	118,226	86,821	121,599	2,292	328,938
U S Agency Securities	322,654	440,222	109,936	37,287	910,099
State and Local Government Securities	-	23	-	-	23
Mortgage Backed Securities	3,607	17,518	2,849	715,499	739,473
Commercial Paper	117,179	-	-	-	117,179
Corporate Bonds	6,571	15,815	25,821	9,088	57,295
Private Placements	-	774	-	603	1,377
Repurchase Agreements	354,821	-	11,243	-	366,064
International Bonds	464	-	-	-	464
Guaranteed Investment Contracts	267,742	2,834	-	-	270,576
Bond Mutual Funds	1,102,348	16,083	1,524	-	1,119,955
Total	<u>\$ 2,296,782</u>	<u>\$ 587,663</u>	<u>\$ 281,409</u>	<u>\$ 764,769</u>	<u>\$ 3,930,623</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.

University of Alabama
(Amounts in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Endowment Fund:		
Other U S Government Guaranteed Securities	\$ 11,603	3.4
Mortgage Backed Securities	31,546	3.5
Corporate Bonds	17,049	4.9
Bond Mutual Funds	57,529	4.2
Prime Fund:		
Other U S Government Guaranteed Securities	8,106	3.8
Mortgage Backed Securities	24,779	3.2
Corporate Bonds	12,612	5.3
Bond Mutual Funds	77,708	4.5
Intermediate Fund:		
Other U S Government Guaranteed Securities	70,478	2.0
Mortgage Backed Securities	166,384	2.1
Corporate Bonds	77,692	1.9
Total	<u>\$ 555,486</u>	

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

3. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. 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.

In order for an international equity security to be eligible for purchase by the Retirement Systems of Alabama (RSA), the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed earlier, and the fair value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

The State's exposure to foreign currency risk at September 30, 2008 was as follows:

**Deposits and Investments Exposed to Foreign Currency Risk
 (Amounts in Thousands)**

	Governmental and Business-Type Activities		RSA (Fiduciary Component Units)	Other Fiduciary Funds	
	Cash	International Equities	International Equities	International Equities	International Bonds
Australian Dollar	\$ 28	\$ 4,023	\$ 214,791	\$ 3,198	\$ 4,876
Brazilian Real	-	1,361	-	-	214
British Pound Sterling	97	38,343	729,751	10,842	18,778
Canadian Dollar	-	8,856	-	109	7,445
Danish Krone	19	3,775	32,757	487	141
Deutsche Mark	-	2,095	-	-	-
Emerging Markets	-	-	224,073	-	-
Euro	279	57,176	1,192,317	18,206	34,313
Hong Kong Dollar	37	3,593	69,446	1,028	3,843
Japanese Yen	97	24,693	746,321	11,105	21,549
Malaysia Ringgit	-	-	-	-	59
Mexican Peso	-	669	-	-	347
New Taiwan Dollar	-	417	-	-	-
New Turkish Lira	-	746	-	-	-
New Zealand Dollar	-	2	2,417	36	-
Norwegian Krone	18	2,116	29,411	436	485
Russian Rouble	-	372	-	-	604
Singapore Dollar	14	396	40,227	588	590
South African Rand	8	757	-	-	-
South Korean Won	-	297	-	-	74
Swedish Krona	40	3,499	72,199	1,066	628
Swiss Franc	29	17,593	264,024	3,933	9,823
Thai Baht	4	166	-	-	-
Various Foreign Currency Index Funds	-	-	-	5,431	-
	<u>\$ 670</u>	<u>\$ 170,945</u>	<u>\$ 3,617,734</u>	<u>\$ 56,465</u>	<u>\$ 103,769</u>

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.

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.

Alabama Trust Fund (ATF) – The ATF’s custodian, Bank of New York (BONY), administers a portion of the program for the ATF. The ATF’s custodial credit risk policy authorizes BONY to hold securities in registered form in the name of its nominee. The policy requires BONY to establish and maintain one or more securities accounts (book entry system) in which BONY will hold the securities. These accounts are in the name of the ATF.

Retirement Systems of Alabama (RSA) – 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 securities purchased with securities lending collateral.

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	\$ -	\$ -	\$ 321	\$ -
Other U S Government Guaranteed Securities	1,662	-	29,293	9,332
U S Agency Securities	62,547	-	100	23,908
State and Local Government Securities	-	-	5,660	-
Mortgage Backed Securities	9,332	-	7,601	20
Corporate Bonds	1,232	-	5,410	3,032
Bond Mutual Funds	-	-	-	755
Repurchase Agreements	779,631	12,076	8,739	340,277
Domestic Equities	2,749	-	-	-
International Equities	16,413	-	-	-
	<u>\$ 873,566</u>	<u>\$ 12,076</u>	<u>\$ 57,124</u>	<u>\$ 377,324</u>

5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments with a single issuer. The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than fifteen percent is invested in one industry, and no more than five percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2008, there were no investments that exceeded the five percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, alternative investments, and short-term investments are limited to 50%, 10%, 65%, 25%, 10%, and 20%, respectively, of each System’s aggregate portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. The suggested limit for real estate is 15% of the book value of each System’s aggregate portfolio. As of September 30, 2008, the

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

Teachers' Retirement System and Employees' Retirement System owned debt and equity securities of Raycom Media Corporation which represented approximately 10.57% and 12.65%, respectively, of the Teacher's Retirement System and the Employee's Retirement System investments.

D. Securities Lending

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 (RSA) custodian, State Street Bank and Trust Company, administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and some other funds of the State. Certain securities are loaned to borrowers approved by the 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, 2008, the average term of the loans was 2, 3, 3, and 3 days, respectively for the TRS, ERS, JRF, and ATF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. 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 Bank of New York (BONY) administers a portion of the securities lending program for the ATF. Also, the Prepaid Affordable College Tuition Program's (PACT) investment policy approved by the Board of Trustees permits the PACT Program to enter into securities lending transactions defined as loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made for the PACT Program. The PACT Program's custodian, BONY, administers the program and acts as an agent for the PACT Program. Certain securities of the ATF and the PACT Program are loaned to borrowers approved by the ATF Board of Trustees and the PACT Program. Approved borrowers of securities provide acceptable cash collateral in the form of federal funds or New York Clearing House funds as applicable for a particular loan. The BONY has provided loss indemnification to the PACT Program in the event that the borrower does not return the market value of the securities loaned. All security loans are open loans and can be terminated on demand by the lender, borrower, or BONY. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount 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, cash collateral in the amount of 105 percent of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BONY shall, in accordance with BONY'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. As of September 30, 2008, the average term of the loans was 133 and 67 days, respectively for the ATF and the PACT Program. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. All approved investments shall be for the account and risk of ATF or the PACT Program. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, the lender agrees to pay BONY on demand cash in an amount equal to such deficiency.

The following describes the manner in which BONY is authorized to invest and reinvest cash collateral.

- Securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States Government (“Government Securities”).
- High-grade commercial paper, notes, bonds, and other debt obligations including promissory notes, funding agreements, and guaranteed investment contracts whether or not registered under the Securities Act of 1933, as amended. Such obligations may have fixed, floating, or variable rate interest payment provisions. Obligations maturing within one year shall be issued by issuers rated at least A-1 (by Standard & Poor’s) or P-1 (by Moody’s). Obligations maturing beyond one year shall be issued by issuers rated at least A (by Standard & Poor’s) or A2 (by Moody’s).
- Asset-backed securities which carry the highest credit rating by Standard and Poor’s or Moody’s.
- Certificates of deposit, time deposits and other bank obligations of U.S. banks, their branches and subsidiaries. Obligations will be rated A-1 (Standard & Poor’s) or P-1 (Moody’s) if maturing within one year or rated A (Standard & Poor’s) or A2 (Moody’s) if maturing beyond one year.
- Repurchase and reverse repurchase agreements collateralized by approved investments.
- Securities, units, shares and other participations in money market funds, unregistered short-term investment funds, pools or trusts.
- Government securities having no maturity limit. Fixed rate instruments shall have a maturity of no greater than 13 months. Floating rate instruments rated “A” or “AA” shall have maturities no greater than three years with resets no less frequent than three months. Floating rate instruments rated “AAA” shall have maturities no greater than five years with resets no less frequent than three months.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the lender. Securities pledged as collateral are held by the custodial agent, but not in the name of the lender. Letters of credit pledged as collateral are issued by the borrower’s bank and are irrevocable.

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, 2008. 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.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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

Type of Investment Lent	Governmental and Business- Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral				
Domestic Fixed Maturities	\$ 324,731	\$ 1,096,703	\$ 321,357	\$ 29,272
Domestic Equity	105,878	823,303	147,153	21
International Equity	1,422	378,413	6,114	-
Total Lent for Cash Collateral	432,031	2,298,419	474,624	29,293
For Non-cash Collateral				
Domestic Equity	1,126	35,357	3,738	-
International Equity	-	559,134	6,883	-
Total Lent for Non-Cash Collateral	1,126	594,491	10,621	-
Total Securities Lent	\$ 433,157	\$ 2,892,910	\$ 485,245	\$ 29,293
Type of Collateral Received				
Cash Collateral				
Cash Collateral - Invested in				
State Street Quality D Fund	\$ 270,076	\$ 2,354,396	\$ 398,089	\$ 30,133
BONY Investments	172,220	-	85,907	-
Total Cash Collateral	442,296	2,354,396	483,996	30,133
Non-Cash Collateral				
For Lent Domestic Equity Securities				
Securities Collateral - US Dollars	1,221	36,867	3,127	-
Letters of Credit	29	1,531	-	-
For Lent International Equity Securities				
Securities Collateral				
Canadian Dollar	-	609	-	-
EURO	-	1,247	-	-
US Dollar	-	613,632	8,762	-
Letters of Credit	-	2,257	-	-
Total Non-Cash Collateral	1,250	656,143	11,889	-
Total Collateral Received	\$ 443,546	\$ 3,010,539	\$ 495,885	\$ 30,133

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.

The ATF and the PACT Program invest in TBA (to be announced) purchase commitments, pursuant to which the ATF and the PACT Program agree to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2008, the ATF and the PACT Program had investments in TBA mortgage-backed securities in the amounts of \$189,441,000 and \$27,306,000 respectively. Included in accounts payable on the Statement of Net Assets is a corresponding liability for the cost of the TBAs. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF or the PACT Program would be obligated for those amounts should the securities be delivered.

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 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 the 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. In January, 2008, Bank of America, N.A., Bear Stearns Capital Markets, Inc. and Goldman Sachs Mitsui Marine Derivative Products, L.P. exercised its early termination rights to cancel the interest rate swap agreements effective April 1, 2008.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

G. Capital Assets

Historical costs for infrastructure assets are included in the 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 No. 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, 2008, 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
GOVERNMENTAL-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 179,045	\$ 46,756	\$ 713	\$ 225,088
Historical Exhibits	2,658	-	-	2,658
Construction in progress	133,247	32,144	16,090	149,301
Construction in progress - Infrastructure	4,399,528	473,268	159,947	4,712,849
Infrastructure	11,932,373	159,947	-	12,092,320
Total	16,646,851	712,115	176,750	17,182,216
Capital assets being depreciated:				
Buildings	1,050,204	74,726	35,551	1,089,379
Equipment	590,565	72,007	81,153	581,419
Total	1,640,769	146,733	116,704	1,670,798
Less accumulated depreciation:				
Buildings	516,924	25,221	33,341	508,804
Equipment	351,719	51,406	63,648	339,477
Total	868,643	76,627	96,989	848,281
Total capital assets being depreciated, net	772,126	70,106	19,715	822,517
Governmental-type activities capital assets, net	\$ 17,418,977	\$ 782,221	\$ 196,465	\$ 18,004,733
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 2,346			
Social Services	3,357			
Education and Cultural Resources	3,290			
Natural Resources and Recreation	5,198			
Health - Physical & Mental	5,726			
General Government	11,059			
Protection of Persons & Property	22,468			
Transportation	23,183			
Total Depreciation Expense	\$ 76,627			

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets not being depreciated:				
Land	\$ 62,763	\$ 2,635	\$ 737	\$ 64,661
Historical Exhibits	2,350	-	-	2,350
Construction in progress	249,717	47,884	16,237	281,364
Total capital assets not being depreciated	<u>314,830</u>	<u>50,519</u>	<u>16,974</u>	<u>348,375</u>
Capital assets being depreciated:				
Buildings	1,098,196	151,339	32,757	1,216,778
Equipment	411,176	55,030	17,477	448,729
Total capital assets being depreciated	<u>1,509,372</u>	<u>206,369</u>	<u>50,234</u>	<u>1,665,507</u>
Less accumulated depreciation				
Buildings	408,935	31,213	821	439,327
Equipment	221,890	21,081	7,053	235,918
Total accumulated depreciation	<u>630,825</u>	<u>52,294</u>	<u>7,874</u>	<u>675,245</u>
Total capital assets being depreciated, net	<u>878,547</u>	<u>154,075</u>	<u>42,360</u>	<u>990,262</u>
Business-type activities capital assets, net	<u>\$ 1,193,377</u>	<u>\$ 204,594</u>	<u>\$ 59,334</u>	<u>\$ 1,338,637</u>
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 20,664			
Alabama College System	28,257			
Alcoholic Beverage Control Board	3,099			
Other Nonmajor Enterprise Funds	274			
Total Depreciation Expense	<u>\$ 52,294</u>			

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
COMPONENT UNITS				
Capital assets not being depreciated:				
Land	\$ 184,417	\$ 6,748	\$ 1,753	\$ 189,412
Historical Exhibits	77,302	205	-	77,507
Construction in progress	432,738	481,166	297,070	616,834
Total capital assets not being depreciated	694,457	488,119	298,823	883,753
Capital assets being depreciated:				
Buildings	4,913,011	344,079	15,899	5,241,191
Equipment	1,730,337	156,070	88,324	1,798,083
Total capital assets being depreciated	6,643,348	500,149	104,223	7,039,274
Less accumulated depreciation				
Buildings	1,885,916	141,450	4,904	2,022,462
Equipment	1,231,350	111,220	74,526	1,268,044
Total accumulated depreciation	3,117,266	252,670	79,430	3,290,506
Total capital assets being depreciated, net	3,526,082	247,479	24,793	3,748,768
Component Units capital assets, net	\$ 4,220,539	\$ 735,598	\$ 323,616	\$ 4,632,521
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	\$ 311			
Mental Health	2,374			
Water Pollution Control Authority	291			
University of Alabama	154,476			
Auburn University	41,451			
University of South Alabama	19,761			
State Employee Insurance Board	89			
Other Nonmajor Component Units	33,917			
Total Depreciation Expense	\$ 252,670			

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government

At September 30, 2008, the Department of Transportation had construction and maintenance contracts of \$2,519,854,186. The amount already performed was \$2,116,415,035, leaving an outstanding balance of \$403,439,151. The funding sources for this amount are 83 percent Federal funds, 16 percent state and local funds, and 1 percent bonds.

The Public Health Care Authority had total contracts for construction and repair of certain county health department buildings of \$3,701,093 at September 30, 2008.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2008 of approximately \$159,247,000, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$557,000,000. At September 30, 2008, the estimated remaining cost to complete the projects was approximately \$329,000,000 payable from University funds and bond proceeds.

At September 30, 2008, Jacksonville State University had commitments on construction projects of \$52,613,000, which is expected to be financed from university bonds and state funds.

The University of Alabama at Huntsville has contracted for the construction of a new parking facility known as the Intermodal Parking Facility. At September 30, 2008 the estimated cost to complete the construction of this facility is \$3,400,000, which is expected to be paid from federal resources.

The Alabama Space Science Exhibit Commission had total contracts awarded at September 30, 2008 of \$485,000 to design exhibits for the Davidson Center for Space Exploration. Costs to date as of September 28, 2008 were \$48,500. The costs of this contract, and related subsequent exhibit construction, are expected to be funded through restricted contributions.

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. Economic Development

The State and its component units have made a variety of economic development grant commitments to the private sector to finance the cost of industries locating and expanding in the State, as well as the training costs of employees.

a. Primary Government

The State has committed to economic development grants totaling \$248,910,000 as of September 30, 2008. It is expected that in fiscal year 2009, \$39,921,000 of commitments will be paid from appropriations, and \$107,757,000 will be paid from existing general obligation bond proceeds. The remaining \$101,232,000 is expected to be paid in fiscal year 2010 or later from existing general obligation bond proceeds.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

b. Component Units

The Twenty-first Century Authority, a component unit, has committed to economic development grants of \$3,335,000 for fiscal year 2009. The Alabama Public School and College Authority, a component unit, has committed \$14,633,000 from fiscal year 2009 and \$5,000,000 from fiscal year 2010 and beyond.

c. State Entity

The State as a whole has an additional \$77,964,000 in economic development grant commitments to meet for which the funding source has not yet been decided, therefore they are not included above as either primary government or component unit. \$33,539,000 of these grant commitments will be paid in 2009 and \$44,425,000 in 2010 or later.

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$48,995,000 of its net assets for fiscal year September 30, 2008 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.

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 two years. The amount outstanding is \$4,000,000. 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 \$4,767,438 for the next three years in the form of actual payments and tax credits. The amount outstanding is \$14,302,314. 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 of 1901*, 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, economic development grants, 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, diagnostic and research laboratories, historical projects, and economic development grants. 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>	
2009	\$ 32,925,000	\$ 32,952,687	\$ 65,877,687	
2010	34,315,000	31,471,950	65,786,950	
2011	33,780,000	29,952,652	63,732,652	
2012	35,155,000	28,474,939	63,629,939	
2013	36,625,000	26,997,150	63,622,150	
2014-2018	208,640,000	106,723,047	315,363,047	
2019-2023	212,170,000	52,181,065	264,351,065	
2024-2028	111,870,000	10,862,725	122,732,725	
Total	705,480,000	\$ 319,616,215	\$ 1,025,096,215	
Unamort Prem	15,664,796			
	\$ 721,144,796			

GENERAL OBLIGATION BONDS PAYABLE

<u>General Obligation Issue</u>	<u>Final</u>			
	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Bonds Payable Sept. 30, 2008</u>
Series 1999				
Series B Refunding Bonds	07/13/99	10/01/09	3.8% to 5.0%	\$ 3,480,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	42,680,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	13,170,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	78,825,000
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	4,545,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	73,730,000
Series 2002				
Series A	09/01/02	09/01/22	3.0% to 5.0%	42,585,000
Series 2005				
Series A	02/01/05	08/01/25	3.0% to 5.0%	92,630,000
Series 2006	02/01/06	02/01/26	3.5% to 5.0%	58,970,000
Series 2007	08/01/07	08/01/27	3.5% to 5.0%	294,865,000
Sub-total General Obligation Bonds				705,480,000
‡ Plus: Unamortized Premiums				15,664,796
Total General Obligation Bonds				\$ 721,144,796

‡ Unamortized premiums were \$645,439 for Series 2001-E, \$721,006 for Series 2002-A, \$4,455,394 for Series 2005-A, \$976,892 for Series 2006 and \$8,866,065 for Series 2007-A.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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, construction, and capital improvements of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease, 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, construction, and equipping of buildings located in each county for the use of the Department of Public Health. Transfers received from the Department of Public Health, along with income from investing idle funds, and a Municipal Bond Insurance Policy are used 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 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 the Authority derived from charges made by the Authority for all services provided. At September 30, 2008, the outstanding principal balance of the 2008A bonds was \$61,300,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67% of LIBOR (London Interbank Offered Rate). The rate at 9/30/08 was 2.67%. At September 30, 2008, the outstanding principal balance of the 2008-B bonds was \$50,000,000. The Series 2008-B bonds will bear interest at a rate of 50 basis points plus LIBOR. The rate at 9/30/08 was 2.99%.

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 \$252,680,000 for the Alabama College System and \$12,865,000 for Athens State.

PRIMARY GOVERNMENT					
Governmental Activities	Date	Final	Interest		Bonds
Revenue Bonds	Issued	Maturity	Rates		Payable
		Date			Sept. 30, 2008
Alabama Corrections Institution Finance Authority					
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	\$	8,775,000
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%		26,510,000
Alabama Building Renovation Finance Authority					
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%		17,110,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%		11,985,000
Series 2006	08/01/06	09/01/31	4.00% to 5.00%		30,000,000
Alabama Judicial Building Authority					
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%		32,660,000
Alabama Public Health Care Authority					
Series 2005	09/28/05	09/01/35	4.00% to 4.50%		54,765,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		135,820,000
Sub-total Revenue Bonds Payable					321,625,000
‡ Less: Unamortized Discounts					(508,623)
§ Plus: Unamortized Premiums					5,077,889
†† Less: Unamortized Loss					(2,711,122)
Net Primary Government					<u>323,483,144</u>
Revenue Bonds Payable, Governmental Activities				\$	<u>323,483,144</u>

‡ Unamortized Discount \$26,820 for Alabama Building Renovation Finance Authority and \$481,803 for Public Health Care Authority.

§ Unamortized premium is \$1,821,132 for Federal Aid Highway Finance Authority, \$1,577,545 for Montgomery Downtown Redevelopment Authority, \$299,930 for Alabama Corrections Institution Finance Authority, \$269,685 for Building Renovation Finance Authority and \$1,109,597 for Judicial Building Authority.

†† Unamortized accounting losses were \$295,513 for the Alabama Building Renovation Finance Authority, \$929,961 for Montgomery Downtown Redevelopment Authority, \$125,517 for Alabama Corrections Institution Finance Authority \$898,549 for Public Health Care Authority, and \$461,582 for Judicial Building Authority.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

PRIMARY GOVERNMENT		Final			
Business-Type Activities	Date	Maturity	Interest	Bonds Payable	
Revenue Bonds, Proprietary Funds	Issued	Date	Rates	Sept. 30, 2008	
State Port Authority					
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	\$	154,220,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%		66,385,000
Series 2006-D	12/07/06	10/01/30	4.35% to 4.35%		21,600,000
Series 2008-A	04/01/08	10/01/21	Variable		61,300,000
Series 2008-B	07/09/08	07/10/09	Variable		50,000,000
Alabama College System	Various	Various	1.40% to 8.00%		265,545,000
Sub-total Revenue Bonds Payable, Proprietary Funds					619,050,000
§ Less: Unamortized Premium					4,548,799
†† Less: Unamortized Loss					(10,640,170)
Net Primary Government Revenue Bonds Payable, Proprietary Funds					\$ 612,958,629

§ Unamortized premium \$4,548,799 for Alabama State Port Authority.

†† Unamortized accounting losses were \$10,640,170 for Alabama State Port Authority.

Revenue Bonds					
Debt Service Requirements to Maturity					
Maturity	Governmental Activities			Business-type Activities	
	Principal	Interest		Principal	Interest
2009	\$ 24,555,000	\$ 15,130,691		\$ 70,980,000	\$ 26,854,273
2010	25,655,000	13,954,716		21,805,000	24,504,103
2011	26,830,000	12,752,134		22,580,000	23,597,410
2012	28,070,000	11,480,281		23,730,000	22,840,560
2013	29,390,000	10,108,266		25,510,000	22,411,280
2014-2018	110,175,000	30,718,317		119,790,000	91,249,140
2019-2023	28,340,000	15,202,800		140,585,000	65,255,568
2024-2028	22,095,000	8,802,119		74,790,000	40,143,156
2029-2033	19,925,000	3,974,400		65,615,000	21,034,945
2034-2037	6,590,000	448,200		53,665,000	6,169,950
Total	321,625,000	\$ 122,571,924		619,050,000	\$ 344,060,385
Unamort Prem	5,077,889			4,548,799	
Unamort Loss	(2,711,122)			(10,640,170)	
Unamort Disc	(508,623)			0	
	\$ 323,483,144			\$ 612,958,629	

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.

The Alabama Public School and College Authority 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, 2008, 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 8.25% as of September 30, 2008.

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, as amended, which established the Federal Family Education Loan Program. 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, guaranteed payments on defaulted loans, proceeds from any sale of loans and issuance of refunding bonds. The interest rate for the 2006A-1

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

and 2006-A2 bonds is an auction rate based on an auction period of 35 days. At September 30, 2008, the rate for the 2006-A1 was 3.15% and the rate for the 2006-A2 was 3.22%.

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	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2008
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%	59,125,000
Alabama Public School and College Authority				
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%	42,000,000
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%	162,200,000
Series 2001-A	05/15/01	02/01/21	4.50% to 5.63%	69,905,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	82,400,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	83,995,000
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%	101,150,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	76,170,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	50,105,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	1,070,585,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	49,485,000
State Industrial Development Authority				
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	1,400,000
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	06/01/15	3.00% to 5.00%	12,910,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	280,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	38,040,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	88,260,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	9,320,000
Sub-Total Revenue Bonds, Component Units				\$ 2,621,615,000

Continued on next page

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2008
Sub-Total from previous page				\$ 2,621,615,000
Alabama Housing Finance Authority				
Single family Bond Programs	1994-2007	2009-2039	Various	840,685,000
Multi-family Bond Programs	1989-2007	2009-2048	Various	227,156,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	16,555,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	41,950,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	43,055,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	45,070,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	48,220,000
Revolving Fund Loan Bonds, Series 2002-A	01/15/02	08/15/24	3.00% to 5.10%	26,615,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	32,835,000
Revolving Fund Loan Bonds, Series 2003-A	01/01/03	08/15/26	3.00% to 5.00%	30,820,000
Revolving Fund Loan Bonds, Series 2003-B	01/01/03	02/15/16	3.00% to 4.38%	36,465,000
Revolving Fund Loan Bonds, Series 2003-C	08/01/03	08/15/15	2.50% to 4.25%	7,265,000
Revolving Fund Loan Bonds, Series 2004-A	04/01/04	08/15/16	2.00% to 4.00%	24,995,000
Revolving Fund Loan Bonds, Series 2008	08/15/29	01/00/00	3.00% to 4.00%	44,680,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	24,070,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	6,245,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,160,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	20,285,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	28,340,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	36,350,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,800,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	42,465,000
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%	11,600,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006-A1	11/27/06	03/01/33	Variable	25,000,000
Student Loan Revenue Bonds, Series 2006-A2	11/27/06	11/01/41	Variable	75,000,000
Sub-total Revenue Bonds Payable, Component Units				\$ 4,390,696,000

Continued on next page

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2008
Sub-Total from previous page				\$ 4,390,696,000
Higher Education				
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	356,805,000
University of Alabama - Birmingham	1993	2041	2.50% to 5.75%	719,335,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	54,611,000
Alabama A&M University	1980	2033	3.00% to 5.38%	65,510,000
Alabama State University	1965	2038	1.90% to 8.50%	136,054,000
Auburn University	1978	2038	1.40% to 6.00%	577,204,086
Jacksonville State University	1993	2023	2.25% to 5.00%	19,705,000
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	2,525,000
University of Montevallo	1985	2030	3.00% to 6.50%	20,658,000
University of North Alabama	1999	2035	3.65% to 6.50%	22,930,000
University of South Alabama	1999	2038	2.00% to 5.25%	308,913,000
Troy University	1998	2028	2.75% to 6.50%	57,060,000
Total Revenue Bonds Payable				6,732,006,086
Less: Unamortized Discounts				(13,381,715) †
Less: Unamortized Loss				(18,734,214) ‡
Plus: Unamortized Premium				75,558,933 §
Net Revenue Bonds Payable, Component Units				\$ 6,775,449,090

† Unamortized discounts were \$10,914,921 for the University of Alabama - Birmingham, \$69,000 for the University of South Alabama, \$122,123 for the University of Montevallo, \$879,789 for the Drinking Water Authority, \$1,071,045 for Auburn University, \$25,000 for State Industrial Development Authority, \$16,094 for Tennessee Valley Exhibit Commission, and \$283,743 for the University of North Alabama.

‡ Unamortized accounting loss was \$4,077,562 for Alabama State University, \$636,558 for the Alabama Space and Science Commission, \$6,284,451 for the Water Pollution Control Authority, \$12,692 for the Tennessee Valley Commission, \$2,325,788 for the University of Alabama - Tuscaloosa, \$576,972 for Auburn University, \$350,676 for the Mental Health Finance Authority, \$964,000 for the University of South Alabama and \$3,505,515 for Alabama A & M University.

§ Unamortized premiums were \$1,953,925 for the University of Alabama - Tuscaloosa, \$7,724,319 for Auburn University, \$1,309,566 for the Alabama Twenty-first Century Authority, \$51,281,680 for Alabama Public School and College Authority, \$8,354,000 for the University of South Alabama, \$1,645,250 for the Water Pollution Control Authority, \$565,630 for the Mental Health Finance Authority, \$57,575 for Alabama State University and \$2,666,988 for Alabama A & M University.

COMPONENT UNITS
Debt Service Requirements to Maturity

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 543,397,294	\$ 305,067,365	\$ 848,464,659
2010	271,861,020	293,425,202	565,286,222
2011	271,758,610	281,873,309	553,631,919
2012	281,326,833	269,048,396	550,375,229
2013	290,898,538	255,662,392	546,560,930
2014-2018	1,421,059,484	1,076,616,003	2,497,675,487
2019-2023	1,260,626,307	729,868,072	1,990,494,379
2024-2028	1,035,949,000	443,437,203	1,479,386,203
2029-2033	602,003,000	256,602,737	858,605,737
2034-2038	602,626,000	101,684,777	704,310,777
2039-2043	147,875,000	15,126,771	163,001,771
2044-2048	2,515,000	360,000	2,875,000
2049-2053	110,000	3,000	113,000
Total	6,732,006,086 †	\$ 4,028,775,227	\$ 10,760,781,313
Unamort Disc	(13,381,715)		
Unamort Loss	(18,734,214)		
Unamort Prem	75,558,933		
	\$ 6,775,449,090		

† 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, 2008, the Alabama Housing Finance Authority called approximately \$206,488,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$467,000 and is primarily comprised of the premium paid to retire the bonds.

On October 1, 2007, the Alabama Judicial Building Authority issued \$32,660,000 Series 2007 Revenue bonds which bear interest at 3.5% to 5% and are due on November 1, 2019. A portion of the proceeds were used to currently refund \$22,797,589 of the Series 1996 Capital Appreciation Bonds. The Authority had economic gain related to the refunding of \$517,506 and a difference between the cash flows required to service the old debt and the cash flows to service the new debt of an additional \$527,523.

On April 1, 2008, the Alabama State Port Authority issued \$60,455,000 Series 2008-A Docks Facilities Revenue Refunding Bonds which bear interest at a variable rate and are due on October 1, 2021. The proceeds were used to currently refund \$60,295,000 of the Series 2006-C Docks Facilities Revenue Bonds variable rate bonds. The Authority had a difference between the cash flows required to service the old debt and the cash flows to service the new debt of an additional \$1,579,845.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

On February 1, 2008, the Alabama Water Pollution Control Authority issued the Series 2008-A Refunding Revolving Loan Bonds in the amount of \$44,680,000 for the purpose of refunding the Series 1996-A and 1996-B Bonds that had aggregate principal balances of \$27,690,000 and \$30,180,000 on February 15, 2008, respectively. The bonds bear interest rates ranging from 3.00% to 4.00% and are due on August 15, 2019. The refunding resulted in accounting loss of approximately \$489,102 and \$685,136, respectively, which has been capitalized and is being amortized on a straight-line basis, through 2020. Although the refunding resulted in an accounting loss, the Authority reduced its aggregate debt service by approximately \$21 million over the next 13 years and obtained an economic gain (the difference between the present values of the old and new debt service requirements) of approximately \$10.4 million. As of September 30, 2008, the unamortized deferred refunding costs totaled \$1,111,332 for the Series 1996-A and 1996-B Bonds.

During the year ended September 30, 2008, the University of Alabama at Birmingham issued \$218,839,000 Series 2008-A Hospital Revenue Bonds and refunded \$218,450,000 Series 2000-B, Series 2000-C and Series 2000-D Hospital Revenue Bonds. In July 2008, the Hospital issued \$109,925,000 in Series 2008-B Hospital Revenue Bonds to provide permanent financing for the refunded bonds. The 2008-A bonds pay interest at varying rates from 4% to 5.25% with principal due annually through 2025. The 2008-B bonds were issued in the weekly rate mode backed by a bank letter of credit with the average interest rate including fees being 3.35% through September 30, 2008. Principal repayment begins in 2025 and is completed in 2031.

In November 2007, the Alabama Incentives Financing Authority called \$11,290,000 of its 1999-C bonds prior to their scheduled maturity.

Defeased Bonds:

<u>Component Units</u>	<u>Amount</u>
University of Alabama in Tuscaloosa	\$ 32,300,000
University of Alabama in Birmingham	190,260,000
University of Montevallo	7,820,000
<u>Primary Government</u>	<u>Amount</u>
State Port Authority	\$ 76,890,000

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, 2008, were as follows:

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$ 523,357
Drinking Water Finance Authority	22,185
Alabama Higher Education Loan Corp.	2,897,834
Housing Finance Authority	7,165,000

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	\$ 750,000	\$ 610,025	\$ 139,975
Federal Aid Highway Finance Authority	Unlimited (based on amount received in federal funds)		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,000	4,000
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
Alabama Judicial Building Authority	10,000	10,000	-
Total Primary Government	\$ 1,016,000	\$ 721,025	\$ 294,975
<u>Component Units</u>			
State Industrial Development Authority †	\$ 100,000	\$ 38,390	\$ 61,610
Mental Health Finance Authority	100,000	84,265	15,735
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments		
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	175,000	86,795	88,205
Total Component Units	399,000	209,450	189,550
Total Reporting Entity	\$ 1,415,000	\$ 930,475	\$ 484,525

† 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 9/30/08, \$5,650,000 was outstanding.

7. Derivative Transactions

Alabama Public School and College Authority (Authority) - The Authority and JPMorgan Chase Bank (JPMorgan) entered into a Master Agreement dated as of March 13, 2002 (the "Swap Option Agreement"), with respect to the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds, and Series 1999-D Bonds (collectively, the "Swap Bonds"). The Swap Option Agreement was subsequently amended on January 16, 2003. Under the terms of the Swap Option Agreement, the Authority received certain lump sum payments in the amount of \$12,587,000 from JPMorgan in return for an option to enter into fixed payer interest rate swaps with respect to each of the Swap Bonds in the notional amounts of \$283,715,000 with respect to the Series 1998 Bonds, \$18,675,000 with respect to the Series 1999-A Bonds, \$254,125,000 with respect to the Series 1999-C Bonds and \$153,700,000 with respect to the Series 1999-D Bonds. Such option is exercisable by JPMorgan upon 150 days prior written notice on November 1 in the years 2008 through 2011 for the Series 1998 Bonds, September 1 in the years 2009 and 2010 for the Series 1999-A Bonds, July 1 in the years 2009 through 2011 for the Series 1999-C Bonds, and on August 1 in the years 2009 through 2011 for the Series 1999-D Bonds. JPMorgan notified the Authority of its intention to exercise its option with respect to the Series

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

1998 Bonds, effective November 1, 2008, the effect of which under the Swap Option Agreement would have been to require the Authority to issue variable rate bonds for the purpose of refunding the Series 1998 Bonds. As of September 30, 2008, termination payments for the Swap Option Agreement would have been approximately \$(72,130,032).

Alabama State Port Authority - 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. In consideration for writing the option, the Authority received a premium payment of \$5,025,000. The premium payment was amortized by the Authority during fiscal years 2003, 2004, 2005 and 2006. The counterparty exercised its option on July 18, 2006 (the Authority's 1996 Series bonds' first call date). Since the option was exercised, the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (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 intended to issue variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. The Series 2006C variable rate revenue bonds were issued in November, 2006. The Series 2008A variable rate revenue bonds were issued in April, 2008 to refund the Series 2006C bonds. As of September 30, 2008, the swap had a negative fair value of approximately \$12,365,000. The swap value 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 swap.

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into two derivative transactions with Wachovia Bank, N.A. The first transaction was an interest rate cap entered into in connection with a construction loan. The second transaction was a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that will come into effect upon conversion of the construction loan into a promissory note on May 1, 2008. The Corporation utilizes the interest rate cap to limit its variable rate exposure on the construction loan and the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. The construction loan and the associated interest rate cap were entered into on July 17, 2007 and February 27, 2007, respectively. The interest rate cap will terminate on May 1, 2008, when the loan will be converted into a promissory note. The interest rate cap's notional amount is equal to the construction loan balance and is limited to a maximum of \$18,000,000. The construction loan bears variable rate interest equal to the one-month LIBOR plus 0.85%. When the variable rate exceeds 6.1%, the cap operates to cause the counterparty, Wachovia Bank, N.A., to pay the Corporation the difference between the variable rate and 6.1%. For the year ended September 30, 2008, the Corporation received \$6,345 under the interest rate cap agreement, which is reflected as a reduction of interest expense. The promissory note came into effect on May 1, 2008 upon conversion of the construction loan. Also, on May 1, 2008, the interest rate swap associated with the loan became effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty, Wachovia Bank, N.A., a fixed payment of 6.1% and receives a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the loan bears interest at the one-month LIBOR rate plus 0.85%. For the year ended September 30, 2008, the Corporation paid \$206,104 under the interest rate swap agreement, which is reflected as an increase in interest expense.

Fair Value. The interest rate swap had a fair value at September 30, 2008 of \$(1,315,000).

Credit Risk. As of September 30, 2008, the Corporation was not exposed to credit risk on the derivative because they had a net negative fair value. However, if interest rates change and the fair value of the derivative becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated AA- by Standard & Poor's Ratings Services as of September 30, 2008.

Termination Risk. The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. Due to recent economic conditions, Wachovia Bank, N.A. is currently experiencing some financial difficulties and recently announced a proposed merger with Well Fargo & Company. Under the proposed transaction, Well Fargo & Company will acquire all of Wachovia Bank, N.A. and all its businesses and obligations including its preferred equity and indebtedness, and all its banking deposits. Due to inherent uncertainties, there is a risk that the merger will not be completed and Wachovia Bank, N.A. may not be able to perform under its obligations as the counterparty. At September 30, 2008, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a net negative fair value, the Corporation would be

liable to the counterparty for a payment equal to the interest rate swap's fair value. To allow the Corporation the maximum flexibility to manage the utilization of Building II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases and a security interest in income received from rental of Building II.

In January 2008, the University of South Alabama entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000, which was recorded as a liability, in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively. The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University. If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$46,245,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the on-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds. If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaption would be canceled and the University would have no further obligation under this agreement. A swaption is considered a hybrid instrument and consists of two components, at time value and an intrinsic value. The intrinsic value of the swaption represents the value of the counterparty's option if it were exercised immediately. The time value of the swaption is the difference between the total value and the intrinsic value and represents the probability weighted, discounted values of a range of future possible outcomes. The time value of the payment (\$2,261,000) to the University is considered a deferred investment income and is being amortized to investment income through the expiration date of the option. For the year ended September 30, 2008, \$237,000 was amortized and that amortization is included as investment income in the statement of revenues, expenses, and changes in net assets. The intrinsic value of the payment (\$7,067,000) is considered a borrowing, and as such is included in long term debt on the University's 2008 statement of net assets. Interest is being accrued on, and added to, the borrowing through the expiration date of the option. For the year ended September 30, 2008, \$269,000 was accrued and is included in interest expense in the 2008 statement of revenues, expenses, and changes in net assets. At September 30, 2008, the derivative transactions had a fair value of \$(12,290,000).

Interest Rate Risk. Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University's fixed rate bonds. If the counterparty exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk, as a result of changes in long term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to change. If long term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

Market Access Risk. This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counterparty exercises its right under the swaptions, the University would still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

Basis Risk. If the counterparty exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

Credit Risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2008, the swap counterparty was rated Aa3 by Moody's Investors Services and AA- by Fitch Ratings.

Termination Risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. At September 30, 2008, no events of termination have occurred.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

Maturity	Governmental	Business-Type	Component
	Activities	Activities	Units
	Principal	Principal	Principal
2009	\$ 4,355,892	\$ 2,953,217	\$ 19,281,275
2010	3,742,704	4,913,924	7,488,719
2011	3,269,965	4,799,936	5,035,233
2012	2,754,638	1,582,276	4,509,314
2013	2,059,429	1,316,542	7,116,826
2014-2018	9,174,379	514,083	25,852,781
2019-2023	8,790,990	60,000	16,702,557
2024-2028	4,058,403	60,000	13,578,751
2029-2033	1,777,610	23,822	5,321,501
2034-2038	1,820,834	-	4,995,000
2039-2043	130,677	-	-
Total	41,935,521	16,223,800	109,881,957
Interest	(1,347)	-	(744,579)
Net	\$ 41,934,174	\$ 16,223,800	\$ 109,137,378

At September 30, 2008 assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental
	Activities
Buildings	\$ 73,979,000
Equipment	703,463,000
Less: accumulated depreciation	(24,628,000)
Total	\$ 752,814,000

The State leases office buildings and equipment with varying terms and options. Most buildings under capital lease have a term of twenty-five to thirty years, but can range from twenty to forty years. Capital leases are recorded at the lower of the present value of the future minimum lease payments or fair market value. Principal and interest capital lease payments are recorded as expenditures of the applicable governmental function in the governmental fund. The largest capital leases in governmental activities are for buildings and equipment in county facilities used by the Department of Public Health and the Department of Human Resources.

9. Changes in Noncurrent 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	\$ 773,253	\$ -	\$ (52,108)	\$ 721,145	\$ 32,925
Revenue Bonds	333,438	32,660	(42,615)	323,483	24,555
Capital Leases/Notes/Mortgages	53,492	171	(11,729)	41,934	4,356
Arbitrage	86	-	(86)	-	-
Claims & Judgments	84,010	-	(2,932)	81,078	24,529
Compensated Absences	† 277,331	15,459	-	292,790	1,937
Other Post-Employment Benefits	-	297,152	(118,861)	178,291	-
Total Governmental Activities	1,521,610	345,442	(228,331)	1,638,721	88,302
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	572,782	115,859	(75,682)	612,959	70,980
Capital Leases/Notes/Mortgages	20,877	3,009	(7,662)	16,224	2,953
Claims & Judgments	5,670	-	(347)	5,323	3,963
Compensated Absences	† 25,922	5,864	(6,145)	25,641	2,203
Other Long-Term Liabilities	‡ 1,972	25	-	1,997	-
Other Post-Employment Benefits	-	13,810	(5,525)	8,285	-
Total Business-Type Activities	627,223	138,567	(95,361)	670,429	80,099
Total Primary Government	\$ 2,148,833	\$ 484,009	\$ (323,692)	\$ 2,309,150	\$ 168,401
Component Units:					
Revenue Bonds	\$ 5,293,277	\$ 2,399,714	\$ (917,542)	\$ 6,775,449	\$ 543,397
Arbitrage	9,796	812	-	10,608	-
Capital Leases/Notes/Mortgages	107,562	24,620	(23,045)	109,137	19,281
Compensated Absences	† 135,426	23,392	(22,213)	136,605	27,557
Claims & Judgments	94,179	31,494	(16,718)	108,955	108,955
Other Long-Term Liabilities	§ 106,589	-	(2,945)	103,644	-
Other Post-Employment Benefits	-	29,963	(11,985)	17,978	-
Total Component Units	\$ 5,746,829	\$ 2,509,995	\$ (994,448)	\$ 7,262,376	\$ 699,190

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

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$1,949,000, and Alabama College System, \$48,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$11,530,000, Auburn University, \$25,459,000, University of Alabama at Huntsville, \$374,000, University of South Alabama, \$65,728,000, University of North Alabama, \$218,000, University of Alabama at Birmingham, \$310,000, and Music Hall of Fame, \$25,000.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2008 consisted of (amounts in thousands):

DUE TO	DUE FROM												Total
	General Fund	Education Trust Fund	Alabama Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Unemployment Compensation	Alcoholic Beverage Control Board	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	Fiduciary Funds	
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,136	\$ 2,231	\$ 34	\$ 0	\$ 0	\$ 13,401
Education Trust	-	-	-	-	-	-	-	515	393	-	-	-	908
Medicaid	-	148	-	-	-	2,863	-	-	7,438	-	-	-	10,449
Public Road & Bridge Fund	32	-	-	-	-	-	-	-	4,205	162	2	-	4,401
Public Welfare Trust Fund	-	-	-	8,942	-	-	-	6,423	941	1	-	-	16,307
Unemployment Compensation	-	-	-	-	-	-	-	-	490	-	-	-	490
Alcoholic Beverage Control Board	-	-	-	-	-	-	-	-	5	-	-	-	5
Nonmajor Governmental	3,218	6,746	94	17,796	1,427	928	158	295	10,279	851	65	49	41,906
Internal Service Funds	1,090	890	-	286	818	6,258	-	180	14,617	118	-	13	24,270
State Port Authority	-	-	-	-	587	-	-	-	3,607	-	-	-	4,194
Fiduciary Funds	1	-	-	-	-	23	-	7	28	-	-	31	90
Totals	\$ 4,341	\$ 7,784	\$ 94	\$ 27,024	\$ 2,832	\$ 10,072	\$ 158	\$ 18,556	\$ 44,234	\$ 1,166	\$ 67	\$ 93	\$ 116,421

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

The Nonmajor Governmental Funds have the most interfund payables, \$44,234,000 in total. Of that amount, \$7,438,000 is owed to Medicaid, \$10,279,000 is owed to other Nonmajor Governmental Funds, and \$14,617,000 is owed to Internal Service Funds. Medicaid has the second most interfund payables, totaling \$27,024,000. Medicaid owed \$8,942,000 to the Public Welfare Trust Fund and \$17,796,000 to Nonmajor Governmental Funds. Of that amount, \$10,736,000 is due to Public Health, \$1,145,000 is due to Youth Services, \$17,000 is due to the Attorney General, \$4,917,000 is due Senior Services, \$979,000 is due Rehabilitation Services, and \$2,000 is due Legislative Reference Services. The Alcoholic Beverage Control Board (ABC) has the third most interfund payables, \$18,556,000. ABC owed \$11,136,000 to the General Fund and \$6,423,000 to the Public Welfare Trust Fund. ABC 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.

Nonmajor Governmental Funds hold \$41,906,000 in interfund receivables. The Internal Service Funds rank second in receivables, at \$24,270,000. These amounts generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year. The Public Welfare Trust Fund ranks third in receivables, at \$16,307,000. That amount is due from Medicaid and ABC as discussed above.

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, 2008, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO					Total
	Mental Health	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units		
General Fund	\$ 85	\$ 0	\$ 302	\$ 65	\$ 452	
Education Trust Fund	-	1	20	-	21	
Medicaid	38,492	-	4	-	38,496	
Public Road and Bridge Fund	-	-	25	64	89	
Public Welfare Trust Fund	-	-	128	-	128	
Nonmajor Governmental	1,230	-	110	353	1,693	
Alcoholic Beverage Control Board	5,183	-	7	-	5,190	
Nonmajor Enterprise	-	-	222	-	222	
Internal Service Funds	25	-	2	-	27	
Totals	\$ 45,015	\$ 1	\$ 820	\$ 482	\$ 46,318	

The largest payable was \$38,492,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. On the financial statements, Water Pollution Control Authority has a long term receivable of \$6,365,000 due from the primary government as a whole.

Balances owed to state funds by component units at September 30, 2008 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM					
	Water Pollution Control Authority	Mental Health	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	\$ 0	\$ 0	\$ 0	\$ 72	\$ 0	\$ 72
Education Trust Fund	-	-	-	2	-	2
Medicaid	-	12,468	-	2	-	12,470
Public Welfare Trust Fund	-	200	-	2	-	202
Nonmajor Governmental	644	54	244	112	1,417	2,471
Internal Service Funds	1	246	1	19	38,046	38,313
Totals	\$ 645	\$ 12,968	\$ 245	\$ 209	\$ 39,463	\$ 53,530

The component units of the State owe \$53,530,000 to various funds of the State. The largest portion, \$38,046,000, is owed by Nonmajor Component Units to the Risk Management Internal Service Fund. Of that amount, \$36,533,000 is owed by the Alabama Incentives Finance Authority for a long term loan. The second largest, \$12,468,000 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, 2008

C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2008 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN													Total
	General Fund	Edu- cation Trust Fund	Ala Trust Fund	Medicaid	Public Road & Bridge Fund	Public Welfare Trust Fund	Alabama College System	Alcoholic Beverage Control Board	Internal Service Funds	Non- major Enter- prise	Non- major Govern- mental	State Port Auth	Unemploy- ment Compen- sation	
General Fund	\$ 0	\$ 0	\$ 0	\$ 20,870	\$ 0	\$ 112,881	\$ 0	\$ 0	\$ 1,000	\$ 0	\$ 108,529	\$ 0	\$ 0	\$ 243,280
Education														
Trust Fund	-	-	-	8,225	-	15,864	461,899	-	1,400	-	40,878	-	-	528,266
Alabama Trust	205,588	-	-	-	-	-	-	-	-	-	161,064	-	-	366,652
Medicaid	-	-	-	-	-	60,731	-	-	-	-	204,624	-	-	265,355
Public Road														
& Bridge Fund	-	-	-	-	-	-	-	-	-	-	46,087	587	-	46,674
Public Welfare														
Trust Fund	-	-	-	32,192	349	-	-	-	-	-	41,464	-	-	74,005
Alcoholic														
Beverage														
Control Board	12,778	-	-	-	-	510	-	-	-	-	228	-	-	13,516
Unemployment														
Compensation	-	-	-	-	-	-	-	-	-	-	11,927	-	-	11,927
Nonmajor														
Governmental	67,384	439,654	3,786	67,268	17,518	1,845	-	410	5,300	4	149,523	9,570	3,419	765,681
Nonmajor														
Enterprise	-	-	-	-	-	-	-	-	-	-	6,088	-	-	6,088
Internal														
Service Funds	759	-	-	-	-	235	-	-	539	-	2,233	-	-	3,766
State Port Auth	-	-	-	-	-	-	-	-	-	-	44	-	-	44
Fiduciary Funds	-	-	-	-	-	-	-	-	-	-	692	-	-	692
Totals	\$ 286,509	\$ 439,654	\$ 3,786	\$ 128,555	\$ 17,867	\$ 192,066	\$ 461,899	\$ 410	\$ 8,239	\$ 4	\$ 773,381	\$ 10,157	\$ 3,419	\$ 2,325,946

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 \$243,280,000 transferred to other funds by the General Fund, \$215,241,000 was transferred in compliance with the appropriation acts. Of that amount, \$112,881,000 was transferred to the Public Welfare Trust Fund, \$67,107,000 was transferred to various Nonmajor Governmental Funds and \$26,347,000 was transferred to the Department of Public Health. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$528,266,000 transferred out of the Education Trust Fund, the appropriation acts required the transfer of \$459,083,000 to other funds. Of that amount, \$426,526,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive \$1,400,000 to fund telephone and computer services and the Public Welfare Trust Fund received \$15,864,000. The remaining Education Trust Fund transfers were made in small amounts to comply with a variety of statutes. The Education Trust Fund also received \$439,654,000 from the Education Trust Proration Prevention Account, a rainy day Nonmajor Governmental Fund, to alleviate a budget shortfall.

The Alcoholic Beverage Control Board transferred \$12,778,000 to the General Fund and \$510,000 to the Public Welfare Trust Fund, which represents those funds' statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with amendments to the *Constitution of Alabama of 1901*, 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 \$205,588,000, the Forever Wild Land Trust Fund, a Nonmajor Governmental Fund, received \$14,611,000, the County Government Capital Improvement Fund, a Nonmajor Governmental Fund, received \$28,078,000, the Municipal Government Capital Improvement Fund, a Nonmajor Governmental Fund, received \$28,078,000, the Alabama Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$71,699,000, and the County and Municipal Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$17,925,000.

The financial statements show \$411,000 more transfers out for Internal Service Funds because transfers of capital assets were made from several Internal Service Funds to general government capital assets. The financial statements show \$18,000 more transfers in for Internal Service Funds because transfers of capital assets were made from general government capital assets to Internal Service Funds.

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 Statement No. 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. Non-incremental claims adjustment expenses have not been included as part of the liability for any of the funds.

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

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

A. The State Insurance Fund

The State Insurance Fund (SIF) was established in 1923 and is 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. Ten percent of actual cash value, salvage value, is used for property that is normally uninsurable. City boards of education 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.

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 wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding \$10,000,000 with a \$750,000,000 limit. Payments received in fiscal years 2008, 2007 and 2006 for settlements in excess of deductibles totaled \$14,655,159, \$13,230,941, and \$13,446,272 respectively.

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

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 11,594	\$ 16,532
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	1,910	9,174
Increase (Decrease) in provision for insured events of prior years	10,476	13,226
Total incurred claims and adjustment expenses	12,386	22,400
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,450)	(7,281)
Claims and adjustment expenses attributable to insured events of prior years	(14,659)	(20,057)
Total payments	(16,109)	(27,338)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 7,871	\$ 11,594

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 the 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 ability 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. Excess insurance was not renewed in April 2002, so GLTF is currently without excess coverage. Payments received in fiscal years 2008 for settlements in excess of deductibles for prior years total \$1,010,532.

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

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 26,714	\$ 31,177
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	3,130	(1,018)
Increase (Decrease) in provision for insured events of prior years	3,973	4,555
Total incurred claims and adjustment expenses	7,103	3,537
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(832)	(787)
Claims and adjustment expenses attributable to insured events of prior years	(5,569)	(7,213)
Total payments	(6,401)	(8,000)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 27,416</u>	<u>\$ 26,714</u>

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and 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 local 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.

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.

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

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 22,307	\$ 29,698
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	5,471	3,909
Increase (Decrease) in provision for insured events of prior years	5,163	(5,710)
Total incurred claims and adjustment expenses	10,634	(1,801)
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,166)	(1,597)
Claims and adjustment expenses attributable to insured events of prior years	(6,008)	(3,993)
Total payments	(7,174)	(5,590)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 25,767	\$ 22,307

Prior to fiscal year 2008, six major state agencies financed their own risk for state employee injury compensation. This table includes the changes in claims liabilities for all of the state agencies, as well as Risk Management. During fiscal year 2008, Risk Management assumed the liabilities for five of the six major state agencies. Risk Management did not assume the liabilities for the Department of Transportation; however the Department of Transportation's liabilities are included in the table above. The claims incurred but not reported at the beginning of the year for Transportation totaled \$6,735,000, and total claims payments were \$2,816,000 in 2008. The Department of Transportation had \$8,755,000 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 59% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)

	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 38,296	\$ 49,851
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	371,133	376,459
Adjustment to estimated claims incurred but not reported at end of year	<u>(1,427)</u>	<u>(1,277)</u>
Total incurred claims and adjustment expenses	369,706	375,182
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(343,212)	(355,917)
Claims and adjustment expenses attributable to insured claims of prior years	<u>(27,688)</u>	<u>(30,820)</u>
Total payments	(370,900)	(386,737)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 37,102</u>	<u>\$ 38,296</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.

STATE OF ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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 \$775 per participant for 2008 and \$717 per participant for 2007. 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 2008 and 2007:

(Amounts in Thousands)	September 30,	
	2008	2007
Unpaid claims and claim adjustment expense at beginning of year	\$ 50,968	\$ 70,199
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	699,409	636,854
Increase (Decrease) in provision for insured events of prior years	120	(4,584)
Total incurred claims and adjustment expenses	699,529	632,270
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(629,815)	(585,303)
Claims and adjustment expenses attributable to insured events of prior years	(51,088)	(66,198)
Total payments	(680,903)	(651,501)
Total unpaid claims and adjustment expenses at end of year	\$ 69,594	\$ 50,968

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 \$4,691,000 and \$5,174,000 in 2008 and 2007, 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, 2008 and 2007:

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 4,382	\$ 5,934
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	21,629	24,897
Increase (Decrease) in provision for insured events of prior years	(404)	(899)
Total incurred claims and adjustment expenses	<u>21,225</u>	<u>23,998</u>
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(20,273)	(23,140)
Claims and adjustment expenses attributable to insured events of prior years	(1,826)	(2,410)
Total payments	<u>(22,099)</u>	<u>(25,550)</u>
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 3,508</u>	<u>\$ 4,382</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.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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, 2008 and 2007:

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 1,492	\$ 1,368
Provision for claims	943	447
Total payments	(620)	(323)
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$ 1,815</u>	<u>\$ 1,492</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 the following three retirement programs for the benefit of state employees and public education employees: Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund.

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 circuit, appellate, and probate judges is 75% of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75% of the position's salary 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 from 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, 2008. Copies may be obtained by writing to:

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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

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, 2008, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	282
Counties	-	64
Other Public Entities	-	507
Universities	13	-
Post-Secondary Institutions	29	-
City & County Boards of Education	131	-
State Agencies & Other	31	1
Total	<u><u>204</u></u>	<u><u>854</u></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-backed 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, 2008, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 10.57 percent and 12.65 percent, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2007 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 Title 36, Chapter 27 of the Alabama State Law, 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, 2007 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 2009, the required contribution rate of the employer for ERS (state employees) is 11.88 percent and the rate for TRS is 12.07 percent. The employer contribution rate for ERS state policemen and JRF is 30.99 percent and 23.23 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	2006	434,195	100
	2007	540,847	100
	2008	729,995	100
JRF	2006	8,916	100
	2007	9,307	100
	2008	9,880	100

* Amounts in Thousands

b. State Employer Segment of ERS

The funded status of the State employer segment of ERS as of the latest actuarial valuation is as follows:

(Amounts in thousands)	<u>Employees' Retirement System</u> <u>State Employees and State Policemen</u>
Actuarial Valuation Date	9/30/2007
Actuarial Accrued Liability (AAL)	\$ 6,852,536
Actuarial Value of Assets	<u>5,272,570</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,579,966</u>
Funded Ratio	76.9%
Covered Payroll	\$ 1,541,509
UAAL as a Percentage of Covered Payroll	102.5%

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contributions in 2008 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2005.

Actuarial Methods for ERS

Valuation Date: September 30, 2005
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 for ERS

Investment Rate of Return: 8% *
Projected Salary Increases: 4.61%-7.75% *
Cost of Living Increases: None

*Includes inflation at 4.5%

The annual pension cost for the State employer segment of ERS was as follows:

Three-Year Trend Information

Year	Annual	Percentage	Net
Ended	Pension	of APC	Pension
	Cost (APC)	Contributed	Obligation
2006	96,954,490	100	0
2007	118,889,541	100	0
2008	160,909,372	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. 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, 2008, net assets of the plan totaled \$1,079,912,000.

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 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 Plans 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 State Employees' Insurance Board administers SEHIP, and the Public Education Employees' Insurance Board administers PEEHIP.

In order to fund the ongoing costs of these postemployment health benefits, the State has established two trust funds as described below to comply with GASB Statements 43 and 45.

A. Plan Descriptions

The Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 174 participating employers.

The Retired State Employees' Health Care Trust is a single employer defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798.

The Public Education Employees' Health Insurance Board issues a stand-alone plan financial report for the Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2008. A copy may be obtained by writing to:

The Public Education Employees' Health Insurance Board
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2008. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

B. Summary of Significant Accounting Policies

1. Basis of Accounting

Both Trusts are “other employee benefits trust funds” that operate under the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

2. Investments

All plan assets are carried at fair value except short-term investments which are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgage-backed securities are reported based on estimated future principal and interest payments discounted at the prevailing interest rate for similar instruments. Investments not traded on exchanges are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an appraisal is performed to determine the fair value of the investments.

C. Funding Policy

The cost of the teachers’ health care benefits is paid from the regular appropriations made to individual education entities. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$274,975,000 was on behalf of retired members of PEEHIP for fiscal year 2008. 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 \$97.54 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. Also, the State may make additional contributions. Additional funds were contributed in the amount of \$204,226,000 as authorized by the PEEHIP board. The Medicare Part D retiree drug subsidy for fiscal year 2008 was \$23,742,000.

The State provides health care benefits for retired state employees through SEHIP. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution 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. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees, who retire on or after October 1, 2005 except for disability, Act 2004-648 provides that the State contribution for retiree health insurance premiums shall be based on years of service. The State contribution to the health insurance premium shall be reduced by two percent for each year of service less than twenty-five and increased by two percent for each year of service over twenty-five. The retiree is responsible for the amount of contribution not covered by the State. Also, the State may make additional contributions. Additional funds were contributed in the amount of \$56,758,000 as authorized by the SEHIP board. The Medicare Part D retiree drug subsidy for fiscal year 2008 was \$12,076,000.

1. Annual OPEB Cost and Net OPEB Obligation

The Government Accounting Standards Board issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires additional reporting and disclosures for OPEB plans beginning with the fiscal year ending September 30, 2008. The State has implemented this statement prospectively (zero net OPEB obligation at transition) for both the SEHIP and the PEEHIP. The OPEB liability for the PEEHIP at the beginning and end of fiscal year 2008 is zero because it is a cost-sharing multiple-employer plan. The following OPEB amounts are for the SEHIP:

(Amounts in thousands)	Primary Government	Component Units	Fiduciary
Annual required contribution	\$ 311,006	\$ 29,970	\$ 2,692
Interest on net OPEB obligation	-	-	-
Adjustment to ARC	-	-	-
Annual OPEB cost	311,006	29,970	2,692
Contributions made	(124,430)	(11,991)	(1,077)
Increase in net OPEB obligation	186,576	17,979	1,615
Net OPEB obligation, beginning of year	-	-	-
Net OPEB obligation, end of year	<u>\$ 186,576</u>	<u>\$ 17,979</u>	<u>\$ 1,615</u>

Percentage of annual OPEB cost contributed: 40%

2. Funded Status and Funding Progress

The funded status of the plan for the retired state employees as of September 30, 2008, was as follows:

(Amounts in thousands)	Retired State Employees' Health Care Trust (SEHIP)
Actuarial Valuation Date	09/30/2007
Actuarial Accrued Liability (AAL)	\$ 2,984,796
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,984,796</u>
Funded Ratio	0%
Covered Payroll	\$ 1,582,827
UAAL as a Percentage of Covered Payroll	188.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2008 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust	
Valuation Date:	September 30, 2005
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	30 Years
Period Closed/Open:	Open

Actuarial Assumptions for Retired State Employees' Health Care Trust

Investment Rate of Return:	4.00%
Medical Cost Trend Rate:	12.00%
Ultimate Trend Rate:	6.00%
Year of Ultimate Trend Rate:	2009
Dental Trend Rate:	5.00%

*Includes Inflation at 4.5%

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 \$100,000 and \$100,000 to the Authority for fiscal year 2008 and fiscal year 2007, 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>2008</u>	<u>2007</u> *
Fund Balance	\$ 204	\$ 189
Revenues	405	364
Expenditures	390	371

*Restated

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

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 \$334,139 in revenues in 2008.

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 Alabama at Huntsville Eminent Scholar Foundation, the Alabama Engineering Foundation, the UAH Alumni Association, the UAH Athletic Association, the University of South Alabama Medical Science Foundation, the Alabama A & M Foundation, the North Alabama Center for Educational Excellence, the Alabama A&M Research Institute, 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, and the Valley Foundation.

The UABEF made contributions to the University of Alabama at Birmingham (UAB) of \$4,722,000 during the 2008 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,770,000 for 2008.

An affiliation agreement documents the relationship between HSF and UAB. The operating revenues of UAB include approximately \$35,872,000 of funding from HSF in 2008, which is used to support the educational and research activities of UAB.

UAB and HSF have entered into an agreement 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 \$4,889,000 during 2008 to the UAB Health System Board.

The South Alabama Medical Science Foundation exists for the purpose of promoting education and research at the University of South Alabama. The Foundation reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$1,556,000 for 2008.

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.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$106.1 million in fiscal year 2008, \$99.0 million in fiscal year 2007, \$94.6 million in fiscal year 2006, \$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. 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 potentially significant amounts. The lawsuits involving potentially 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 individual 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.

Eugene Crum, Jr., et al. v. State of Alabama, et al., is an employment discrimination case filed in 1994 against various state agencies and the State Personnel Department. The Crum case alleges discrimination in all aspects of employment. The potential cost of the Crum case is currently undeterminable. In March 2006, the State filed a request to the Court for a ruling on the class certification issue citing, in part, the continuing financial burden that expert updates and responses has placed on the State. Though granting the State's "Motion for a Ruling" in May 2006, the Court has not yet issued any order resolving the class certification issue or set a hearing for the certification. The Court has granted intervention motions of approximately thirty intervenors and ordered those cases to proceed as separate lawsuits. Twenty-six of these cases have been dismissed either by the Court or voluntarily by the Plaintiffs. Discovery is proceeding in the remaining cases. In addition, there are several other discrimination and personnel-related cases with a potential for material liability.

Lynch, et al. v. State of Alabama, et al., is a class action filed in the U.S. District Court, Northern District of Alabama, on March 13, 2008. This class action suit is brought on behalf of public school students who maintain that their civil rights have been violated by the manner in which Alabama's public schools are funded. The plaintiffs are seeking a declaratory judgment that the property tax restrictions in the Alabama Constitution violate Title VI of the Civil Rights Act, 42 U.S.C. Section 2000d et seq., and the Constitution of the United States. They also seek an injunction against enforcing the current property tax laws until the Governor and legislature enact tax reforms and adequate funding of education. Discovery is ongoing in this litigation. The financial impact is not determinable at this time, but is potentially significant.

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 totaling \$89,000,000 plus accumulated interest, if awarded. 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. On September 13, 2007, the Administrative Law Judge of the Department of Revenue issued two orders in favor of Exxon-Mobil, setting aside approximately \$50,000,000 in assessments and ordering the Department to refund in excess of \$41,000,000 to Exxon-Mobil. The Department of Revenue and the Attorney General have filed a notice of appeal of the Administrative Law Judge's decision in the circuit court of Mobile County. The case has been held in abeyance pending settlement negotiations, which involve curative legislation. The core issue concerns the proper calculation of the value of the gas severed under the "work back deduction" method. The final outcome of this case could affect other taxpayers and result in additional potential refunds of \$15,000,000 to be paid out of the state General Fund.

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 reduction of assessments of approximately \$72,000,000. Adverse rulings in these cases could also reduce future revenues.

The Department of Finance, the Department of Mental Health and Mental Retardation, the Department of Corrections, the Department of Human Resources, the Department of Transportation, the Alcoholic Beverage Control Board, and the Department of Public Safety have been involved in litigation that occurred in the normal course of the operations and activities of those agencies. The combined potential liability of all of the cases involving these agencies is approximately \$41,000,000.

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, 2008 was \$25,200,000.

NOTE 15 - SUBSEQUENT EVENTS

From October 1, 2008 through December 15, 2008, the Alabama Housing Finance Authority called approximately \$245,765,000 of bonds prior to their scheduled maturities in the single family bond program. The Authority held \$17,480,000 of single-family, variable rate bonds at year end that had been tendered by bondholders in accordance with terms variable rate debt agreements. These bonds were not remarketed but were redeemed subsequent to year end using proceeds generated from the sale of the related collateral investments. Additionally, bondholders tendered \$210,330,000 of single-family variable rate bonds after the fiscal years that have also been subsequently redeemed through the sale of collateral investments. Investments liquidated subsequent to year end included \$210,330,000 in Bayerisch LB guaranteed investment contracts held at year end. Prior to year end, \$26,740,000 of multifamily, variable rate bonds had been tendered and were in the process of being remarketed. Of those bonds, \$8,440,000 have not been successfully remarketed. The Authority had additional tenders totaling \$33,225,000 of multifamily, variable rate bonds after the fiscal year end of which \$22,225,000 have been remarketed.

On December 23, 2008, the University of Alabama's 1831 Foundation issued the Series 2008 Student Housing Revenue Bonds to pay a short-term receivable to the University in the amount of \$54,624,000.

On November 5, 2008, the Public Health Care Authority entered in to a capital lease agreement with Regions Bank in the amount of \$3,500,000 with a term of 60 months and an interest rate of 3.69%.

On December 9, 2008, the Public Health Care Authority entered in to a capital lease agreement with Sun Trust Bank in the amount of \$1,795,529 with a term of 36 months and an interest rate of 4.62%.

In regards to the swap option agreement between the Public School and College Authority (Authority) and JP Morgan Chase Bank (JPMorgan), JPMorgan notified the Authority of its intention to exercise its option with respect to the Series 1998 Bond, effective November 1, 2008, the effect of which under the Swap Option Agreement would have been to require the Authority to issue variable rate bonds for the purpose of refunding the Series 1998 Bonds. The Authority was unable to issue variable rate refunding bonds as anticipated due to structural provisions of the swap option agreement which, when combined with conditions in the municipal bond market prevailing in the fall of 2008 and the general unavailability of liquidity support required for the issuance of variable rate demand bonds, prevented the Authority from complying with the requirements of State law applicable to the issuance of such refunding bonds. JPMorgan has also notified the Authority of its intention to exercise its option with respect to the Series 1999-C Bonds and the Series 1999-D Bonds, effective July 1, 2009, and August 1, 2009, respectively. On October 28, 2008, the Authority filed a declaratory judgment action against JPMorgan in the United States District Court for the Middle District of Alabama Northern Division to determine the rights and obligations of the parties to the Swap Option Agreement. JPMorgan has filed a Motion to Dismiss requesting, among other things, that the terms of the Swap Option Agreement be upheld and the declaratory judgment action be dismissed. The District Court has not yet ruled on the Motion to Dismiss and the case is still pending. If the validity and enforceability of the Swap Option Agreement is upheld in the litigation, the Authority may be

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2008

obligated to make termination payments to JPMorgan under the terms of the Swap Option Agreement. For more information on this swap transaction, see note 4.

Subsequent to September 30, there has been a \$639 million decline in the value of the Alabama Trust Fund (ATF) investments. The decline in value is a result of purchases, sales, and changes in fair market values. This decline in value is considered material. On October 1, 2008, the ATF made a transfer of oil and gas royalties in the amount of \$120,831,000 which was thirty-five percent of total royalties collected in the prior fiscal year, in accordance with Amendment 666 to the *Constitution of Alabama of 1901*. The transfer was distributed as follows: seven percent to County and Municipal Government Capital Improvement Trust Fund, \$24,166,000, and twenty-eight percent to the Alabama Capital Improvement Trust Fund, \$96,665,000. Amendment 803 to the *Constitution of Alabama of 1901* was ratified by the citizens of Alabama on November 4, 2008. This amendment repealed Amendment 709, revised the existing Education Trust Fund Rainy Day Account (ETFRDA), and created the General Fund Rainy Day Account (GFRDA). The ETFRDA is no longer limited to \$248 million. The maximum amount that can be transferred from the ATF to the ETFRDA is limited to 6½% of the previous fiscal year's Education Trust Fund appropriations less the total amount of any prior years' withdrawals from the ETFRDA that have not been repaid. The repayment period was extended from 5 years to 6 years. The maximum amount that can be transferred from the ATF to the GFRDA is limited to 10% of the previous fiscal year's General Fund appropriations less the total amount of any prior years' withdrawals from the GFRDA that have not been repaid. The repayment period was established at 10 years. Amendment 803 to the *Constitution of Alabama of 1901* also requires that 25% of any amount withdrawn from the ETFRDA or the GFRDA be transferred from the ATF to the County and Municipal Government Capital Improvement Trust Fund. On December 16, 2008, pursuant to Amendment 803 to the *Constitution of Alabama of 1901*, \$221,137,000 was transferred from the ATF to the ETFRDA and subsequently withdrawn. Additionally, \$55,284,000 was transferred from the ATF to the County and Municipal Government Capital Improvement Trust Fund.



STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,164,245	\$ 1,180,820	\$ 1,139,952	\$ (40,868)
Licenses, Permits and Fees	161,367	163,664	158,000	(5,664)
Fines, Forfeits, and Court Settlements	117,798	119,475	115,340	(4,135)
Investment Income	88,096	89,350	86,258	(3,092)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	16,630	16,868	16,284	(584)
Total Revenues	1,548,136	1,570,177	1,515,834	(54,343)
EXPENDITURES				
Administrative Office of Courts	155,814	156,089	155,931	158
Agriculture and Industries	16,490	17,791	17,703	88
Attorney General	13,298	13,423	13,422	1
Auditor	809	809	804	5
Commission on Higher Education	-	-	-	-
Corrections	349,241	357,812	357,257	555
Economic and Community Affairs	20,273	20,163	19,366	797
Education	-	-	-	-
Emergency Management	11,948	10,848	7,556	3,292
Examiners of Public Accounts	13,795	13,795	13,795	-
Finance	12,055	12,082	10,219	1,863
Governor	4,309	4,534	3,663	871
Human Resources	-	-	-	-
Industrial Relations	2,467	2,468	2,267	201
Legislature	31,409	31,409	22,943	8,466
Medicaid	472,079	472,376	472,305	71
Mental Health and Retardation	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	54,697	54,697	50,521	4,176
Public Safety	87,991	87,991	82,135	5,856
Public Service Commission	-	-	-	-
Rehabilitation Services	35	242	242	-
Revenue	114	114	86	28
Secretary of State	2,640	2,654	2,153	501
Transportation	-	-	-	-
Treasurer	2,403	2,403	2,200	203
Youth Services	18,204	18,204	15,895	2,309
Colleges and Universities	-	-	-	-
Other	218,048	222,084	207,926	14,158
Total Expenditures	1,488,119	1,501,988	1,458,389	43,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	60,017	68,189	57,445	(10,744)
OTHER FINANCING SOURCES (USES)				
Transfers In	294,300	298,490	288,159	(10,331)
Transfers Out	(354,317)	(366,681)	(366,681)	-
Bonds Issued	-	-	-	-
Debt Issuance Premiums	-	-	-	-
Insurance Recovery Proceeds	-	2	2	-
Total Other Financing Sources (Uses)	(60,017)	(68,189)	(78,520)	(10,331)
Net Change in Fund Balances	\$ 0	\$ 0	(21,075)	\$ (21,075)

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		
\$ 6,211,144	\$ 6,232,448	\$ 5,941,169	\$ (291,279)	\$ 1,043,540	\$ 1,039,787	\$ 944,315	\$ (95,472)
644	646	616	(30)	401,225	399,782	363,074	(36,708)
-	-	-	-	25,782	25,689	23,330	(2,359)
-	-	-	-	56,951	56,746	51,536	(5,210)
-	-	-	-	6,827,987	6,803,434	6,178,750	(624,684)
711	714	681	(33)	901,271	898,030	815,574	(82,456)
6,212,499	6,233,808	5,942,466	(291,342)	9,256,756	9,223,468	8,376,579	(846,889)
-	-	-	-	23,601	29,930	22,358	7,572
-	-	-	-	22,648	30,545	24,319	6,226
-	-	-	-	4,493	5,923	4,652	1,271
-	-	-	-	-	-	-	-
23,459	25,891	22,834	3,057	10,219	10,219	7,067	3,152
-	-	-	-	73,257	73,257	55,652	17,605
-	-	-	-	216,936	225,293	176,753	48,540
4,416,485	4,410,938	4,397,430	13,508	1,318,412	1,320,209	991,594	328,615
-	-	-	-	130,751	130,978	57,056	73,922
8,129	8,129	8,129	-	1,979	1,979	658	1,321
-	-	-	-	120,795	125,170	92,119	33,051
-	-	-	-	-	6,417	4,456	1,961
-	-	-	-	1,346,266	1,404,352	1,376,130	28,222
-	-	-	-	86,566	89,819	72,546	17,273
-	-	-	-	-	-	-	-
-	-	-	-	3,886,090	4,043,998	3,921,771	122,227
-	-	-	-	923,971	935,894	870,233	65,661
470,277	492,181	480,190	11,991	14,813	16,100	12,328	3,772
20,994	20,994	20,059	935	577,826	642,984	610,810	32,174
-	-	-	-	76,982	81,219	60,997	20,222
-	-	-	-	17,687	17,695	15,296	2,399
44,573	44,573	44,572	1	110,076	116,810	96,178	20,632
-	-	-	-	118,868	127,536	123,395	4,141
-	-	-	-	17,985	18,438	1,533	16,905
-	-	-	-	1,358,963	2,044,198	1,403,404	640,794
-	-	-	-	3,080	3,080	2,729	351
60,456	60,456	56,852	3,604	15,272	26,704	21,388	5,316
1,430,796	1,430,796	1,430,796	-	-	34	34	-
155,583	156,679	153,116	3,563	1,030,379	1,115,771	953,432	162,339
6,630,752	6,650,637	6,613,978	36,659	11,507,915	12,644,552	10,978,888	1,665,664
(418,253)	(416,829)	(671,512)	(254,683)	(2,251,159)	(3,421,084)	(2,602,309)	818,775
493,087	494,778	471,654	(23,124)	2,251,160	2,243,065	2,037,109	(205,956)
(74,834)	(77,949)	(77,949)	-	-	-	-	-
-	-	-	-	-	1,173,291	1,173,291	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,728	4,728	-
418,253	416,829	393,705	(23,124)	2,251,160	3,421,084	3,215,128	(205,956)
\$ 0	\$ 0	(277,807)	\$ (277,807)	\$ 0	\$ 0	612,819	\$ 612,819

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	\$ (21,075)	\$ (277,807)	\$ 612,819	
Reconciliation to GAAP Basis:				
<i>Perspective Differences:</i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(612,819)	\$ 3,954
<i>Basis Differences:</i>				
Accruals of revenues and other revenue adjustments	6,242	(62,750)		(100)
Accruals of expenditures, expenses and other non-budgeted items	(20,079)	(952)		-
To remove asset purchases treated as budgetary expenditures	16,284			-
To remove encumbrances recognized as expenditures	1,161	2,720		93
To recognize prior budget year expenditures/expenses	(9,419)	(824)		(49)
To remove budget expenditures/expenses not accrued as liabilities	2,679	(1,929)		1
<i>Entity Differences:</i>				
Add net operating results for funds not budgeted				(323,715)
Net Change in Fund Balances/Net Assets - GAAP Basis	(24,207)	(341,542)	0	(319,816)
Fund Balances/Net Assets, October 1, 2007, as Restated	404,781	528,391		3,302,654
Increase (Decrease) in Inventory	1,120	-		-
Fund Balances/Net Assets, September 30, 2008	\$ 381,694	\$ 186,849		\$ 2,982,838

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
\$ (56,697)	\$ (64,978)	\$ (43,504)	\$ 80,285	\$ (54,221)	\$ (19,675)	\$ (11,970)	\$ (725)	\$ 780,350
67,803	82,997	11,786	84,351	(21)	10,617	(67)	5	8,564
(92,040)	(627)	23,507	(93,328)	55,054	(5,395)	7,208	580	(11,141)
-	-	-	470	1,720	12,843	1,073	-	2,369
4,188	26,253	4,853	24,440	1,273	3,634	515	11	4,530
181	(9,201)	(864)	(302,022)	(957)	(683)	(55)	(5)	(54,345)
(1,117)	374	15	2,232	59	(726)	162	(8)	190,995
296	(215)	3,924	(440,392)	67,561	(4,742)	(5,413,528)	(270,294)	(986,092)
(77,386)	34,603	(283)	(643,964)	70,468	(4,127)	(5,416,662)	(270,436)	(64,770)
(894)	477,516	36,255	1,755,233	1,507,660	155,402	34,202,441	1,457,697	6,543,405
-	7,927	-	(314)	-	-	-	-	-
\$ (78,280)	\$ 520,046	\$ 35,972	\$ 1,110,955	\$1,578,128	\$ 151,275	\$ 28,785,779	\$ 1,187,261	\$ 6,478,635

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 included 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 fiscal year 2008, approximately \$7 million of supplemental appropriations and \$34 million of conditional and other appropriations were distributed to various agencies from the General 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. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill. The Department of Finance received \$1 million of conditional appropriations for the fiscal year 2008 annual budget. Also, a conditional appropriation of \$2 million was released to the Departmental Emergency Fund for distribution to various departments as needed. The Department of Corrections and the Department of Agriculture and Industries received supplemental appropriations of \$5 million and \$1 million, respectively. Also, the Department of Corrections received another appropriation for the sale of land in the amount of \$17 million. During fiscal year 2008, \$23 million of conditional and other appropriations were distributed from the Education Trust Fund. The Department of Postsecondary Education received a conditional appropriation of \$22 million.

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 gift, grant, or contribution. This includes Federal funds which are included in the Earmarked Funds. Most of the \$1.1 billion increase in the Earmarked Funds is 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.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2008

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.

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 *Constitution of Alabama of 1901* 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 2008.

Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is used as purchase orders are issued to ensure 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.

Lapsing of Appropriations

All non-capital outlay appropriation balances not reserved by encumbrances or accounts payable lapse at September 30 of each fiscal year. Furthermore, any non-capital outlay 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, 2008

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 of Alabama of 1901*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always equals or 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.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2008

The following table illustrates how the State Insurance Fund's (Fund) 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 estimated. 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Premiums and investment revenue:										
Earned	\$ 15,085	\$ 15,468	\$ 13,871	\$ 11,785	\$ 20,108	\$ 26,051	\$ 28,012	\$ 28,682	\$ 31,625	\$ 31,505
Ceded	4,058	3,721	4,625	6,819	9,220	9,355	8,866	11,098	15,067	16,582
Net Earned	11,027	11,747	9,246	4,966	10,888	16,696	19,146	17,584	16,558	14,923
2. Unallocated Expenses	1,335	1,386	1,492	1,630	1,321	1,226	1,435	2,012	2,012	3,030
3. Estimated losses and expenses, end of accident year:										
Incurred	10,061	7,453	10,467	9,033	20,571	19,112	15,806	17,978	33,147	1,910
Ceded	2,717	-	580	1,042	6,950	5,857	990	89	23,973	-
Net incurred	7,344	7,453	9,887	7,991	13,621	13,255	14,816	17,889	9,174	1,910
4. Net paid (cumulative) as of:										
End of Accident Year	3,175	2,257	4,086	1,638	6,724	2,956	2,229	6,245	7,280	1,450
One Year Later	5,811	5,534	8,732	6,962	12,336	8,432	10,068	12,391	14,468	
Two Years Later	5,903	7,134	9,764	7,408	11,636	9,549	12,021	14,930		
Three Years Later	5,997	7,138	9,782	7,424	11,983	10,301	12,138			
Four Years Later	6,014	7,098	9,796	7,424	11,066	10,347				
Five Years Later	6,014	7,098	9,796	7,453	10,957					
Six Years Later	5,997	7,096	9,796	7,459						
Seven Years Later	5,981	7,098	9,746							
Eight Years Later	5,997	7,064								
Nine Years Later	5,943									
5. Reestimated ceded losses and expenses	2,980	-	537	2,221	6,173	26,167	15,667	87	16,217	-
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	7,344	7,453	9,887	7,991	13,621	13,255	14,816	17,889	9,174	1,910
One Year Later	6,358	7,315	9,726	7,716	13,057	10,602	13,801	16,170	16,662	
Two Years Later	6,210	7,384	10,103	7,687	12,054	10,662	13,247	15,133		
Three Years Later	6,139	7,350	10,021	7,471	11,999	10,623	12,292			
Four Years Later	6,148	7,241	9,846	7,449	11,113	10,347				
Five Years Later	6,041	7,098	9,796	7,513	10,957					
Six Years Later	5,997	7,096	9,796	7,459						
Seven Years Later	5,981	7,098	9,746							
Eight Years Later	5,997	7,064								
Nine Years Later	5,943									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(1,401)	(389)	(141)	(532)	(2,664)	(2,908)	(2,524)	(2,756)	7,488	

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION**
Schedule of Funding Progress for Employees' Retirement System
For the Fiscal Year Ended September 30, 2008**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
9/30/2002	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
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5

The Retirement Systems of Alabama issues a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2008. Copies may be obtained by writing to:

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

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Retired State Employees' Health Care Trust**For the Fiscal Year Ended September 30, 2008

Retired State Employees Health Care Trust
(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
9/30/2005	\$ 0	\$ 5,286,341	\$ 5,286,341	0.0%	\$ 1,290,589	409.6%
9/30/2006	\$ 0	\$ 3,103,872	\$ 3,103,872	0.0%	\$ 1,372,085	226.2%
9/30/2007	\$ 0	\$ 2,984,796	\$ 2,984,796	0.0%	\$ 1,582,827	188.6%

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedule of Funding Progress for Retired State Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2008

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Schedule of Funding Progress. The table below summarizes these changes. The investment rate of return was changed from 4% to 5%. The ultimate trend rate was changed from 6% to 5%.

Actuarial Valuation Date	Investment Rate of Return	Medical Cost Trend Rate		Ultimate Trend Rate	Year of Ultimate Trend Rate
		Medicare Eligible	Pre-Medicare		
9/30/2005	4%		12%	6%	2009
9/30/2006	5%	9.5%		5%	2013
9/30/2007	5%	9.5%		5%	2016

Also, a Medicare Advantage Plan was established for Medicare-eligible retirees. The effects of this change are reflected in the actuarial valuation for 9/30/2006.

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and required supplementary information for the year ended September 30, 2008. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2008

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 or an improvement in the efficiency 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 2008 include approximately 10,875 miles of state maintained highways and 5,362 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.

Roads**Measurement Scale**

The Alabama Department of Transportation 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, 2008

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 September 30,					
	2008		2007		2006	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,197	83.12	7,151	87.12	7,159	77.77
Non-Interstate National Highway System	2,773	66.49	2,783	73.80	2,782	71.61
Interstate System	906	62.79	906	73.19	905	77.01
Summary Total and Weighted Average Rating	10,875	77.19	10,840	82.54	10,846	76.13

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, 2008

Category	As of September 30,					
	2008		2007		2006	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National						
Highway System	2,592	6.76	2,590	6.76	2,587	6.75
Non-Interstate National						
Highway System	1,621	6.91	1,600	6.91	1,592	6.90
Interstate System	1,149	6.11	1,148	6.12	1,149	6.14
Summary Total and						
Weighted Average Rating	5,362	6.67	5,338	6.67	5,328	6.66

Estimated and Actual Costs

In fiscal years 2008, 2007, 2006, 2005, and 2004, the State estimated it would need to spend \$320.0, \$277.7, \$247.1, \$247.1, and \$205.0 million, 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 2008, the State spent \$265,160,000 for road preservation and \$22,434,000 for bridge preservation. In fiscal year 2007, the State spent \$293,253,000 for roadway preservation and \$2,821,000 for bridge preservation. In fiscal year 2006, the State spent \$249,823,000 for roadway preservation and \$2,188,000 for bridge preservation. In fiscal years 2005 and 2004, the State spent \$179,902,767, and \$162,823,215, respectively, for maintenance and preservation of roadway and bridge assets combined. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$310,027,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Condition levels are expected to continue to meet or exceed the “Established Condition Levels”.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2008

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 914,966	\$ 517	\$ 184,842	\$ 10,564	\$ 1,110,889
Investments	196,393	4,113	9,480	45,855	255,841
Due from Other Funds	41,885	-	-	21	41,906
Due from Component Units	2,471	-	-	-	2,471
Accounts Receivable	7,140	-	-	1	7,141
Due from Other Governments	106,914	-	-	-	106,914
Taxes Receivable	160,069	-	-	-	160,069
Interest and Dividends Receivable	1,577	-	52	1	1,630
Mortgages, Notes, and Loans Receivable	-	-	-	49	49
Securities Lending Collateral	51,718	4	19	9,397	61,138
Inventory	1,041	-	-	-	1,041
Restricted Assets	1,465	-	-	-	1,465
TOTAL ASSETS	\$ 1,485,639	\$ 4,634	\$ 194,393	\$ 65,888	\$ 1,750,554
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 7,673	\$ 0	\$ 109	\$ 0	\$ 7,782
Salaries Payable	59,476	-	-	-	59,476
Due to Other Funds	43,193	-	1,035	6	44,234
Due to Component Units	1,693	-	-	-	1,693
Accounts Payable	106,119	-	3,941	7	110,067
Due to Other Governments	213,438	-	-	-	213,438
Securities Lending Obligation	51,718	4	19	9,397	61,138
Deferred Revenue	122,333	-	-	-	122,333
Amounts Held in Custody for Others	18,845	-	-	-	18,845
Compensated Absences	593	-	-	-	593
Total Liabilities	625,081	4	5,104	9,410	639,599
Fund Balances					
Reserved for:					
Encumbrances	26,533	-	3,499	-	30,032
Inventory	1,041	-	-	-	1,041
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	-	-	-	31,540	31,540
Unreserved, Designated for Capital Projects	-	-	185,790	-	185,790
Unreserved, Designated for Debt Service	-	4,630	-	-	4,630
Unreserved, Designated	702	-	-	-	702
Unreserved, Undesignated	824,373	-	-	24,938	849,311
Total Fund Balances	860,558	4,630	189,289	56,478	1,110,955
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,485,639	\$ 4,634	\$ 194,393	\$ 65,888	\$ 1,750,554

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, 2008

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 917,465	\$ 0	\$ 0	\$ 0	\$ 917,465
Licenses, Permits, and Fees	341,516	-	-	1,443	342,959
Fines, Forfeits, and Court Settlements	26,706	-	-	-	26,706
Investment Income	25,825	274	9,944	867	36,910
Federal Grants and Reimbursements	1,789,094	-	-	-	1,789,094
Other Revenues	339,624	2,174	-	1,613	343,411
Total Revenues	3,440,230	2,448	9,944	3,923	3,456,545
EXPENDITURES					
Current:					
Economic Development and Regulation	72,915	-	-	-	72,915
Education and Cultural Resources	1,149,533	-	472	21	1,150,026
Natural Resources and Recreation	158,989	-	29,109	-	188,098
Health	770,452	-	-	-	770,452
Social Services	331,285	-	-	-	331,285
Protection of Persons and Property	394,105	-	-	-	394,105
Transportation	234,450	-	-	-	234,450
General Government	593,264	-	-	-	593,264
Capital Outlay	35,186	-	236,846	-	272,032
Debt Service - Principal Retirement	14,144	44,740	-	-	58,884
Debt Service - Interest and Other Charges	10,313	45,143	213	-	55,669
Total Expenditures	3,764,636	89,883	266,640	21	4,121,180
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(324,406)	(87,435)	(256,696)	3,902	(664,635)
OTHER FINANCING SOURCES (USES)					
Transfers In	681,273	89,457	1,191	1,460	773,381
Transfers Out	(753,736)	(2,933)	(8,478)	(534)	(765,681)
Bonds Issued	-	1,057	8,943	-	10,000
Refunding Bonds Issued	-	22,660	-	-	22,660
Current Refunding to Bondholders	-	(23,625)	-	-	(23,625)
Capital Leases	171	-	-	-	171
Debt Issuance Premiums	-	-	1,210	-	1,210
Insurance Recovery Proceeds	2,555	-	-	-	2,555
Total Other Financing Sources (Uses)	(69,737)	86,616	2,866	926	20,671
Net Change in Fund Balances	(394,143)	(819)	(253,830)	4,828	(643,964)
Fund Balances, October 1, 2007, as Restated	1,255,015	5,449	443,119	51,650	1,755,233
Increase (Decrease) in Inventory	(314)	-	-	-	(314)
Fund Balances, September 30, 2008	\$ 860,558	\$ 4,630	\$ 189,289	\$ 56,478	\$ 1,110,955



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 Other Governments

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

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, 2008

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 59,060	\$ 38,248	\$ 29,708	\$ 115,349	\$ 1,885
Investments	-	-	-	-	-
Due from Other Funds	13,840	6,263	1,030	909	-
Due from Component Units	373	-	-	-	-
Accounts Receivable	27	141	165	4,650	-
Due from Other Governments	16,111	70,559	12,328	-	-
Taxes Receivable	-	26	-	12,134	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	3,243	2,612	565	7,864	129
Inventory	-	-	229	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 92,654	\$ 117,849	\$ 44,025	\$ 140,906	\$ 2,014
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 154	\$ 505	\$ 340	\$ 335	\$ 0
Salaries Payable	17,974	3,682	1,112	-	-
Due to Other Funds	10,059	518	1,488	5,829	-
Due to Component Units	40	14	1	-	-
Accounts Payable	32,731	5,598	9,961	-	-
Due to Other Governments	167	69,722	4,551	126,878	-
Securities Lending Obligation	3,243	2,612	565	7,864	129
Deferred Revenue	-	-	175	-	-
Amounts Held in Custody for Others	33	-	-	-	-
Compensated Absences	134	78	51	-	-
Total Liabilities	64,535	82,729	18,244	140,906	129
Fund Balances					
Reserved for:					
Encumbrances	5,233	5,949	457	-	-
Inventory	-	-	229	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Designated	-	-	-	-	-
Unreserved, Undesignated	22,886	29,171	17,219	-	1,885
Total Fund Balances	28,119	35,120	25,781	0	1,885
TOTAL LIABILITIES AND FUND BALANCES	\$ 92,654	\$ 117,849	\$ 44,025	\$ 140,906	\$ 2,014

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 16,035	\$ 31,714	\$ 17,910	\$ 3,655	\$ 17,061	\$ 64,538	\$ 519,803	\$ 914,966
-	-	-	-	-	16	196,377	196,393
2,652	-	-	6	452	1,441	15,292	41,885
5	-	-	-	-	-	2,093	2,471
11	-	-	13	-	441	1,692	7,140
-	-	-	-	-	1,371	6,545	106,914
-	125,905	-	17,606	-	273	4,125	160,069
-	-	-	-	-	-	1,577	1,577
1,077	2,166	1,223	250	692	4,404	27,493	51,718
120	-	-	-	-	517	175	1,041
-	-	-	-	-	-	1,465	1,465
\$ 19,900	\$ 159,785	\$ 19,133	\$ 21,530	\$ 18,205	\$ 73,001	\$ 776,637	\$ 1,485,639
\$ 239	\$ 0	\$ 31	\$ 22	\$ 196	\$ 96	\$ 5,755	\$ 7,673
2,756	-	72	7,026	4,657	5,056	17,141	59,476
2,409	-	941	856	1,190	536	19,367	43,193
509	-	523	2	10	16	578	1,693
8,178	-	1,858	2,004	560	3,799	41,430	106,119
288	-	507	12	21	321	10,971	213,438
1,077	2,166	1,223	250	692	4,404	27,493	51,718
-	107,751	-	-	-	14	14,393	122,333
1	-	-	78	1	167	18,565	18,845
-	-	-	66	85	82	97	593
15,457	109,917	5,155	10,316	7,412	14,491	155,790	625,081
437	-	8	939	261	2,982	10,267	26,533
120	-	-	-	-	517	175	1,041
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
-	-	-	-	-	-	702	702
3,886	49,868	13,970	10,275	10,532	55,011	609,670	824,373
4,443	49,868	13,978	11,214	10,793	58,510	620,847	860,558
\$ 19,900	\$ 159,785	\$ 19,133	\$ 21,530	\$ 18,205	\$ 73,001	\$ 776,637	\$ 1,485,639

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 2,642	\$ 3,498	\$ 0	\$ 515,075	\$ 58,783
Licenses, Permits, and Fees	34,440	1,688	9	34,795	-
Fines, Forfeits, and Court Settlements	-	-	1,936	-	-
Investment Income	-	-	1,059	-	-
Federal Grants and Reimbursements	380,589	840,255	161,706	2,612	-
Other Revenues	44,204	11,345	3,799	-	37,453
Total Revenues	461,875	856,786	168,509	552,482	96,236
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	801,402	-	127,286	-
Natural Resources and Recreation	-	-	-	9,242	-
Health	602,851	-	-	5,886	60,037
Social Services	-	38,417	34,765	-	-
Protection of Persons and Property	-	-	26,502	638	-
Transportation	-	-	-	216,291	-
General Government	-	-	105,154	255,580	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	357	6	-	-	-
Debt Service - Interest and Other Charges	621	1	-	-	-
Total Expenditures	603,829	839,826	166,421	614,923	60,037
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(141,954)	16,960	2,088	(62,441)	36,199
OTHER FINANCING SOURCES (USES)					
Transfers In	175,228	2,853	8,709	62,441	-
Transfers Out	(39,013)	(2,615)	(14,627)	-	(37,453)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	-	1	-	-	-
Total Other Financing Sources (Uses)	136,215	239	(5,918)	62,441	(37,453)
Net Change in Fund Balances	(5,739)	17,199	(3,830)	0	(1,254)
Fund Balances, October 1, 2007, as Restated	33,858	17,921	30,021	-	3,139
Increase (Decrease) in Inventory	-	-	(410)	-	-
Fund Balances, September 30, 2008	\$ 28,119	\$ 35,120	\$ 25,781	\$ 0	\$ 1,885

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 163,010	\$ 0	\$ 111,120	\$ 4,710	\$ 10,916	\$ 47,711	\$ 917,465
-	-	-	2,418	234	26,582	241,350	341,516
1,441	-	-	1	67	1,004	22,257	26,706
-	-	-	-	198	774	23,794	25,825
61,722	-	30	1,181	53,335	22,229	265,435	1,789,094
1,826	473	53,972	4,797	1,443	56,263	124,049	339,624
64,989	163,483	54,002	119,517	59,987	117,768	724,596	3,440,230
-	-	-	-	-	-	72,915	72,915
8,587	150,000	-	-	-	-	62,258	1,149,533
-	-	-	-	-	110,435	39,312	158,989
-	-	5,535	-	-	-	96,143	770,452
82,587	-	18,129	-	61,546	-	95,841	331,285
-	-	10,269	-	9,223	-	347,473	394,105
-	-	-	-	-	-	18,159	234,450
-	-	5,917	118,132	-	-	108,481	593,264
-	-	-	-	-	-	35,186	35,186
-	-	-	37	-	-	13,744	14,144
-	533	-	5	-	-	9,153	10,313
91,174	150,533	39,850	118,174	70,769	110,435	898,665	3,764,636
(26,185)	12,950	14,152	1,343	(10,782)	7,333	(174,069)	(324,406)
24,715	533	-	6,815	13,854	13,463	372,662	681,273
(227)	-	(13,575)	(5,445)	(3,687)	(10,274)	(626,820)	(753,736)
-	-	-	-	-	-	171	171
14	-	-	-	-	1,389	1,151	2,555
24,502	533	(13,575)	1,370	10,167	4,578	(252,836)	(69,737)
(1,683)	13,483	577	2,713	(615)	11,911	(426,905)	(394,143)
6,129	36,385	13,401	8,501	11,408	46,550	1,047,702	1,255,015
(3)	-	-	-	-	49	50	(314)
\$ 4,443	\$ 49,868	\$ 13,978	\$ 11,214	\$ 10,793	\$ 58,510	\$ 620,847	\$ 860,558

STATE OF ALABAMA

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2008

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
ASSETS					
Cash and Cash Equivalents	\$ 7,298	\$ 28,631	\$ 2,312	\$ 49,832	\$ 1,685
Investments	218	3,026	-	7,273	-
Due from Other Funds	1,045	1,444	5,601	32	462
Due from Component Units	-	2,058	-	-	-
Accounts Receivable	20	-	-	243	1
Due from Other Governments	-	-	2,356	-	1,870
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	400	767	158	2,132	115
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 8,981	\$ 35,926	\$ 10,427	\$ 59,512	\$ 4,133
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 22	\$ 235	\$ 0	\$ 123	\$ 133
Salaries Payable	138	3,566	161	1,380	349
Due to Other Funds	-	10,154	1,530	289	396
Due to Component Units	-	250	-	11	10
Accounts Payable	5,638	5,160	35	1,825	270
Due to Other Governments	28	308	6,230	1	15
Securities Lending Obligation	400	767	158	2,132	115
Deferred Revenue	-	-	-	12,404	45
Amounts Held in Custody for Others	-	24	-	918	-
Compensated Absences	-	30	-	-	2
Total Liabilities	6,226	20,494	8,114	19,083	1,335
Fund Balances					
Reserved for:					
Encumbrances	24	1,143	54	816	200
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Designated	-	-	-	-	-
Unreserved, Undesignated	2,731	14,289	2,259	39,613	2,598
Total Fund Balances	2,755	15,432	2,313	40,429	2,798
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,981	\$ 35,926	\$ 10,427	\$ 59,512	\$ 4,133

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 1,435	\$ 6,217	\$ 32,812	\$ 6,492	\$ 18,183	\$ 0	\$ 364,906	\$ 519,803
3,135	257	-	-	-	-	182,468	196,377
-	16	133	-	-	-	6,559	15,292
-	-	-	-	-	-	35	2,093
989	-	1	-	-	-	438	1,692
-	9	255	-	-	-	2,055	6,545
-	-	-	-	-	-	4,125	4,125
-	20	10	-	-	-	1,547	1,577
-	-	2,241	-	1,242	-	20,438	27,493
-	-	-	-	-	-	175	175
1,465	-	-	-	-	-	-	1,465
\$ 7,024	\$ 6,519	\$ 35,452	\$ 6,492	\$ 19,425	\$ 0	\$ 582,746	\$ 776,637
\$ 0	\$ 0	\$ 0	\$ 0	\$ 95	\$ 0	\$ 5,147	\$ 5,755
-	-	-	-	-	-	11,547	17,141
-	-	181	-	3,607	-	3,210	19,367
-	-	-	-	-	-	307	578
787	575	46	-	-	-	27,094	41,430
-	-	-	-	-	-	4,389	10,971
-	-	2,241	-	1,242	-	20,438	27,493
1,144	-	-	-	-	-	800	14,393
-	-	-	-	-	-	17,623	18,565
-	-	-	-	-	-	65	97
1,931	575	2,468	0	4,944	0	90,620	155,790
-	-	-	472	-	-	7,558	10,267
-	-	-	-	-	-	175	175
-	-	-	-	-	-	33	33
-	702	-	-	-	-	-	702
5,093	5,242	32,984	6,020	14,481	-	484,360	609,670
5,093	5,944	32,984	6,492	14,481	0	492,126	620,847
\$ 7,024	\$ 6,519	\$ 35,452	\$ 6,492	\$ 19,425	\$ 0	\$ 582,746	\$ 776,637

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, 2008

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
REVENUES					
Taxes	\$ 0	\$ 114	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	2,959	60,711	-	31,466	-
Fines, Forfeits, and Court Settlements	2,028	2,575	-	8,460	-
Investment Income	14	624	-	(170)	-
Federal Grants and Reimbursements	17	20,010	24,511	350	47,418
Other Revenues	19,927	8,185	314	1,450	1,916
Total Revenues	24,945	92,219	24,825	41,556	49,334
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	2,151	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health	-	87,369	-	-	-
Social Services	-	-	61,347	-	-
Protection of Persons and Property	43,225	-	-	41,265	56,757
Transportation	-	-	-	-	-
General Government	-	-	-	41	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	165	7,282	-	-	-
Debt Service - Interest and Other Charges	48	1,071	-	-	-
Total Expenditures	43,438	95,722	61,347	43,457	56,757
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(18,493)	(3,503)	(36,522)	(1,901)	(7,423)
OTHER FINANCING SOURCES (USES)					
Transfers In	12,485	10,627	49,099	2,604	5,258
Transfers Out	(2,292)	(3,524)	(11,710)	(3,232)	(835)
Capital Leases	-	171	-	-	-
Insurance Recovery Proceeds	482	10	-	2	-
Total Other Financing Sources (Uses)	10,675	7,284	37,389	(626)	4,423
Net Change in Fund Balances	(7,818)	3,781	867	(2,527)	(3,000)
Fund Balances, October 1, 2007, as Restated	10,573	11,651	1,446	42,956	5,798
Increase (Decrease) in Inventory	-	-	-	-	-
Fund Balances, September 30, 2008	\$ 2,755	\$ 15,432	\$ 2,313	\$ 40,429	\$ 2,798

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,597	\$ 47,711
-	-	287	-	-	-	145,927	241,350
-	-	-	-	-	-	9,194	22,257
(825)	170	1,213	192	-	10,741	11,835	23,794
49	-	2,776	-	-	-	170,304	265,435
9,833	-	75	-	-	-	82,349	124,049
9,057	170	4,351	192	0	10,741	467,206	724,596
-	-	-	-	-	-	70,764	72,915
9,945	-	-	-	-	-	52,313	62,258
-	-	25,482	-	-	-	13,830	39,312
-	7,577	-	-	-	-	1,197	96,143
-	-	-	-	-	-	34,494	95,841
-	-	-	-	-	-	206,226	347,473
-	-	-	-	-	-	18,159	18,159
-	-	-	-	-	-	108,440	108,481
-	-	-	-	2,245	-	32,941	35,186
-	-	-	-	6,147	-	150	13,744
-	22	-	-	7,983	-	29	9,153
9,945	7,599	25,482	0	16,375	0	538,543	898,665
(888)	(7,429)	(21,131)	192	(16,375)	10,741	(71,337)	(174,069)
-	7,460	15,000	-	71,699	-	198,430	372,662
(45)	-	(4,161)	-	(80,417)	(439,373)	(81,231)	(626,820)
-	-	-	-	-	-	-	171
-	-	-	-	-	-	657	1,151
(45)	7,460	10,839	0	(8,718)	(439,373)	117,856	(252,836)
(933)	31	(10,292)	192	(25,093)	(428,632)	46,519	(426,905)
6,026	5,913	43,276	6,300	39,574	428,632	445,557	1,047,702
-	-	-	-	-	-	50	50
\$ 5,093	\$ 5,944	\$ 32,984	\$ 6,492	\$ 14,481	\$ 0	\$ 492,126	\$ 620,847



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.

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 Bonds

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, 2008

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	\$ 461	\$ 56	\$ 0	\$ 0
Investments	-	3,639	474	-
Securities Lending Collateral	-	4	-	-
TOTAL ASSETS	\$ 461	\$ 3,699	\$ 474	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities				
Securities Lending Obligation	\$ 0	\$ 4	\$ 0	\$ 0
Total Liabilities	0	4	0	0
Fund Balances				
Unreserved, Designated for Debt Service	461	3,695	474	-
Total Fund Balances	461	3,695	474	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 461	\$ 3,699	\$ 474	\$ 0

Federal Aid Highway Finance Authority		Totals
\$	0	\$ 517
	-	4,113
	-	4
\$	0	\$ 4,634

\$	0	\$ 4
	0	4

	-	4,630
	0	4,630

\$	0	\$ 4,634
-----------	----------	-----------------

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
REVENUES				
Investment Income	\$ 0	\$ 239	\$ 35	\$ 0
Other Revenues	2,150	-	24	-
Total Revenues	2,150	239	59	0
EXPENDITURES				
Debt Service - Principal Retirement	1,575	-	1,120	30,125
Debt Service - Interest and Other Charges	575	845	2,424	34,163
Total Expenditures	2,150	845	3,544	64,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(606)	(3,485)	(64,288)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	28	6,329	64,044
Transfers Out	-	-	(2,933)	-
Bonds Issued	-	1,057	-	-
Refunding Bonds Issued	-	22,660	-	-
Current Refunding to Bondholders	-	(23,625)	-	-
Total Other Financing Sources (Uses)	0	120	3,396	64,044
Net Change in Fund Balances	0	(486)	(89)	(244)
Fund Balances, October 1, 2007, as Restated	461	4,181	563	244
Fund Balances, September 30, 2008	\$ 461	\$ 3,695	\$ 474	\$ 0

Federal Aid Highway Finance Authority		Totals
\$ 0	\$ 274	
-	2,174	
0	2,448	
11,920	44,740	
7,136	45,143	
19,056	89,883	
(19,056)	(87,435)	
19,056	89,457	
-	(2,933)	
-	1,057	
-	22,660	
-	(23,625)	
19,056	86,616	
0	(819)	
-	5,449	
\$ 0	\$ 4,630	



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.

Judicial Building Authority Capital Projects

Accounts for proceeds of debt issued by the authority for the purpose of acquiring, constructing, and equipping judicial facilities.

Other Capital Project Funds

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, 2008

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Judicial Building Authority
ASSETS				
Cash and Cash Equivalents	\$ 131,699	\$ 27,532	\$ 9	\$ 10,261
Investments	-	-	-	-
Interest and Dividends Receivable	-	-	-	-
Securities Lending Collateral	5	7	1	-
TOTAL ASSETS	\$ 131,704	\$ 27,539	\$ 10	\$ 10,261
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants Payable	\$ 66	\$ 43	\$ 0	\$ 0
Due to Other Funds	-	1,019	-	-
Accounts Payable	2	1,581	-	-
Securities Lending Obligation	5	7	1	-
Total Liabilities	73	2,650	1	0
Fund Balances				
Reserved for:				
Encumbrances	60	3,439	-	-
Unreserved, Designated for Capital Projects	131,571	21,450	9	10,261
Total Fund Balances	131,631	24,889	9	10,261
TOTAL LIABILITIES AND FUND BALANCES	\$ 131,704	\$ 27,539	\$ 10	\$ 10,261

Other Capital Project Funds	Totals
\$ 15,341	\$ 184,842
9,480	9,480
52	52
6	19
<u>\$ 24,879</u>	<u>\$ 194,393</u>

\$ 0	\$ 109
16	1,035
2,358	3,941
6	19
<u>2,380</u>	<u>5,104</u>

-	3,499
22,499	185,790
<u>22,499</u>	<u>189,289</u>
<u>\$ 24,879</u>	<u>\$ 194,393</u>

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Judicial Building Authority
REVENUES				
Investment Income	\$ 7,464	\$ 1,394	\$ 247	\$ 261
Total Revenues	7,464	1,394	247	261
EXPENDITURES				
Current:				
Education and Cultural Resources	-	-	-	-
Natural Resources and Recreation	-	29,109	-	-
Capital Outlay	219,918	-	-	-
Debt Service - Interest and Other Charges	85	-	-	125
Total Expenditures	220,003	29,109	0	125
Excess (Deficiency) of				
Revenues Over (Under) Expenditures	(212,539)	(27,715)	247	136
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(8,450)	(28)
Bonds Issued	-	-	-	8,943
Debt Issuance Premiums	-	-	-	1,210
Total Other Financing Sources (Uses)	0	0	(8,450)	10,125
Net Change in Fund Balances	(212,539)	(27,715)	(8,203)	10,261
Fund Balances, October 1, 2007, as Restated	344,170	52,604	8,212	-
Fund Balances, September 30, 2008	\$ 131,631	\$ 24,889	\$ 9	\$ 10,261

Other Capital Project Funds	Totals
\$ 578	\$ 9,944
578	9,944
472	472
-	29,109
16,928	236,846
3	213
17,403	266,640
(16,825)	(256,696)
1,191	1,191
-	(8,478)
-	8,943
-	1,210
1,191	2,866
(15,634)	(253,830)
38,133	443,119
\$ 22,499	\$ 189,289



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

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, 2008

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 176	\$ 5	\$ 0	\$ 10,383	\$ 10,564
Investments	15,185	15,270	15,292	108	45,855
Due from Other Funds	21	-	-	-	21
Accounts Receivable	-	-	-	1	1
Interest and Dividends Receivable	-	1	-	-	1
Mortgages, Notes, and Loans Receivable	-	-	-	49	49
Securities Lending Collateral	4,464	-	4,224	709	9,397
TOTAL ASSETS	\$ 19,846	\$ 15,276	\$ 19,516	\$ 11,250	\$ 65,888
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 3	\$ 3	\$ 0	\$ 0	\$ 6
Accounts Payable	-	7	-	-	7
Securities Lending Obligation	4,464	-	4,224	709	9,397
Total Liabilities	4,467	10	4,224	709	9,410
Fund Balances					
Reserved for:					
Permanent Trust Principal	15,379	11,500	2,340	2,321	31,540
Unreserved, Undesignated	-	3,766	12,952	8,220	24,938
Total Fund Balances	15,379	15,266	15,292	10,541	56,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,846	\$ 15,276	\$ 19,516	\$ 11,250	\$ 65,888

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 1,075	\$ 0	\$ 0	\$ 368	\$ 1,443
Investment Income	(533)	1,144	(7)	263	867
Other Revenues	-	-	1,607	6	1,613
Total Revenues	542	1,144	1,600	637	3,923
EXPENDITURES					
Current:					
Education and Cultural Resources	-	21	-	-	21
Total Expenditures	0	21	0	0	21
Excess (Deficiency) of Revenues Over (Under) Expenditures	542	1,123	1,600	637	3,902
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	283	1,177	1,460
Transfers Out	-	(6)	(528)	-	(534)
Total Other Financing Sources (Uses)	0	(6)	(245)	1,177	926
Net Change in Fund Balances	542	1,117	1,355	1,814	4,828
Fund Balances, October 1, 2007, as Restated	14,837	14,149	13,937	8,727	51,650
Fund Balances, September 30, 2008	\$ 15,379	\$ 15,266	\$ 15,292	\$ 10,541	\$ 56,478



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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	5,504	5,504	-
Alabama Sentencing Commission	539	539	-
Court Operations	132,270	132,270	-
Drug Court	1,734	1,576	158
Juvenile Probation Officer Services	16,042	16,042	-
TOTAL Administrative Office of Courts	156,089	155,931	158
<u>Agriculture and Industries</u>			
Administrative Services	3,722	3,698	24
Agricultural Development Services	3,242	3,203	39
Agricultural Inspection Services	7,049	7,034	15
Lab Analysis and Disease Control	3,778	3,768	10
TOTAL Agriculture and Industries	17,791	17,703	88
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	684	684	-
Legal Advice and Legal Service: Attorney General - Operations	12,254	12,253	1
Legal Advice and Legal Service: Cold Case Unit	203	203	-
Legal Advice and Legal Service: Consumer Utility Fund	282	282	-
TOTAL Attorney General	13,423	13,422	1
<u>Auditor</u>			
Fiscal Management	809	804	5
TOTAL Auditor	809	804	5
<u>Commission on Higher Education</u>			
Alabama Guaranteed Student Loan	-	-	-
Alabama Teacher Recruitment Incentive Program	-	-	-
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	18,657	18,657	-
Correctional Industries	-	-	-
Institutional Service Corrections	339,155	338,600	555
TOTAL Corrections	357,812	357,257	555
<u>Economic and Community Affairs</u>			
Administrative Support Service	272	255	17
Energy Management	546	546	-
Law Enforcement Planning and Development	886	712	174
Planning	12,091	11,858	233
Skills Enhancement/Employment Opportunities	1,651	1,651	-
Surplus Property	553	553	-
Water Resources	4,164	3,791	373
TOTAL Economic and Community Affairs	20,163	19,366	797

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	5,504	5,504	-
-	-	-	-	-	-	539	539	-
-	-	-	23,601	16,029	7,572	155,871	148,299	7,572
-	-	-	-	-	-	1,734	1,576	158
-	-	-	6,329	6,329	-	22,371	22,371	-
-	-	-	29,930	22,358	7,572	186,019	178,289	7,730
-	-	-	4,315	4,101	214	8,037	7,799	238
-	-	-	2,498	1,591	907	5,740	4,794	946
-	-	-	13,761	10,175	3,586	20,810	17,209	3,601
-	-	-	9,971	8,452	1,519	13,749	12,220	1,529
-	-	-	30,545	24,319	6,226	48,336	42,022	6,314
-	-	-	-	-	-	684	684	-
-	-	-	5,923	4,652	1,271	18,177	16,905	1,272
-	-	-	-	-	-	203	203	-
-	-	-	-	-	-	282	282	-
-	-	-	5,923	4,652	1,271	19,346	18,074	1,272
-	-	-	-	-	-	809	804	5
-	-	-	-	-	-	809	804	5
-	-	-	398	12	386	398	12	386
2,432	243	2,189	-	-	-	2,432	243	2,189
3,204	2,695	509	-	-	-	3,204	2,695	509
8,859	8,676	183	8,065	5,741	2,324	16,924	14,417	2,507
3,546	3,370	176	1,656	1,314	342	5,202	4,684	518
7,850	7,850	-	100	-	100	7,950	7,850	100
25,891	22,834	3,057	10,219	7,067	3,152	36,110	29,901	6,209
-	-	-	-	-	-	18,657	18,657	-
-	-	-	25,806	20,618	5,188	25,806	20,618	5,188
-	-	-	47,451	35,034	12,417	386,606	373,634	12,972
-	-	-	73,257	55,652	17,605	431,069	412,909	18,160
-	-	-	9,935	9,131	804	10,207	9,386	821
-	-	-	42,191	26,618	15,573	42,737	27,164	15,573
-	-	-	52,576	32,196	20,380	53,462	32,908	20,554
-	-	-	69,610	63,685	5,925	81,701	75,543	6,158
-	-	-	44,201	38,818	5,383	45,852	40,469	5,383
-	-	-	1,679	1,503	176	2,232	2,056	176
-	-	-	5,101	4,802	299	9,265	8,593	672
-	-	-	225,293	176,753	48,540	245,456	196,119	49,337

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Student Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Information Technology Services	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	10,848	7,556	3,292
TOTAL Emergency Management Agency	10,848	7,556	3,292
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	13,795	13,795	-
TOTAL Examiners of Public Accounts	13,795	13,795	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Director's Office	463	239	224
Executive Planning: Executive Planning	658	591	67
Fiscal Management: Budget Office	1,509	1,174	335
Fiscal Management: Comptroller's Office	4,916	4,664	252
Fiscal Management: Purchasing	1,894	1,646	248
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex Maintenance and Repair	-	-	-
General Services: Capitol	962	834	128
General Services: Service Division	894	747	147
General Services: Space Management	410	-	410
Information Services	-	-	-
Legal Management	-	-	-
Legal Management: Legal Division	176	139	37
Risk Management	-	-	-
Risk Management: Employees' Assistance Program	200	185	15
Smart Business Systems	-	-	-
TOTAL Finance	12,082	10,219	1,863

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
203,459	196,508	6,951	112,865	43,616	69,249	316,324	240,124	76,200
-	-	-	3,957	3,382	575	3,957	3,382	575
31,028	31,001	27	-	-	-	31,028	31,001	27
863	407	456	-	-	-	863	407	456
-	-	-	78,595	37,997	40,598	78,595	37,997	40,598
-	-	-	533	533	-	533	533	-
57,419	51,345	6,074	974,259	756,066	218,193	1,031,678	807,411	224,267
3,710,706	3,710,706	-	150,000	150,000	-	3,860,706	3,860,706	-
5,661	5,661	-	-	-	-	5,661	5,661	-
22,444	22,444	-	-	-	-	22,444	22,444	-
33,777	33,777	-	-	-	-	33,777	33,777	-
345,581	345,581	-	-	-	-	345,581	345,581	-
4,410,938	4,397,430	13,508	1,320,209	991,594	328,615	5,731,147	5,389,024	342,123
-	-	-	130,978	57,056	73,922	141,826	64,612	77,214
-	-	-	130,978	57,056	73,922	141,826	64,612	77,214
8,129	8,129	-	1,979	658	1,321	23,903	22,582	1,321
8,129	8,129	-	1,979	658	1,321	23,903	22,582	1,321
-	-	-	3,678	2,707	971	3,678	2,707	971
-	-	-	-	-	-	463	239	224
-	-	-	-	-	-	658	591	67
-	-	-	-	-	-	1,509	1,174	335
-	-	-	-	-	-	4,916	4,664	252
-	-	-	-	-	-	1,894	1,646	248
-	-	-	13,260	12,032	1,228	13,260	12,032	1,228
-	-	-	9,027	7,192	1,835	9,027	7,192	1,835
-	-	-	10,446	9,112	1,334	10,446	9,112	1,334
-	-	-	-	-	-	962	834	128
-	-	-	-	-	-	894	747	147
-	-	-	-	-	-	410	-	410
-	-	-	76,061	55,266	20,795	76,061	55,266	20,795
-	-	-	1,361	750	611	1,361	750	611
-	-	-	-	-	-	176	139	37
-	-	-	7,768	4,977	2,791	7,768	4,977	2,791
-	-	-	-	-	-	200	185	15
-	-	-	3,569	83	3,486	3,569	83	3,486
-	-	-	125,170	92,119	33,051	137,252	102,338	34,914

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	40	6	34
Executive Direction	-	-	-
Executive Direction: Governor's Contingency Fund	486	396	90
Executive Direction: Governor's Mansion	379	373	6
Executive Direction: Governor's Office	2,934	2,679	255
Executive Direction: Governor's Proclamation Expense	500	17	483
Executive Direction: National Governors' Conference	195	192	3
TOTAL Governor	4,534	3,663	871
<u>Human Resources</u>			
Human Services: Adult Protective Services	-	-	-
Human Services: Child Day Care	-	-	-
Human Services: Child Support	-	-	-
Human Services: Child Welfare	-	-	-
Human Services: Combination Eligibility	-	-	-
Human Services: Combination Service	-	-	-
Human Services: County Administration	-	-	-
Human Services: Food Assistance	-	-	-
Human Services: State Administration	-	-	-
Human Services: Temporary Assistance to Needy Families	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	2,322	2,143	179
Regulation Workers Compensation	-	-	-
Small Business Program	146	124	22
TOTAL Industrial Relations	2,468	2,267	201
<u>Legislature</u>			
Legislative Operations and Support	31,409	22,943	8,466
TOTAL Legislature	31,409	22,943	8,466
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid: Administrative Cost	18,308	18,237	71
Medical Assistance Through Medicaid: Alternative Care	5,000	5,000	-
Medical Assistance Through Medicaid: Family Planning	-	-	-
Medical Assistance Through Medicaid: Health Support	-	-	-
Medical Assistance Through Medicaid: Hospital Care	421,482	421,482	-
Medical Assistance Through Medicaid: Mental Health- Facilities	-	-	-
Medical Assistance Through Medicaid: Mental Health- Other Health Insurance	-	-	-
Medical Assistance Through Medicaid: Mental Health- Waivers	-	-	-
Medical Assistance Through Medicaid: Nursing Home Care	15,996	15,996	-
Medical Assistance Through Medicaid: Pharmaceutical	11,590	11,590	-
Medical Assistance Through Medicaid: Physician Care	-	-	-
Medical Assistance Through Medicaid: Premiums	-	-	-
TOTAL Medicaid Agency	472,376	472,305	71

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	40	6	34
-	-	-	6,417	4,456	1,961	6,417	4,456	1,961
-	-	-	-	-	-	486	396	90
-	-	-	-	-	-	379	373	6
-	-	-	-	-	-	2,934	2,679	255
-	-	-	-	-	-	500	17	483
-	-	-	-	-	-	195	192	3
-	-	-	6,417	4,456	1,961	10,951	8,119	2,832
-	-	-	18,102	15,396	2,706	18,102	15,396	2,706
-	-	-	121,441	118,687	2,754	121,441	118,687	2,754
-	-	-	57,635	54,554	3,081	57,635	54,554	3,081
-	-	-	308,367	303,725	4,642	308,367	303,725	4,642
-	-	-	16,843	15,783	1,060	16,843	15,783	1,060
-	-	-	994	860	134	994	860	134
-	-	-	43,753	41,432	2,321	43,753	41,432	2,321
-	-	-	711,953	709,281	2,672	711,953	709,281	2,672
-	-	-	49,664	46,737	2,927	49,664	46,737	2,927
-	-	-	75,600	69,675	5,925	75,600	69,675	5,925
-	-	-	1,404,352	1,376,130	28,222	1,404,352	1,376,130	28,222
-	-	-	17,822	11,863	5,959	17,822	11,863	5,959
-	-	-	59,092	51,701	7,391	59,092	51,701	7,391
-	-	-	7,390	4,055	3,335	9,712	6,198	3,514
-	-	-	5,515	4,927	588	5,515	4,927	588
-	-	-	-	-	-	146	124	22
-	-	-	89,819	72,546	17,273	92,287	74,813	17,474
-	-	-	-	-	-	31,409	22,943	8,466
-	-	-	-	-	-	31,409	22,943	8,466
-	-	-	136,143	129,382	6,761	154,451	147,619	6,832
-	-	-	410,870	403,018	7,852	415,870	408,018	7,852
-	-	-	41,365	41,228	137	41,365	41,228	137
-	-	-	194,027	193,921	106	194,027	193,921	106
-	-	-	954,584	954,397	187	1,376,066	1,375,879	187
-	-	-	40,819	39,897	922	40,819	39,897	922
-	-	-	95,641	95,109	532	95,641	95,109	532
-	-	-	264,637	261,550	3,087	264,637	261,550	3,087
-	-	-	820,357	751,148	69,209	836,353	767,144	69,209
-	-	-	500,703	490,279	10,424	512,293	501,869	10,424
-	-	-	341,772	323,275	18,497	341,772	323,275	18,497
-	-	-	243,080	238,567	4,513	243,080	238,567	4,513
-	-	-	4,043,998	3,921,771	122,227	4,516,374	4,394,076	122,298

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<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	-	-	-
Industrial Training: AIDT/Workforce Development	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Business & Commerce Center	-	-	-
Postsecondary-Special Line Items: Mine Safety	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Technical Colleges: Truck Driver Training-CACC	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Two Year Colleges: Workforce Development	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	10,716	10,481	235
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	43,981	40,040	3,941
TOTAL Public Health	54,697	50,521	4,176
<u>Public Safety</u>			
Administrative Services	11,959	11,542	417
Police Services	61,825	56,843	4,982
Public Safety Support Services	14,007	13,582	425
Readiness and Recovery	200	168	32
TOTAL Public Safety	87,991	82,135	5,856
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	31,024	27,355	3,669	31,024	27,355	3,669
-	-	-	385,640	356,521	29,119	385,640	356,521	29,119
-	-	-	463,349	444,364	18,985	463,349	444,364	18,985
-	-	-	55,881	41,993	13,888	55,881	41,993	13,888
-	-	-	935,894	870,233	65,661	935,894	870,233	65,661
-	-	-	10,724	7,384	3,340	10,724	7,384	3,340
18,769	11,384	7,385	-	-	-	18,769	11,384	7,385
7,113	6,740	373	-	-	-	7,113	6,740	373
6,294	6,294	-	-	-	-	6,294	6,294	-
6,440	6,440	-	-	-	-	6,440	6,440	-
6,505	6,505	-	-	-	-	6,505	6,505	-
30,000	30,000	-	-	-	-	30,000	30,000	-
-	-	-	3,397	2,965	432	3,397	2,965	432
6,048	5,289	759	-	-	-	6,048	5,289	759
10,005	8,946	1,059	-	-	-	10,005	8,946	1,059
1,900	1,900	-	-	-	-	1,900	1,900	-
300	300	-	-	-	-	300	300	-
5,164	4,772	392	-	-	-	5,164	4,772	392
-	-	-	1,979	1,979	-	1,979	1,979	-
350	350	-	-	-	-	350	350	-
6,925	6,925	-	-	-	-	6,925	6,925	-
7,404	7,404	-	-	-	-	7,404	7,404	-
356,165	356,165	-	-	-	-	356,165	356,165	-
7,650	5,627	2,023	-	-	-	7,650	5,627	2,023
15,149	15,149	-	-	-	-	15,149	15,149	-
492,181	480,190	11,991	16,100	12,328	3,772	508,281	492,518	15,763
1,101	1,019	82	19,813	17,971	1,842	31,630	29,471	2,159
-	-	-	150,201	144,410	5,791	150,201	144,410	5,791
2,300	2,300	-	-	-	-	2,300	2,300	-
1,615	1,227	388	-	-	-	1,615	1,227	388
15,978	15,513	465	472,970	448,429	24,541	532,929	503,982	28,947
20,994	20,059	935	642,984	610,810	32,174	718,675	681,390	37,285
-	-	-	24,859	21,794	3,065	36,818	33,336	3,482
-	-	-	37,481	23,153	14,328	99,306	79,996	19,310
-	-	-	18,879	16,050	2,829	32,886	29,632	3,254
-	-	-	-	-	-	200	168	32
-	-	-	81,219	60,997	20,222	169,210	143,132	26,078
-	-	-	17,695	15,296	2,399	17,695	15,296	2,399
-	-	-	17,695	15,296	2,399	17,695	15,296	2,399

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	242	242	-
TOTAL Rehabilitation Services	242	242	-
<u>Revenue</u>			
State Revenue Administration	114	86	28
TOTAL Revenue	114	86	28
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	355	332	23
Administrative Support Service: Printing of Acts/Journals	428	248	180
Administrative Support Service: Printing of Codes	131	131	-
Administrative Support Service: Secretary of State	1,670	1,418	252
Special Services: Training Elected Officials	70	24	46
TOTAL Secretary of State	2,654	2,153	501
<u>Transportation</u>			
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	2,403	2,200	203
TOTAL Treasurer	2,403	2,200	203
<u>Youth Services</u>			
Financial Assistance	-	-	-
Youth Services	12,982	10,677	2,305
Youth Services-Boot Camps	5,222	5,218	4
TOTAL Youth Services	18,204	15,895	2,309

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
44,573	44,572	1	116,810	96,178	20,632	161,625	140,992	20,633
44,573	44,572	1	116,810	96,178	20,632	161,625	140,992	20,633
-	-	-	127,536	123,395	4,141	127,650	123,481	4,169
-	-	-	127,536	123,395	4,141	127,650	123,481	4,169
-	-	-	4,574	1,395	3,179	4,574	1,395	3,179
-	-	-	13,864	138	13,726	13,864	138	13,726
-	-	-	-	-	-	355	332	23
-	-	-	-	-	-	428	248	180
-	-	-	-	-	-	131	131	-
-	-	-	-	-	-	1,670	1,418	252
-	-	-	-	-	-	70	24	46
-	-	-	18,438	1,533	16,905	21,092	3,686	17,406
-	-	-	171,428	140,088	31,340	171,428	140,088	31,340
-	-	-	31,803	17,745	14,058	31,803	17,745	14,058
-	-	-	1,840,967	1,245,571	595,396	1,840,967	1,245,571	595,396
-	-	-	2,044,198	1,403,404	640,794	2,044,198	1,403,404	640,794
-	-	-	3,080	2,729	351	5,483	4,929	554
-	-	-	3,080	2,729	351	5,483	4,929	554
8,778	8,206	572	1,072	833	239	9,850	9,039	811
51,678	48,646	3,032	25,632	20,555	5,077	90,292	79,878	10,414
-	-	-	-	-	-	5,222	5,218	4
60,456	56,852	3,604	26,704	21,388	5,316	105,364	94,135	11,229

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Colleges and Universities			
Alabama Agricultural and Mechanical University			
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-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for Blind	-	-	-
Ear Institute	-	-	-
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 Full Time Equivalent Equity	-	-	-
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/University of Alabama Birmingham	-	-	-
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	-	-	-
University of North Alabama			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
300	300	-	-	-	-	300	300	-
1,502	1,502	-	-	-	-	1,502	1,502	-
550	550	-	-	-	-	550	550	-
44,022	44,022	-	-	-	-	44,022	44,022	-
3,913	3,913	-	-	-	-	3,913	3,913	-
50,287	50,287	-	-	-	-	50,287	50,287	-
11,085	11,085	-	-	-	-	11,085	11,085	-
31,461	31,461	-	-	-	-	31,461	31,461	-
9,660	9,660	-	-	-	-	9,660	9,660	-
250	250	-	-	-	-	250	250	-
52,456	52,456	-	-	-	-	52,456	52,456	-
185	185	-	-	-	-	185	185	-
47,424	47,424	-	-	-	-	47,424	47,424	-
1,657	1,657	-	-	-	-	1,657	1,657	-
49,266	49,266	-	-	-	-	49,266	49,266	-
219,784	219,784	-	-	-	-	219,784	219,784	-
31,027	31,027	-	-	-	-	31,027	31,027	-
41,192	41,192	-	-	-	-	41,192	41,192	-
44,608	44,608	-	-	-	-	44,608	44,608	-
336,611	336,611	-	-	-	-	336,611	336,611	-
49,306	49,306	-	-	-	-	49,306	49,306	-
49,306	49,306	-	-	-	-	49,306	49,306	-
4,000	4,000	-	-	-	-	4,000	4,000	-
58,458	58,458	-	-	-	-	58,458	58,458	-
62,458	62,458	-	-	-	-	62,458	62,458	-
-	-	-	34	34	-	34	34	-
4,132	4,132	-	-	-	-	4,132	4,132	-
353,905	353,905	-	-	-	-	353,905	353,905	-
358,037	358,037	-	34	34	-	358,071	358,071	-
58,101	58,101	-	-	-	-	58,101	58,101	-
58,101	58,101	-	-	-	-	58,101	58,101	-
199,417	199,417	-	-	-	-	199,417	199,417	-
199,417	199,417	-	-	-	-	199,417	199,417	-
24,154	24,154	-	-	-	-	24,154	24,154	-
24,154	24,154	-	-	-	-	24,154	24,154	-
33,907	33,907	-	-	-	-	33,907	33,907	-
33,907	33,907	-	-	-	-	33,907	33,907	-

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, 2008

(Amounts in Thousands)

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
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
139,737	139,737	-	-	-	-	139,737	139,737	-
139,737	139,737	-	-	-	-	139,737	139,737	-
17,059	17,059	-	-	-	-	17,059	17,059	-
17,059	17,059	-	-	-	-	17,059	17,059	-
1,430,796	1,430,796	-	34	34	-	1,430,830	1,430,830	-

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, 2008

(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	104	83	21
Total Agricultural Museum Board	104	83	21
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	125	125	-
Agricultural Development Services: Livestock Coliseum	248	248	-
Agricultural Development Services: Operations	266	266	-
Total Agriculture Center Board	639	639	-
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	-	-	-
Alabama Law Institute			
Support - Other Educational Activities	823	802	21
Total Alabama Law Institute	823	802	21
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Trusts			
Alabama Natural Heritage	-	-	-
Fiscal Management	20	20	-
Total Alabama Trusts	20	20	-
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	2,020	1,840	180
Total Archives and History	2,020	1,840	180
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
-	-	-	1,340	1,050	290	1,340	1,050	290
-	-	-	1,340	1,050	290	1,340	1,050	290
-	-	-	-	-	-	104	83	21
-	-	-	-	-	-	104	83	21
-	-	-	-	-	-	125	125	-
-	-	-	525	524	1	773	772	1
-	-	-	-	-	-	266	266	-
-	-	-	525	524	1	1,164	1,163	1
-	-	-	100	75	25	100	75	25
-	-	-	100	75	25	100	75	25
228	227	1	-	-	-	1,051	1,029	22
228	227	1	-	-	-	1,051	1,029	22
-	-	-	409	374	35	409	374	35
-	-	-	409	374	35	409	374	35
-	-	-	600	389	211	600	389	211
-	-	-	-	-	-	20	20	-
-	-	-	600	389	211	620	409	211
-	-	-	7,171	6,357	814	7,171	6,357	814
-	-	-	49,603	44,635	4,968	49,603	44,635	4,968
-	-	-	15,687	14,175	1,512	15,687	14,175	1,512
-	-	-	72,461	65,167	7,294	72,461	65,167	7,294
-	-	-	395	364	31	395	364	31
-	-	-	395	364	31	395	364	31
4,551	4,289	262	795	513	282	7,366	6,642	724
4,551	4,289	262	795	513	282	7,366	6,642	724
-	-	-	86	73	13	86	73	13
-	-	-	86	73	13	86	73	13
-	-	-	26	14	12	26	14	12
-	-	-	26	14	12	26	14	12
-	-	-	48	44	4	48	44	4
-	-	-	48	44	4	48	44	4
-	-	-	195	160	35	195	160	35
-	-	-	195	160	35	195	160	35

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, 2008

(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	15	10	5
Special Services: Death Claims-Board of Adjustment	1,300	1,300	-
Total Board of Adjustment	1,315	1,310	5
Board of Control-Public Employee Contribution			
Employee Benefits	-	-	-
Total Board of Control-Public Employee Contribution	-	-	-
Board of Prosthetists and Orthotists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthotists	-	-	-
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	278	242	36
Total Building Commission	278	242	36
Child Abuse Prevention			
Social Services	-	-	-
Total Child Abuse Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	459	454	5
Total Children's Affairs	459	454	5
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	406	275	131
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	406	275	131
Clerk of the House			
Legislative Operations and Support	1,501	313	1,188
Total Clerk of the House	1,501	313	1,188
Commision on Uniform State Laws			
Special Services	76	62	14
Total Commision on Uniform State Laws	76	62	14

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	13,952	12,268	1,684	13,952	12,268	1,684
-	-	-	13,952	12,268	1,684	13,952	12,268	1,684
-	-	-	-	-	-	15	10	5
-	-	-	-	-	-	1,300	1,300	-
-	-	-	-	-	-	1,315	1,310	5
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	140	107	33	140	107	33
-	-	-	140	107	33	140	107	33
-	-	-	122	94	28	122	94	28
-	-	-	122	94	28	122	94	28
-	-	-	214	107	107	214	107	107
-	-	-	1,614	1,249	365	1,892	1,491	401
-	-	-	1,828	1,356	472	2,106	1,598	508
-	-	-	9,563	9,150	413	9,563	9,150	413
-	-	-	9,563	9,150	413	9,563	9,150	413
-	-	-	4,188	2,628	1,560	4,188	2,628	1,560
-	-	-	4,188	2,628	1,560	4,188	2,628	1,560
-	-	-	870	90	780	870	90	780
11,038	10,940	98	175	173	2	11,672	11,567	105
11,038	10,940	98	1,045	263	782	12,542	11,657	885
-	-	-	351	330	21	351	330	21
-	-	-	351	330	21	351	330	21
-	-	-	155	32	123	561	307	254
-	-	-	155	32	123	561	307	254
-	-	-	-	-	-	1,501	313	1,188
-	-	-	-	-	-	1,501	313	1,188
-	-	-	-	-	-	76	62	14
-	-	-	-	-	-	76	62	14

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-
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	3,739	3,560	179
Total Court of Civil Appeals	3,739	3,560	179
Court of Criminal Appeals			
Court Operations	4,389	4,159	230
Total Court of Criminal Appeals	4,389	4,159	230
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	2,409	2,408	1
Total Criminal Justice Information Center	2,409	2,408	1

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	10,668	8,706	1,962	10,668	8,706	1,962
-	-	-	33,419	31,945	1,474	33,419	31,945	1,474
-	-	-	9,327	8,519	808	9,327	8,519	808
-	-	-	16,900	12,249	4,651	16,900	12,249	4,651
-	-	-	8,363	7,900	463	8,363	7,900	463
-	-	-	23,953	9,358	14,595	23,953	9,358	14,595
-	-	-	102,630	78,677	23,953	102,630	78,677	23,953
-	-	-	2,525	1,968	557	2,525	1,968	557
-	-	-	2,525	1,968	557	2,525	1,968	557
5,854	5,830	24	645	632	13	6,499	6,462	37
5,854	5,830	24	645	632	13	6,499	6,462	37
-	-	-	372	329	43	372	329	43
-	-	-	372	329	43	372	329	43
-	-	-	-	-	-	3,739	3,560	179
-	-	-	-	-	-	3,739	3,560	179
-	-	-	-	-	-	4,389	4,159	230
-	-	-	-	-	-	4,389	4,159	230
-	-	-	1,647	1,176	471	1,647	1,176	471
-	-	-	1,647	1,176	471	1,647	1,176	471
-	-	-	3,358	2,082	1,276	3,358	2,082	1,276
-	-	-	3,358	2,082	1,276	3,358	2,082	1,276
-	-	-	16,078	10,126	5,952	18,487	12,534	5,953
-	-	-	16,078	10,126	5,952	18,487	12,534	5,953

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A GO Bonds	-	-	-
Debt Service: 2005-A GO Bonds	-	-	-
Debt Service: Administrative Office of Courts	-	-	-
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-A Agriculture Development Bond	-	-	-
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: GO 2006 Debt Service	-	-	-
Debt Service: GO 2007-A Debt Service	-	-	-
Total Debt Service and Reserve	-	-	-
Development Office			
Industrial Development: Alabama Development Office	4,347	4,193	154
Total Development Office	4,347	4,193	154
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	39,982	39,884	98
Total District Attorneys	39,982	39,884	98
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	55,299	55,299	-	55,299	55,299	-
-	-	-	7,692	7,692	-	7,692	7,692	-
-	-	-	4,140	4,140	-	4,140	4,140	-
6,041	6,041	-	1,856	1,856	-	7,897	7,897	-
-	-	-	3,975	-	3,975	3,975	-	3,975
-	-	-	2,816	2,816	-	2,816	2,816	-
-	-	-	2,150	2,150	-	2,150	2,150	-
-	-	-	5,519	5,519	-	5,519	5,519	-
-	-	-	3,544	3,419	125	3,544	3,419	125
4,328	4,328	-	15,672	15,672	-	20,000	20,000	-
-	-	-	1,790	1,790	-	1,790	1,790	-
3,598	3,598	-	1,051	1,051	-	4,649	4,649	-
794	794	-	564	564	-	1,358	1,358	-
-	-	-	8,512	8,512	-	8,512	8,512	-
-	-	-	476	476	-	476	476	-
-	-	-	4,783	4,783	-	4,783	4,783	-
-	-	-	24,782	24,538	244	24,782	24,538	244
14,761	14,761	-	144,621	140,277	4,344	159,382	155,038	4,344
-	-	-	1,460	1,446	14	5,807	5,639	168
-	-	-	1,460	1,446	14	5,807	5,639	168
-	-	-	150	104	46	150	104	46
-	-	-	150	104	46	150	104	46
-	-	-	-	-	-	39,982	39,884	98
-	-	-	-	-	-	39,982	39,884	98
10,504	10,310	194	460	348	112	10,964	10,658	306
10,504	10,310	194	460	348	112	10,964	10,658	306
-	-	-	428	286	142	428	286	142
-	-	-	428	286	142	428	286	142
-	-	-	424	396	28	424	396	28
-	-	-	424	396	28	424	396	28
-	-	-	60,046	54,955	5,091	60,046	54,955	5,091
-	-	-	60,046	54,955	5,091	60,046	54,955	5,091

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	1,553	1,292	261
Total Ethics Commission	1,553	1,292	261
Farmers' Market Authority			
Agricultural Development Services	1,804	1,103	701
Total Farmers' Market Authority	1,804	1,103	701
Finance Special Appropriations			
Administration Service and Logistical Supply: Removal of Prisoners	800	777	23
Criminal Investigation: Arrest of Absconding Felons	58	10	48
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	511	511	-
Institutional Service Corrections: Feeding of Prisoners	8,500	8,500	-
Legal Advice and Legal Service: Automatic Appeal Expense	39	-	39
Legal Advice and Legal Service: Court Assessed Cost not Provided	291	288	3
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	5,370	5,356	14
Special Services: Election Expenses	8,000	7,999	1
Special Services: Emergency Fund, Departmental	3,333	929	2,404
Special Services: Registration of Voters	2,702	2,551	151
Total Finance Special Appropriations	29,620	26,935	2,685
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	14,104	13,711	393
Total Forensic Sciences	14,104	13,711	393
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
1,273	1,273	-	-	-	-	1,273	1,273	-
7,856	7,856	-	-	-	-	7,856	7,856	-
113	91	22	-	-	-	113	91	22
700	700	-	-	-	-	700	700	-
408	408	-	-	-	-	408	408	-
5,024	5,024	-	-	-	-	5,024	5,024	-
188	188	-	-	-	-	188	188	-
15,644	15,622	22	-	-	-	15,644	15,622	22
300	300	-	-	-	-	300	300	-
1,000	1,000	-	-	-	-	1,000	1,000	-
13,581	13,581	-	-	-	-	13,581	13,581	-
14,881	14,881	-	-	-	-	14,881	14,881	-
-	-	-	-	-	-	1,553	1,292	261
-	-	-	-	-	-	1,553	1,292	261
-	-	-	4,215	2,195	2,020	6,019	3,298	2,721
-	-	-	4,215	2,195	2,020	6,019	3,298	2,721
-	-	-	-	-	-	800	777	23
-	-	-	-	-	-	58	10	48
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	511	511	-
-	-	-	-	-	-	8,500	8,500	-
-	-	-	-	-	-	39	-	39
-	-	-	-	-	-	291	288	3
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	5,370	5,356	14
-	-	-	-	-	-	8,000	7,999	1
-	-	-	-	-	-	3,333	929	2,404
-	-	-	-	-	-	2,702	2,551	151
-	-	-	-	-	-	29,620	26,935	2,685
-	-	-	186,187	177,566	8,621	186,187	177,566	8,621
-	-	-	38,930	38,930	-	38,930	38,930	-
-	-	-	780	780	-	780	780	-
-	-	-	225,897	217,276	8,621	225,897	217,276	8,621
-	-	-	16,504	9,902	6,602	30,608	23,613	6,995
-	-	-	16,504	9,902	6,602	30,608	23,613	6,995
-	-	-	180	82	98	180	82	98
-	-	-	180	82	98	180	82	98

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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 - General Fund Share	1,827	1,827	-
Total Fringe Benefit Accounts	1,827	1,827	-
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	-	-	-
General Fund Direct Disbursements			
Employment and Social Opportunities: Women's Hall of Fame	20	20	-
Fine Arts: Music Hall of Fame	250	250	-
Historical Resources Management: Brierfield Ironworks Park	100	100	-
Historical Resources Management: Cahaba Advisory Committee	250	250	-
Historical Resources Management: Citizenship Trust	300	300	-
Historical Resources Management: Historic Blakeley Authority	225	225	-
Historical Resources Management: Historic Chattahoochee Commission	240	240	-
Historical Resources Management: Historic Ironworks Commission	100	100	-
Historical Resources Management: Men's Hall of Fame	20	20	-
Historical Resources Management: Sports Hall of Fame	125	125	-
Historical Resources Management: St. Stephens Historical Commission	150	150	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	100	100	-
Water Resource Development: Bear Creek Development Authority	35	35	-
Water Resource Development: Choccolocco Creek Watershed	18	18	-
Water Resource Development: Tennessee-Tombigbee Waterway	150	150	-
Total General Fund Direct Disbursements	2,083	2,083	-
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	550	550	-
Non-State: Kidney Foundation, Inc	250	250	-
Non-State: Network of Children's Advocacy Centers	1,101	1,101	-
Total General Fund Non-State	1,901	1,901	-
Geological Survey			
Mineral, Energy, and Water Resources	3,098	2,798	300
Total Geological Survey	3,098	2,798	300
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	97	97	-
Total Governor's Office of Faith-Based and Community Initiatives	97	97	-
Governor's Office on Disability			
Executive Direction	164	114	50
Total Governor's Office on Disability	164	114	50
Health Planning and Development			
Health Planning Development and Regulation	272	272	-
Total Health Planning and Development	272	272	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	36,298	32,560	3,738	36,298	32,560	3,738
-	-	-	36,298	32,560	3,738	36,298	32,560	3,738
-	-	-	6,395	4,402	1,993	6,395	4,402	1,993
-	-	-	6,395	4,402	1,993	6,395	4,402	1,993
-	-	-	-	-	-	1,827	1,827	-
-	-	-	-	-	-	1,827	1,827	-
-	-	-	260	236	24	260	236	24
-	-	-	260	236	24	260	236	24
-	-	-	1,756	1,243	513	1,756	1,243	513
-	-	-	1,756	1,243	513	1,756	1,243	513
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	300	300	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	240	240	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	125	125	-
-	-	-	-	-	-	150	150	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	35	35	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	150	150	-
-	-	-	-	-	-	2,083	2,083	-
-	-	-	-	-	-	550	550	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	1,101	1,101	-
-	-	-	-	-	-	1,901	1,901	-
-	-	-	2,688	1,103	1,585	5,786	3,901	1,885
-	-	-	2,688	1,103	1,585	5,786	3,901	1,885
150	147	3	3,193	2,014	1,179	3,440	2,258	1,182
150	147	3	3,193	2,014	1,179	3,440	2,258	1,182
-	-	-	-	-	-	164	114	50
-	-	-	-	-	-	164	114	50
-	-	-	1,057	875	182	1,329	1,147	182
-	-	-	1,057	875	182	1,329	1,147	182

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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: Aliceville POW Camp	-	-	-
Historical Resources Management: Buffalo Soldier Memorial	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Civil Rights Institute	-	-	-
Historical Resources Management: Collinsville Clock	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Darden House Foundation	-	-	-
Historical Resources Management: Donnell House	-	-	-
Historical Resources Management: F Scott Fitzgerald Museum	-	-	-
Historical Resources Management: Fort Payne Depot Museum	-	-	-
Historical Resources Management: Fort Payne Opera House	-	-	-
Historical Resources Management: Hartselle Historic Society	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Historic Bullock Courthouse	-	-	-
Historical Resources Management: Historic Camp Westmoreland	-	-	-
Historical Resources Management: Historic Lagrange College Site	-	-	-
Historical Resources Management: Holocaust Commission	-	-	-
Historical Resources Management: Houston Memorial Library	-	-	-
Historical Resources Management: Jefferson County Historical Commission	-	-	-
Historical Resources Management: Jesse Owens Park	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Lee County Historical Society Museum	-	-	-
Historical Resources Management: Madison Gurley Town Hall 1890	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Past Time Theatre	-	-	-
Historical Resources Management: Pickens County Courthouse	-	-	-
Historical Resources Management: Russell County Historical Commission	-	-	-
Historical Resources Management: Tallapoosa Historical Museum	-	-	-
Historical Resources Management: Tuskegee Human & Civil Rights	-	-	-
Historical Resources Management: University of West Alabama	-	-	-
Historical Resources Management: USS Alabama Battleship Commission	-	-	-
Historical Resources Management: Valley Head Old Post Office	-	-	-
Historical Resources Management: Valley Head Town Hall Roof	-	-	-
Historical Resources Management: Voting Rights Museum	-	-	-
Historical Resources Management: Vulcan Park Birmingham	-	-	-
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
-	-	-	54	31	23	54	31	23
-	-	-	54	31	23	54	31	23
-	-	-	1,065	841	224	1,065	841	224
-	-	-	1,065	841	224	1,065	841	224
7,178	7,166	12	514	508	6	7,692	7,674	18
7,178	7,166	12	514	508	6	7,692	7,674	18
-	-	-	4,789	4,467	322	4,789	4,467	322
-	-	-	25	25	-	25	25	-
-	-	-	50	50	-	50	50	-
-	-	-	298	251	47	298	251	47
-	-	-	50	50	-	50	50	-
-	-	-	10	10	-	10	10	-
-	-	-	480	447	33	480	447	33
-	-	-	10	10	-	10	10	-
-	-	-	40	40	-	40	40	-
-	-	-	25	25	-	25	25	-
-	-	-	12	12	-	12	12	-
-	-	-	10	10	-	10	10	-
-	-	-	50	50	-	50	50	-
-	-	-	275	275	-	275	275	-
-	-	-	300	300	-	300	300	-
-	-	-	25	25	-	25	25	-
-	-	-	25	25	-	25	25	-
-	-	-	10	10	-	10	10	-
-	-	-	10	10	-	10	10	-
-	-	-	50	50	-	50	50	-
-	-	-	50	50	-	50	50	-
-	-	-	1,398	900	498	1,398	900	498
-	-	-	15	15	-	15	15	-
-	-	-	15	15	-	15	15	-
-	-	-	75	75	-	75	75	-
-	-	-	50	50	-	50	50	-
-	-	-	25	25	-	25	25	-
-	-	-	200	200	-	200	200	-
-	-	-	15	15	-	15	15	-
-	-	-	75	75	-	75	75	-
-	-	-	30	30	-	30	30	-
-	-	-	250	250	-	250	250	-
-	-	-	10	10	-	10	10	-
-	-	-	10	10	-	10	10	-
-	-	-	100	100	-	100	100	-
-	-	-	5	5	-	5	5	-
-	-	-	8,867	7,967	900	8,867	7,967	900
-	-	-	3,764	3,009	755	3,764	3,009	755
-	-	-	3,764	3,009	755	3,764	3,009	755

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, 2008

(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	450	450	-
Total Homeland Security Office	450	450	-
Indian Affairs Commission			
Social Services	170	168	2
Total Indian Affairs Commission	170	168	2
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	-	-	-
Judicial Inquiry Commission			
Administrative Services	544	445	99
Total Judicial Inquiry Commission	544	445	99
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-PhD Microbiology Program	-	-	-
Support of State Universities: Doctoral Program in Education-Alabama State	-	-	-
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-A&M	-	-	-
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	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
Total Knight vs. Alabama Financial Obligation	-	-	-
Labor			
Regulatory Services	588	544	44
Total Labor	588	544	44
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Council			
Legislative Operations and Support	759	406	353
Total Legislative Council	759	406	353
Legislative Fiscal Office			
Legislative Operations and Support	1,947	1,710	237
Total Legislative Fiscal Office	1,947	1,710	237

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	250	146	104	250	146	104
-	-	-	250	146	104	250	146	104
-	-	-	36,172	22,775	13,397	36,622	23,225	13,397
-	-	-	36,172	22,775	13,397	36,622	23,225	13,397
-	-	-	48	48	-	218	216	2
-	-	-	48	48	-	218	216	2
-	-	-	12,157	9,531	2,626	12,157	9,531	2,626
-	-	-	12,157	9,531	2,626	12,157	9,531	2,626
-	-	-	50	31	19	50	31	19
-	-	-	50	31	19	50	31	19
-	-	-	67	45	22	67	45	22
-	-	-	67	45	22	67	45	22
-	-	-	-	-	-	544	445	99
-	-	-	-	-	-	544	445	99
1,291	1,291	-	-	-	-	1,291	1,291	-
2,258	2,258	-	-	-	-	2,258	2,258	-
479	479	-	-	-	-	479	479	-
152	152	-	-	-	-	152	152	-
521	521	-	-	-	-	521	521	-
1,631	1,631	-	-	-	-	1,631	1,631	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,627	1,627	-	-	-	-	1,627	1,627	-
1,000	446	554	-	-	-	1,000	446	554
12,959	12,405	554	-	-	-	12,959	12,405	554
-	-	-	1,153	818	335	1,741	1,362	379
-	-	-	1,153	818	335	1,741	1,362	379
-	-	-	68	53	15	68	53	15
-	-	-	68	53	15	68	53	15
-	-	-	-	-	-	759	406	353
-	-	-	-	-	-	759	406	353
307	290	17	-	-	-	2,254	2,000	254
307	290	17	-	-	-	2,254	2,000	254

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	147	72	75
Legislative Operations and Support: Legislative Reference Service	2,802	2,717	85
Total Legislative Reference Service	2,949	2,789	160
Lieutenant Governor			
Legislative Operations and Support	989	818	171
Total Lieutenant Governor	989	818	171
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: About Face	-	-	-
Military Operations: Active Military Service	488	160	328
Military Operations: ANG Operations & Maintenance	884	737	147
Military Operations: Dropping Allowance	1	-	1
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	1,273	1,248	25
Military Operations: Operations and Maintenance	2,505	1,473	1,032
Military Operations: Quarters Allowance to Headquarters	1,300	1,132	168
Military Operations: State Defense Force	23	23	-
Military Operations: Youth Challenge Academy	-	-	-
Total Military	6,474	4,773	1,701
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	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	782	776	6
Total Office of Prosecution Services	782	776	6

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
113	113	-	150	14	136	263	127	136
-	-	-	-	-	-	147	72	75
-	-	-	-	-	-	2,802	2,717	85
113	113	-	150	14	136	3,212	2,916	296
-	-	-	-	-	-	989	818	171
-	-	-	-	-	-	989	818	171
-	-	-	1,580	869	711	1,580	869	711
-	-	-	1,580	869	711	1,580	869	711
-	-	-	3,777	2,242	1,535	3,777	2,242	1,535
-	-	-	3,777	2,242	1,535	3,777	2,242	1,535
-	-	-	60	40	20	60	40	20
-	-	-	60	40	20	60	40	20
-	-	-	150	96	54	150	96	54
-	-	-	150	96	54	150	96	54
1,600	1,599	1	400	-	400	2,000	1,599	401
1,600	1,599	1	400	-	400	2,000	1,599	401
-	-	-	450	353	97	450	353	97
-	-	-	-	-	-	488	160	328
-	-	-	4,068	3,674	394	4,952	4,411	541
-	-	-	-	-	-	1	-	1
-	-	-	1,457	584	873	1,457	584	873
-	-	-	-	-	-	1,273	1,248	25
-	-	-	26,336	19,418	6,918	28,841	20,891	7,950
-	-	-	-	-	-	1,300	1,132	168
-	-	-	-	-	-	23	23	-
1,297	641	656	1,680	1,603	77	2,977	2,244	733
1,297	641	656	33,991	25,632	8,359	41,762	31,046	10,716
557	555	2	5,840	3,996	1,844	6,397	4,551	1,846
557	555	2	5,840	3,996	1,844	6,397	4,551	1,846
-	-	-	110	71	39	110	71	39
-	-	-	110	71	39	110	71	39
-	-	-	130	106	24	130	106	24
-	-	-	130	106	24	130	106	24
-	-	-	3,535	2,282	1,253	4,317	3,058	1,259
-	-	-	3,535	2,282	1,253	4,317	3,058	1,259

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	3,606	3,247	359
Total Oil and Gas Board	3,606	3,247	359
Pardons and Paroles			
Administration of Pardons and Paroles	40,363	39,339	1,024
Total Pardons and Paroles	40,363	39,339	1,024
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	3,257	1,375	1,882
Total President Pro Tempore Senate	3,257	1,375	1,882
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	-	-	-
Public Library Service			
Alabama Public Library Service Special Grant Program	-	-	-
Public Library Services	-	-	-
Total Public Library Service	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	830	299	531	4,436	3,546	890
-	-	-	830	299	531	4,436	3,546	890
-	-	-	11,949	8,212	3,737	52,312	47,551	4,761
-	-	-	11,949	8,212	3,737	52,312	47,551	4,761
-	-	-	568	444	124	568	444	124
-	-	-	568	444	124	568	444	124
466	466	-	550	300	250	1,016	766	250
379	379	-	2,521	1,706	815	2,900	2,085	815
845	845	-	3,071	2,006	1,065	3,916	2,851	1,065
-	-	-	8,758	8,189	569	8,758	8,189	569
-	-	-	8,758	8,189	569	8,758	8,189	569
925	918	7	19	-	19	944	918	26
925	918	7	19	-	19	944	918	26
-	-	-	358	277	81	358	277	81
-	-	-	358	277	81	358	277	81
-	-	-	2,048	1,797	251	2,048	1,797	251
-	-	-	2,048	1,797	251	2,048	1,797	251
-	-	-	30	12	18	30	12	18
-	-	-	30	12	18	30	12	18
-	-	-	-	-	-	3,257	1,375	1,882
-	-	-	-	-	-	3,257	1,375	1,882
-	-	-	1,530	1,217	313	1,530	1,217	313
-	-	-	1,530	1,217	313	1,530	1,217	313
-	-	-	60	38	22	60	38	22
-	-	-	60	38	22	60	38	22
-	-	-	245	169	76	245	169	76
-	-	-	245	169	76	245	169	76
-	-	-	4,084	2,620	1,464	4,084	2,620	1,464
-	-	-	4,084	2,620	1,464	4,084	2,620	1,464
1,000	743	257	-	-	-	1,000	743	257
12,387	12,299	88	3,321	3,103	218	15,708	15,402	306
13,387	13,042	345	3,321	3,103	218	16,708	16,145	563

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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	2,057	2,057	-
Medicaid Waiver Services	12,013	11,982	31
Planning and Advocacy for Elderly	5,703	5,702	1
Total Senior Services	19,773	19,741	32
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	-	-	-
R C & D Program	2,095	2,095	-
Water Resource Development	1,364	1,264	100
Total Soil and Water Conservation Commission	3,459	3,359	100
Speaker of the House			
Speaker of House, Office of	685	489	196
Total Speaker of the House	685	489	196
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	-	-	-
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4	1	3	4	1	3
-	-	-	4	1	3	4	1	3
-	-	-	896	750	146	896	750	146
-	-	-	896	750	146	896	750	146
-	-	-	4,849	3,584	1,265	4,849	3,584	1,265
-	-	-	4,849	3,584	1,265	4,849	3,584	1,265
-	-	-	45,254	31,815	13,439	45,254	31,815	13,439
-	-	-	45,254	31,815	13,439	45,254	31,815	13,439
-	-	-	8,167	6,797	1,370	8,167	6,797	1,370
-	-	-	8,167	6,797	1,370	8,167	6,797	1,370
-	-	-	-	-	-	2,057	2,057	-
-	-	-	51,528	48,054	3,474	63,541	60,036	3,505
-	-	-	28,075	24,338	3,737	33,778	30,040	3,738
-	-	-	79,603	72,392	7,211	99,376	92,133	7,243
1,652	1,652	-	-	-	-	1,652	1,652	-
1,652	1,652	-	-	-	-	1,652	1,652	-
-	-	-	311	285	26	311	285	26
-	-	-	311	285	26	311	285	26
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	2,095	2,095	-
-	-	-	2,750	1,778	972	4,114	3,042	1,072
-	-	-	2,755	1,780	975	6,214	5,139	1,075
-	-	-	-	-	-	685	489	196
-	-	-	-	-	-	685	489	196
-	-	-	290	173	117	290	173	117
-	-	-	290	173	117	290	173	117
-	-	-	5,533	4,445	1,088	5,533	4,445	1,088
-	-	-	5,533	4,445	1,088	5,533	4,445	1,088
-	-	-	6,431	4,674	1,757	6,431	4,674	1,757
-	-	-	1,222	1,222	-	1,222	1,222	-
-	-	-	7,653	5,896	1,757	7,653	5,896	1,757
7,383	7,379	4	-	-	-	7,383	7,379	4
7,383	7,142	241	-	-	-	7,383	7,142	241
14,766	14,521	245	-	-	-	14,766	14,521	245

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	9,112	8,680	432
Total Supreme Court	9,112	8,680	432
Supreme Court Law Library			
Court Operations	1,593	1,524	69
Total Supreme Court Law Library	1,593	1,524	69
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism and Travel			
Tourism and Travel Promotion	2,450	2,449	1
Total Tourism and Travel	2,450	2,449	1
Veterans Affairs			
Administration of Veterans Affairs	3,054	2,436	618
Student Financial Aid	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	3,054	2,436	618
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	50	31	19
Total Women's Commission	50	31	19
TOTAL Other	222,084	207,926	14,158
TOTAL EXPENDITURES	\$ 1,501,988	\$ 1,458,389	\$ 43,599
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
16th Section Land Interest	-	-	-
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,350	2,077	273	2,350	2,077	273
-	-	-	2,350	2,077	273	2,350	2,077	273
-	-	-	14,192	11,429	2,763	14,192	11,429	2,763
-	-	-	14,192	11,429	2,763	14,192	11,429	2,763
-	-	-	-	-	-	9,112	8,680	432
-	-	-	-	-	-	9,112	8,680	432
-	-	-	-	-	-	1,593	1,524	69
-	-	-	-	-	-	1,593	1,524	69
-	-	-	3,188	2,659	529	3,188	2,659	529
-	-	-	3,188	2,659	529	3,188	2,659	529
-	-	-	12,642	11,613	1,029	15,092	14,062	1,030
-	-	-	12,642	11,613	1,029	15,092	14,062	1,030
3,432	3,374	58	2,826	2,637	189	9,312	8,447	865
20,050	18,988	1,062	-	-	-	20,050	18,988	1,062
-	-	-	31,379	24,466	6,913	31,379	24,466	6,913
23,482	22,362	1,120	34,205	27,103	7,102	60,741	51,901	8,840
-	-	-	445	434	11	445	434	11
-	-	-	445	434	11	445	434	11
-	-	-	-	-	-	50	31	19
-	-	-	-	-	-	50	31	19
156,679	153,116	3,563	1,115,771	953,432	162,339	1,494,534	1,314,474	180,060
\$ 6,650,637	\$ 6,613,978	\$ 36,659	\$ 12,644,552	\$ 10,978,888	\$ 1,665,664	\$ 20,797,177	\$ 19,051,255	\$ 1,745,922
8,940	8,940	-	-	-	-	8,940	8,940	-
811	811	-	-	-	-	811	811	-
2,206	2,206	-	-	-	-	2,206	2,206	-
2,215	2,215	-	-	-	-	2,215	2,215	-
1,400	1,400	-	-	-	-	1,400	1,400	-
15,864	15,864	-	-	-	-	15,864	15,864	-
35,318	35,318	-	-	-	-	35,318	35,318	-
588	588	-	-	-	-	588	588	-
533	533	-	-	-	-	533	533	-
10,074	10,074	-	-	-	-	10,074	10,074	-
77,949	77,949	-	-	-	-	77,949	77,949	-

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, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
General Fund Transfers			
ADEM-Steel/ Dust Sludge	800	800	-
Agriculture and Conservation Development Commission	676	676	-
Board of Control Public Employees Contribution	1,000	1,000	-
Child Abuse Board	1,012	1,012	-
Child Health Insurance Program	26,347	26,347	-
Children's Policy Council	20	20	-
Crime Victims Compensation Commission	150	150	-
Department of Transportation	300	300	-
Environmental Management - Operations	5,805	5,805	-
Environmental Management-Hazardous Substance Fund	25	25	-
Fair Trial Tax Transfer	47,000	47,000	-
Finance - Telephone Revolving	2,250	2,250	-
Forestry Commission	15,119	15,119	-
Forestry Emergency Forest Fire	180	180	-
Historical Commission	5,625	5,625	-
Human Resources	112,881	112,881	-
Local EMA Assistance	360	360	-
Mental Health	143,899	143,899	-
Peace Officers Annuity & Benefit	250	250	-
Penny Trust Fund	588	588	-
Pollution Control Grant	328	328	-
Pollution Grant	517	517	-
Postsecondary Department	580	580	-
Revenue-Ad Valorem Equalization	250	250	-
Surface Mining Commission	473	473	-
Treasurer-SAFE Program	246	246	-
TOTAL General Fund Transfers	366,681	366,681	-
TOTAL TRANSFERS OUT	\$ 366,681	\$ 366,681	\$ -
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,868,669	\$ 1,825,070	\$ 43,599

<u>Education Trust Fund</u>			<u>Earmarked Funds</u>			<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
-	-	-	-	-	-	800	800	-
-	-	-	-	-	-	676	676	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	1,012	1,012	-
-	-	-	-	-	-	26,347	26,347	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	150	150	-
-	-	-	-	-	-	300	300	-
-	-	-	-	-	-	5,805	5,805	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	47,000	47,000	-
-	-	-	-	-	-	2,250	2,250	-
-	-	-	-	-	-	15,119	15,119	-
-	-	-	-	-	-	180	180	-
-	-	-	-	-	-	5,625	5,625	-
-	-	-	-	-	-	112,881	112,881	-
-	-	-	-	-	-	360	360	-
-	-	-	-	-	-	143,899	143,899	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	588	588	-
-	-	-	-	-	-	328	328	-
-	-	-	-	-	-	517	517	-
-	-	-	-	-	-	580	580	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	473	473	-
-	-	-	-	-	-	246	246	-
-	-	-	-	-	-	366,681	366,681	-
\$ 77,949	\$ 77,949	\$ -	\$ -	\$ -	\$ -	\$ 444,630	\$ 444,630	\$ -
\$ 6,728,586	\$ 6,691,927	\$ 36,659	\$ 12,644,552	\$ 10,978,888	\$ 1,665,664	\$ 21,241,807	\$ 19,495,885	\$ 1,745,922

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, 2008

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	\$ 2,024,540	11.5%
General Use Tax	266,757	1.5%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,510,202	19.9%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	43,636	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	297,938	1.7%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	404,593	2.3%
Utilities Tax (6% telephone, 4% other)	434,346	2.5%
Insurance Premium Tax (1% to 6%)	292,820	1.7%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	97,678	0.6%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	145,019	0.8%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	73,644	0.4%
State Beer Tax (5¢ per 12 oz.)	55,983	0.3%
Public Utilities (2.2%)	133,201	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	140,319	0.8%
Tennessee Valley Authority (payments in-lieu of all state taxes)	113,458	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	69,693	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	192,171	1.1%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	20,788	0.1%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	74,903	0.4%
Coal Severance Tax (33.5¢ per ton)	6,620	0.0%
Forestry Severance Tax	5,497	0.0%
Inheritance Tax (amount of federal credit)	(304)	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	33,285	0.2%
Lodgings Tax (4% or 5% of charge)	47,178	0.3%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	6	0.0%
Lubricating Oil Tax (6¢ per gallon)	2,032	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	2,668	0.0%
Court Cost Taxes	36,384	0.2%
Medicaid Taxes	58,908	0.3%
Cellular Telephones (6%)	101,287	0.6%
Ground Materials Severance Tax	5,098	0.0%
Miscellaneous Taxes	9,020	0.1%
TOTAL TAXES	8,699,368	49.2%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	27,117	0.2%
Drivers Licenses and Fees	53,446	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,034	0.3%
Agricultural Licenses and Fees	11,671	0.1%
Wholesale Oil Company License	5,027	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	164,363	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	69,976	0.4%
Court Fees	77,894	0.4%
Alcoholic Beverage Licenses	2,334	0.0%
Insurance Corporation Licenses and Fees	1,209	0.0%
Miscellaneous License and Fees	145,357	0.8%
TOTAL LICENSES AND FEES	618,428	3.5%

FINES AND FORFEITS

Court Fines and Forfeits	34,993	0.2%
Tobacco Settlement	106,149	0.6%
Miscellaneous Fines and Forfeits	107,848	0.6%
TOTAL FINES AND FORFEITS	248,990	1.4%

INVESTMENT INCOME**305,472 1.7%****FEDERAL REVENUES****6,533,463 37.0%****OTHER REVENUES**

Rents and Royalties	383,940	2.2%
Reimbursements	43,054	0.2%
Sales of Property or Services	64,924	0.4%
Contributions	20,603	0.1%
Intragovernmental Services	60,865	0.3%
Local Revenues	32,676	0.2%
Disproportionate Hospital Receipts (Medicaid)	471,858	2.7%
Miscellaneous Revenues	195,735	1.0%
TOTAL OTHER REVENUES	1,273,655	7.2%

TOTAL REVENUES**\$17,679,376 100.0%**

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, 2008

(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	\$ 2,024,540	\$ 40,574	\$ 1,983,966	\$ 33,753	\$ 95,465	\$ 0	\$ 1,711,075	\$ 0
General Use Tax	266,757	3,519	263,238	500	2,084	-	258,326	-
Income Tax	3,510,202	38,194	3,472,008	-	-	-	3,472,008	-
Property Tax Relief	43,636	-	43,636	6,445	17,857	19,334	-	-
General Property Tax	297,938	1,261	296,677	44,523	112,474	139,680	-	-
Gasoline Taxes	404,593	13,224	391,369	-	-	-	-	-
Utilities Tax	434,346	7,867	426,479	-	-	-	411,879	-
Insurance Premium Tax	292,820	-	292,820	-	255,974	-	30,993	-
Liquor & Wine Tax	97,678	-	97,678	35,037	48,839	-	-	-
Tobacco & Cigarette Taxes	145,019	446	144,573	3,264	125,840	-	-	-
Corporation Taxes	73,644	-	73,644	1	36,665	-	-	-
State Beer Tax	55,983	-	55,983	11,210	16,815	-	22,420	-
Public Utilities	133,201	-	133,201	-	20,130	-	-	-
Motor Fuel Tax	140,319	2,696	137,623	-	-	-	-	-
Tennessee Valley Authority	113,458	-	113,458	-	-	-	-	-
Leasing/Renting Personal Property	69,693	-	69,693	-	69,693	-	-	-
Production Privilege Tax	192,171	-	192,171	-	146,533	-	-	-
Financial Institutions Excise Tax	20,788	614	20,174	-	9,708	-	-	-
Documentary Filing Taxes	74,903	-	74,903	-	74,903	-	-	-
Coal Severance Tax	6,620	-	6,620	-	-	-	-	-
Forestry Severance Tax	5,497	226	5,271	-	-	-	-	-
Inheritance Tax	(304)	-	(304)	-	(304)	-	-	-
Contractors Gross Receipts Tax	33,285	80	33,205	4,959	-	-	-	-
Lodgings Tax	47,178	23	47,155	-	33,925	-	-	-
Hydroelectric Companies	6	6	-	-	-	-	-	-
Lubricating Oil Tax	2,032	9	2,023	-	677	-	-	-
Pari-mutuel Betting	2,668	-	2,668	-	2,668	-	-	-
Court Cost Taxes	36,384	-	36,384	-	10,135	-	-	-
Medicaid Provider Taxes	58,908	125	58,783	-	-	-	-	-
Cellular Telephone Tax	101,287	-	101,287	-	65,211	-	34,856	-
Ground Materials Severance Tax	5,098	-	5,098	-	-	-	-	-
Hazardous Waste	-	-	-	-	-	-	-	-
Miscellaneous Taxes	9,020	-	9,020	29	3,719	87	-	-
TOTAL TAXES	8,699,368	108,864	8,590,504	139,721	1,149,011	159,101	5,941,557	0
LICENSES AND FEES								
Conservation Licenses	27,117	-	27,117	-	37	-	-	-
Drivers Licenses and Fees	53,446	-	53,446	-	35,366	-	-	-
Petroleum Products Inspection Fee	60,034	-	60,034	-	-	-	-	-
Agricultural License and Fees	11,671	-	11,671	-	-	-	-	-
Wholesale Oil Company License	5,027	-	5,027	-	5,027	-	-	-
Motor Vehicle License	164,363	1,266	163,097	-	41,914	-	-	-
Privilege License	69,976	1,008	68,968	-	10,880	-	556	-
Court Fees	77,894	-	77,894	-	58,739	-	-	-
Alcoholic Beverage Licenses	2,334	-	2,334	-	2,334	-	-	-
Insurance Corp Licenses and Fees	1,209	-	1,209	-	583	-	-	-
Miscellaneous License and Fees	145,357	145	145,212	857	4,100	-	60	-
TOTAL LICENSES AND FEES	618,428	2,419	616,009	857	158,980	0	616	0
FINES AND FORFEITS								
Court Fines and Forfeits	34,993	-	34,993	-	24,121	-	-	-
Tobacco Settlement	106,149	-	106,149	-	-	-	-	-
Miscellaneous Fines and Forfeits	107,848	1	107,847	-	91,992	-	-	-
TOTAL FINES AND FORFEITS	248,990	1	248,989	0	116,113	-	0	0
INVESTMENT INCOME								
	305,472	-	305,472	94	86,836	-	-	149,532
FEDERAL REVENUES								
	6,533,463	796	6,532,667	1,025,454	-	-	-	-
Disproportionate Public Hospital	471,858	-	471,858	-	-	-	-	-
Miscellaneous Revenues	801,797	4,804	796,993	11,587	16,400	532	678	343,676
TOTAL REVENUES	\$ 17,679,376	\$ 116,884	\$ 17,562,492	\$ 1,177,713	\$ 1,527,340	\$ 159,633	\$ 5,942,851	\$ 493,208

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 4,387	\$ 134,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	2,328	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
174,182	-	-	212,938	-	-	-	4,249	Conservation 3.6M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,328	Insurance Dept
-	-	-	-	13,802	-	-	-	-
688	3,050	-	-	8,433	-	-	3,298	State Parks
36,383	-	-	-	-	-	-	595	Secretary of State
5,538	-	-	-	-	-	-	-	-
-	-	-	-	113,071	-	-	-	-
2,665	-	-	134,958	-	-	-	-	-
94,293	19,165	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
45,638	-	-	-	-	-	-	-	-
10,466	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,950	-	-	-	-	-	-	2,670	State Port Authority
-	-	-	-	-	-	-	5,271	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	28,246	-	-	-	-
1,917	-	-	-	-	-	-	11,313	Tourism & Travel
-	-	-	-	-	-	-	-	-
740	-	-	606	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,509	-	22,740	Fair Trial Fd 19.6M
-	-	58,783	-	-	-	-	-	-
-	1,220	-	-	-	-	-	-	-
5,098	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
315	-	-	46	-	-	-	4,824	Industrial Relations 4.7M
386,260	157,721	58,783	348,548	182,677	3,509	0	63,616	
-	-	-	-	-	2	-	27,078	Conservation
606	-	-	-	-	-	-	17,474	Public Safety
9,068	-	-	47,940	-	-	-	3,026	Agriculture
-	-	-	-	-	-	-	11,671	Agriculture
-	-	-	-	-	-	-	-	-
23,253	-	-	95,222	-	-	-	2,708	-
-	-	-	3,791	2,703	1,686	-	49,352	Prof & Occup Bds 25 M
-	-	-	-	159	-	-	18,996	AOC 9.7M; DPS 3.5; DFS 3.1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	626	Insurance Dept
-	-	-	1,375	32,062	-	9	106,749	ADEM 52M; PSC 16M; Bank 9M
32,927	0	0	148,328	34,924	1,688	9	237,680	
-	-	-	-	-	-	1,945	8,927	Forensics 2.7M
-	-	-	-	-	-	-	106,149	21st Century Fund
-	-	4,999	-	-	-	-	10,856	-
-	0	4,999	0	0	0	1,945	125,932	
-	1,849	184	2,623	10	-	970	63,374	
2,598	-	2,946,398	779,151	403,373	810,300	161,098	404,295	Rehab 61M; EMA 50; DIR 53
-	-	471,858	-	-	-	-	-	-
-	2,145	73,023	63,255	102,714	11,236	4,020	167,727	Corr 20; Cons 57; Uncl Prop 46
\$ 421,785	\$ 161,715	\$ 3,555,245	\$ 1,341,905	\$ 723,698	\$ 826,733	\$ 168,042	\$ 1,062,624	



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.

Motor Sports Hall of Fame

Operates a public exhibit displaying the history of automotive racing and other motor sports.

Corrections Canteen

Accounts for the activity of the canteen funds of the Department of Corrections.

National Guard Canteen

Accounts for the activity of the canteen funds of the National Guard.

Corrections Farms

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

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 Corrections Farms.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2008

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 11,265	\$ 113	\$ 650	\$ 2,006
Accounts Receivable	45	-	-	-
Inventory	-	-	654	190
Securities Lending Collateral	-	-	-	-
Other Current Assets	300	-	-	-
Total Current Assets	11,610	113	1,304	2,196
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	18	1,925	-	649
Capital Assets Not Depreciated	-	2,630	-	-
Total Noncurrent Assets	18	4,555	0	649
TOTAL ASSETS	11,628	4,668	1,304	2,845
LIABILITIES				
Current Liabilities				
Warrants Payable	-	-	-	-
Salaries Payable	-	2	-	1
Due to Other Funds	-	-	62	-
Due to Component Units	222	-	-	-
Accounts Payable	26	16	31	46
Due to Other Governments	-	-	-	-
Claims Payable	3,508	-	-	-
Unearned Revenue	413	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	4,169	18	93	47
Long-term Liabilities				
Compensated Absences	-	8	-	-
Other Post-employment Benefits	-	5	-	-
Notes and Capital Leases Payable	-	1,965	-	-
Total Long-term Liabilities	0	1,978	0	0
Total Liabilities	4,169	1,996	93	47
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	18	2,590	-	649
Unrestricted	7,441	82	1,211	2,149
TOTAL NET ASSETS	\$ 7,459	\$ 2,672	\$ 1,211	\$ 2,798

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 816	\$ 1,048	\$ 15,898
-	-	45
-	-	844
56	69	125
-	-	300
872	1,117	17,212
105	98	2,795
-	-	2,630
105	98	5,425
977	1,215	22,637
-	13	13
-	39	42
2	3	67
-	-	222
113	10	242
-	1	1
-	-	3,508
-	-	413
56	69	125
171	135	4,633
-	19	27
43	42	90
-	-	1,965
43	61	2,082
214	196	6,715
105	98	3,460
658	921	12,462
\$ 763	\$ 1,019	\$ 15,922

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
OPERATING REVENUES				
Charges for Goods and Services	\$ 0	\$ 0	\$ 18,213	\$ 9,989
Investment Earnings	-	-	-	-
Premiums and Contributions	16,712	-	-	-
Rents and Leases	-	133	-	-
Total Operating Revenues	16,712	133	18,213	9,989
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	59	-	37
Utilities and Communications	-	20	-	-
Professional Services	377	5	-	-
Supplies, Materials, and Operating Expenses	3	44	11,672	9,477
Depreciation	6	161	-	31
Claims and Benefits	21,226	-	-	-
Other	-	18	-	-
Total Operating Expenses	21,612	307	11,672	9,545
Operating Income (Loss)	(4,900)	(174)	6,541	444
NONOPERATING REVENUES (EXPENSES)				
Taxes	4,691	-	-	-
Grants	1,443	-	-	-
Investment Income	226	-	-	1
Other Nonoperating Revenues	-	183	-	-
Interest Expense	-	(63)	-	-
Other Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Expenses)	6,360	120	0	1
Income (Loss) Before Contributions and Transfers	1,460	(54)	6,541	445
Transfers In	-	-	-	-
Transfers Out	-	-	(5,971)	(112)
Increase (Decrease) in Net Assets	1,460	(54)	570	333
Total Net Assets, October 1, 2007, as Restated	5,999	2,726	641	2,465
Total Net Assets, September 30, 2008	\$ 7,459	\$ 2,672	\$ 1,211	\$ 2,798

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 1,049	\$ 0	\$ 29,251
-	12	12
-	-	16,712
-	741	874
1,049	753	46,849
300	487	883
69	39	128
59	8	449
319	2,121	23,636
51	23	272
-	-	21,226
170	24	212
968	2,702	46,806
81	(1,949)	43
-	-	4,691
27	2	1,472
-	-	227
23	159	365
-	-	(63)
(150)	(149)	(299)
(100)	12	6,393
(19)	(1,937)	6,436
4	-	4
-	(5)	(6,088)
(15)	(1,942)	352
778	2,961	15,570
\$ 763	\$ 1,019	\$ 15,922

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	\$ 21,328	\$ 9	\$ 18,213	\$ 9,987
Receipts from Interfund Services	-	133	-	-
Receipts from Other Operating Activities	-	266	-	-
Payments for Goods Held for Resale	(514)	-	(11,808)	(9,421)
Payments for Other Goods & Services	(22,099)	(360)	-	(45)
Payments for Employees Services	-	(52)	-	(37)
Payments for Interfund Services	-	-	-	-
Payments for Other Operating Activities	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(1,285)	(4)	6,405	484
Cash Flows from Noncapital Financing Activities:				
Receipts from Noncapital Financing Grants & Donations	1,443	-	-	-
Transfers from Other Funds for Noncapital Financing	-	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	(6,294)	(112)
Net Cash Provided By (Used In) Noncapital Financing Activities	1,443	0	(6,294)	(112)
Cash Flows From Capital & Related Financing Activities:				
Proceeds from Revenue Bonds & Other Capital Debt	-	425	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	1	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(179)	-	-
Lease Payments to Acquire and Improve Capital Assets	-	(101)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(63)	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	0	83	0	0
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	226	-	-	1
Net Cash Provided By (Used In) Investing Activities	226	0	0	1
Net Increase (Decrease) In Cash and Cash Equivalents	384	79	111	373
Cash Balance as Restated, October 1, 2007	10,881	34	539	1,633
Cash Balance, September 30, 2008	11,265	113	650	2,006
Add: Warrants Payable	-	-	-	-
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 11,265	\$ 113	\$ 650	\$ 2,006

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 1,041	\$ 741	\$ 51,319
20	-	153
25	-	291
-	-	(21,743)
(526)	(2,171)	(25,201)
(577)	(431)	(1,097)
(100)	(43)	(143)
(5)	(12)	(17)
(122)	(1,916)	3,562
-	-	1,443
4	-	4
-	(5)	(6,411)
4	(5)	(4,964)
-	-	425
20	-	21
(3)	-	(182)
-	-	(101)
-	-	(63)
17	0	100
-	12	239
0	12	239
(101)	(1,909)	(1,063)
917	2,943	16,947
816	1,034	15,884
-	14	14
\$ 816	\$ 1,048	\$ 15,898

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (4,900)	\$ (174)	\$ 6,541	\$ 444
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	(1)	-
Accounts Receivable	30	10	-	-
Inventory	-	-	(152)	12
Salaries Payable	-	(1)	-	-
Due to Other Funds	(133)	-	-	-
Accounts Payable	(92)	(274)	17	(3)
Claims Payable	(874)	-	-	-
Unearned Revenue	(13)	-	-	-
Compensated Absences	-	3	-	-
Other Post-employment Benefits	-	-	-	-
Other Liabilities	-	5	-	-
Investment Income	-	-	-	-
Depreciation	6	161	-	31
Nonoperating Revenues	4,691	266	-	-
Nonoperating Expenses	-	-	-	-
Total Adjustments	3,615	170	(136)	40
Net Cash Provided (Used) by Operating Activities	\$ (1,285)	\$ (4)	\$ 6,405	\$ 484
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	-

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 81	\$ (1,949)	\$ 43
6	-	5
-	-	40
-	-	(140)
(97)	7	(91)
(6)	(14)	(153)
(1)	(7)	(360)
-	-	(874)
-	-	(13)
(226)	4	(219)
43	42	85
-	-	5
-	(12)	(12)
51	23	272
27	2	4,986
-	(12)	(12)
(203)	33	3,519
<u>\$ (122)</u>	<u>\$ (1,916)</u>	<u>\$ 3,562</u>

(2,304) (163) (2,467)



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.

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.

Correctional Industries

Accounts for the 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, 2008

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 13,102	\$ 3,191	\$ 3,137	\$ 20,113	\$ 20,750
Investments, Short-term	-	-	-	-	19,511
Due from Other Funds	10,988	1,017	723	436	280
Due from Component Units	230	47	122	-	1,304
Accounts Receivable	1,137	198	2	10	11,000
Interest and Dividends Receivable	-	-	-	-	456
Inventory	-	687	13,247	-	-
Securities Lending Collateral	895	218	214	622	1,338
Other Current Assets	-	-	-	-	9,689
Total Current Assets	26,352	5,358	17,445	21,181	64,328
Noncurrent Assets					
Investments, Long-term	-	-	-	-	54,796
Due From Other Funds, Noncurrent	4	-	-	-	10,822
Due From Component Unit, Noncurrent	-	-	-	-	36,533
Other Noncurrent Assets	-	-	-	815	-
Capital Assets, Net of Accumulated Depreciation	2,930	1,260	2,685	24,945	212
Capital Assets Not Depreciated	-	-	384	39,198	-
Total Noncurrent Assets	2,934	1,260	3,069	64,958	102,363
TOTAL ASSETS	29,286	6,618	20,514	86,139	166,691
LIABILITIES					
Current Liabilities					
Warrants Payable	26	9	3	-	60
Salaries Payable	1,287	92	504	273	290
Due to Other Funds	907	8	91	10	126
Due to Component Units	25	2	-	-	-
Accounts Payable	4,079	653	741	661	583
Due to Other Governments	166	-	2	35	-
Claims Payable	-	-	-	-	14,994
Compensated Absences	-	-	-	-	1
Securities Lending Obligation	895	218	214	622	1,338
Notes and Capital Leases Payable	-	-	89	-	-
Revenue Bonds Payable	-	-	-	6,750	-
Total Current Liabilities	7,385	982	1,644	8,351	17,392
Long-term Liabilities					
Claims Payable	-	-	-	-	37,485
Compensated Absences	2,566	63	1,002	369	351
Other Post-employment Benefits	999	146	560	346	258
Revenue Bonds Payable	-	-	-	79,450	-
Total Long-term Liabilities	3,565	209	1,562	80,165	38,094
Total Liabilities	10,950	1,191	3,206	88,516	55,486
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,930	1,260	3,069	(11,119)	212
Restricted for:					
Capital Projects	-	-	-	25,476	-
Unrestricted	15,406	4,167	14,239	(16,734)	110,993
TOTAL NET ASSETS	\$ 18,336	\$ 5,427	\$ 17,308	\$ (2,377)	\$ 111,205

Other Internal Service Funds		Totals	
\$	2,107	\$	62,400
	-		19,511
	-		13,444
	77		1,780
	-		12,347
	-		456
	-		13,934
	144		3,431
	-		9,689
	2,328		136,992
	-		54,796
	-		10,826
	-		36,533
	-		815
	33		32,065
	-		39,582
	33		174,617
	2,361		311,609
	-		98
	206		2,652
	24		1,166
	-		27
	11		6,728
	-		203
	-		14,994
	-		1
	144		3,431
	-		89
	-		6,750
	385		36,139
	-		37,485
	383		4,734
	217		2,526
	-		79,450
	600		124,195
	985		160,334
	33		(3,615)
	-		25,476
	1,343		129,414
\$	1,376	\$	151,275

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 50,923	\$ 10,841	\$ 12,290	\$ 14	\$ 309
Investment Earnings	-	-	-	-	2,063
Premiums and Contributions	-	-	-	-	53,073
Rents and Leases	-	-	-	17,251	-
Interest from Mortgages and Loans Receivable	-	-	-	-	1,391
Total Operating Revenues	50,923	10,841	12,290	17,265	56,836
OPERATING EXPENSES					
Salaries, Wages, and Benefits	15,853	1,245	6,478	3,649	3,564
Utilities and Communications	17,110	33	577	3,915	113
Professional Services	9,316	343	255	1,695	6,298
Supplies, Materials, and Operating Expenses	8,342	8,605	1,115	422	18,705
Interest	-	-	-	3,307	-
Depreciation	4,372	605	534	2,550	56
Claims and Benefits	-	-	-	-	24,833
Other	3,847	1,640	1,202	1,174	4,606
Total Operating Expenses	58,840	12,471	10,161	16,712	58,175
Operating Income (Loss)	(7,917)	(1,630)	2,129	553	(1,339)
NONOPERATING REVENUES (EXPENSES)					
Grants	58	9	33	20	15
Investment Income	-	-	-	694	-
Other Nonoperating Revenues	39	252	84	244	283
Interest Expense	-	(2)	(15)	-	-
Other Nonoperating Expenses	(1,287)	(4)	(766)	-	-
Total Nonoperating Revenues (Expenses)	(1,190)	255	(664)	958	298
Income (Loss) Before Contributions and Transfers	(9,107)	(1,375)	1,465	1,511	(1,041)
Transfers In	2,931	25	2,485	2,816	-
Transfers Out	(56)	(52)	(28)	(1,928)	(2,104)
Increase (Decrease) in Net Assets	(6,232)	(1,402)	3,922	2,399	(3,145)
Total Net Assets, October 1, 2007, as Restated	24,568	6,829	13,386	(4,776)	114,350
Total Net Assets, September 30, 2008	\$ 18,336	\$ 5,427	\$ 17,308	\$ (2,377)	\$ 111,205

Other Internal Service Funds		Totals	
\$	3,694	\$	78,071
	-		2,063
	-		53,073
	-		17,251
	-		1,391
	3,694		151,849
	3,067		33,856
	41		21,789
	342		18,249
	77		37,266
	-		3,307
	22		8,139
	-		24,833
	168		12,637
	3,717		160,076
	(23)		(8,227)
	363		498
	-		694
	-		902
	-		(17)
	-		(2,057)
	363		20
	340		(8,207)
	-		8,257
	(9)		(4,177)
	331		(4,127)
	1,045		155,402
\$	1,376	\$	151,275

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 1,284	\$ 1,502	\$ 5,792	\$ 124	\$ 45,841
Receipts from Interfund Services	51,820	9,263	7,879	17,079	25,966
Receipts from Other Operating Activities	4,874	2	13	160	1,029
Payments for Goods Held for Resale	(571)	(7,759)	(9,590)	-	-
Payments for Other Goods & Services	(35,739)	(1,639)	(2,361)	(6,362)	(24,635)
Payments for Employees Services	(14,669)	(1,131)	(5,874)	(3,230)	(3,233)
Payments for Taxes, Fines, Penalties, & Similar Fees	-	-	(1)	-	(15)
Payments for Interfund Services	(1,879)	(488)	(395)	(719)	(2,937)
Payments for Other Operating Activities	(5,851)	(6)	(204)	(1)	(6,203)
Payments for Claims	-	-	-	-	(33,467)
Net Cash Provided by (Used In) Operating Activities	(731)	(256)	(4,741)	7,051	2,346
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	2,400	-	2,485	2,816	-
Transfers to Other Funds for Noncapital Financing	(52)	(9)	(28)	(25)	(11)
Net Cash Provided By (Used In) Noncapital Financing Activities	2,348	(9)	2,457	2,791	(11)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	(4,545)	-
Receipts from Sale of Capital Assets & Insurance Proceeds	25	278	70	58	-
Payments to Acquire, Construct, & Improve Capital Assets	(1,745)	(703)	(544)	(14,775)	(525)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(55)	-	(1,125)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(27)	(15)	(4,552)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,720)	(507)	(489)	(24,939)	(525)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	443,288
Receipts from Interest & Dividends on Investments & Loans	-	-	-	694	5,636
Purchase of Investments	-	-	-	-	(439,657)
Net Cash Provided By (Used In) Investing Activities	0	0	0	694	9,267
Net Increase (Decrease) In Cash and Cash Equivalents	(103)	(772)	(2,773)	(14,403)	11,077
Cash Balance as Restated, October 1, 2007	13,179	3,954	5,907	34,516	9,613
Cash Balance, September 30, 2008	13,076	3,182	3,134	20,113	20,690
Add: Warrants Payable	26	9	3	-	60
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 13,102	\$ 3,191	\$ 3,137	\$ 20,113	\$ 20,750

Other Internal Service Funds	Totals
\$ 0	\$ 54,543
3,620	115,627
162	6,240
-	(17,920)
(272)	(71,008)
(2,777)	(30,914)
-	(16)
(370)	(6,788)
(19)	(12,284)
-	(33,467)
344	4,013
200	7,901
(9)	(134)
191	7,767
-	(4,545)
-	431
(19)	(18,311)
-	(1,180)
-	(4,594)
(19)	(28,199)
-	443,288
-	6,330
-	(439,657)
0	9,961
516	(6,458)
1,591	68,760
2,107	62,302
-	98
\$ 2,107	\$ 62,400

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (7,917)	\$ (1,630)	\$ 2,129	\$ 553	\$ (1,339)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	1,724	40	532	(43)	68
Due from Component Units	-	-	-	-	(645)
Accounts Receivable	465	180	-	(9)	872
Inventory	-	1,094	(9,226)	-	-
Other Assets	-	-	-	-	(319)
Salaries Payable	37	(6)	(2)	20	36
Due to Other Funds	(984)	(183)	853	(12)	(1,140)
Due to Component Units	(1)	-	-	-	-
Accounts Payable	423	(477)	(181)	126	377
Claims Payable	-	-	-	-	5,860
Unearned Revenue	-	-	-	-	3
Amounts Held in Custody for Others	-	-	2	-	-
Compensated Absences	91	(35)	12	34	24
Other Post-employment Benefits	999	146	560	346	258
Investment Income	-	-	-	-	(2,063)
Operating Interest Expense	-	-	-	3,307	-
Depreciation	4,372	605	534	2,550	56
Nonoperating Revenues	60	10	46	179	298
Total Adjustments	<u>7,186</u>	<u>1,374</u>	<u>(6,870)</u>	<u>6,498</u>	<u>3,685</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (731)</u>	<u>\$ (256)</u>	<u>\$ (4,741)</u>	<u>\$ 7,051</u>	<u>\$ 2,346</u>
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	1,322	50	311	1,389	116
Disposals, Write-offs, and Other Reductions to Capital Asset	(27,507)	(706)	(1,485)	(34,909)	(1,694)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	37	-
Interest Accruals and Other Adjustments	-	-	-	-	690
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	2,765
Transfers In (Out)	(527)	18	-	1,903	2,093

Other Internal Service Funds	Totals
\$ (23)	\$ (8,227)
(77)	2,244
-	(645)
-	1,508
-	(8,132)
-	(319)
25	110
2	(1,464)
-	(1)
(21)	247
-	5,860
-	3
-	2
36	162
217	2,526
-	(2,063)
-	3,307
22	8,139
163	756
<u>367</u>	<u>12,240</u>
<u><u>\$ 344</u></u>	<u><u>\$ 4,013</u></u>

18	3,206
(45)	(66,346)
-	37
-	690
-	2,765
200	3,687



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 Employees' Benefits 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.

Retired Education Employees' Health Care Trust

Provides post-employment health insurance benefits for retired employees of school systems and institutions of higher education.

Retired State Employees' Health Care Trust

Provides post-employment health insurance benefits for retired State employees.

STATE OF ALABAMA

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

September 30, 2008

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 19,841	\$ 30,404	\$ 1,723	\$ 222	\$ 0
Investments					
U.S. Treasury Securities	227,454	499,218	11,341	1,430	1,470
U.S. Agency Securities	217,774	474,941	7,476	483	1,836
Mortgage Backed Securities	115,367	259,065	5,384	3,723	656
Corporate Stocks	4,042,346	8,096,041	118,731	147	1,235
Corporate Bonds	1,890,360	3,940,523	34,102	1,931	3,035
Real Estate	726,105	1,494,190	2,647	-	-
Commercial Paper	106,802	421,630	18,996	-	-
International Stocks	1,104,797	2,496,175	16,761	-	-
Mutual and Money Market Funds	42,070	73,686	3,619	11,022	564
Other	-	-	-	14	-
Receivables					
Employer Contributions Receivable	30,299	60,621	-	-	-
Member Contributions Receivable	15,406	25,796	119	-	-
Accounts Receivable	71	37	-	-	-
Due from Other Governments	-	-	-	-	-
Interest and Dividends Receivable	73,096	152,654	1,349	71	-
Securities Lending Collateral	732,786	1,584,020	37,590	13	2,431
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	49,607	98,458	-	16	-
Capital Assets Not Depreciated	3,034	5,776	-	-	-
TOTAL ASSETS	9,397,215	19,713,235	259,838	19,072	11,227
LIABILITIES					
Warrants Payable	\$ 13,175	\$ 23,951	\$ 555	\$ 125	\$ 0
Salaries Payable	866	1,072	41	27	-
Due to Other Funds	-	-	-	1	-
Accounts Payable	542	832	12	10	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	732,786	1,584,020	37,590	13	2,431
Deferred Revenue	101	188	-	-	-
Amounts Held in Custody for Others	-	2	-	-	-
Compensated Absences	1,758	2,634	177	85	-
Other Post-employment Benefits	746	712	11	22	-
TOTAL LIABILITIES	749,974	1,613,411	38,386	283	2,431
NET ASSETS					
Held in Trust for OPEB Benefits	-	-	-	-	-
Held in Trust for Pension and Other Employee Benefits	8,647,241	18,099,824	221,452	18,789	8,796
TOTAL NET ASSETS	\$ 8,647,241	\$ 18,099,824	\$ 221,452	\$ 18,789	\$ 8,796

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 23	\$ 677	\$ 708	\$ 0	\$ 0	\$ 53,598
98	1,732	-	156,351	31,093	4,728	934,915
122	1,874	-	157,734	47,396	5,259	914,895
44	749	-	80,066	15,677	1,705	482,436
82	4	-	178,345	155,980	17,351	12,610,262
201	3,744	-	397,489	51,065	7,764	6,330,214
-	-	-	-	-	-	2,222,942
-	-	-	147,991	179,701	-	875,120
-	-	-	-	50,354	5,431	3,673,518
38	198	-	26,446	67,640	9,576	234,859
-	-	-	-	-	-	14
-	-	-	-	-	-	90,920
-	-	-	-	-	2	41,323
-	-	1,260	-	6,344	-	7,712
-	-	-	-	4,033	-	4,033
-	-	-	13,520	3,025	370	244,085
162	2,972	46	306,934	69,928	12,042	2,748,924
-	-	-	-	593	-	593
-	-	-	-	-	-	148,081
-	-	-	-	-	-	8,810
747	11,296	1,983	1,465,584	682,829	64,228	31,627,254
\$ 0	\$ 22	\$ 0	\$ 708	\$ 0	\$ 0	\$ 38,536
-	-	61	-	-	-	2,067
-	-	-	-	-	-	1
-	-	1,922	-	-	-	3,318
-	-	-	-	33,087	8,975	42,062
162	2,972	46	306,934	69,928	12,042	2,748,924
-	-	-	-	-	34	323
-	-	-	-	-	-	2
-	-	-	-	-	-	4,654
-	-	97	-	-	-	1,588
162	2,994	2,126	307,642	103,015	21,051	2,841,475
-	-	-	-	579,814	43,177	622,991
585	8,302	(143)	1,157,942	-	-	28,162,788
\$ 585	\$ 8,302	\$ (143)	\$ 1,157,942	\$ 579,814	\$ 43,177	\$ 28,785,779

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, 2008

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Plan members	\$ 189,786	\$ 323,835	\$ 2,531	\$ 708	\$ 0
Employer	329,363	730,032	9,546	250	562
Medicare Part D Retiree Drug Subsidy	-	-	-	-	-
Total Contributions	519,149	1,053,867	12,077	958	562
Investment Earnings					
Investment Interest and Dividends	339,578	705,555	8,206	615	389
Net Increase (Decrease) in Fair Value of Investments	(1,919,747)	(4,057,823)	(46,910)	(2,733)	(665)
Securities Lending Income	38,458	84,196	1,765	-	104
Total Investment Earnings	(1,541,711)	(3,268,072)	(36,939)	(2,118)	(172)
Less:					
Investment Expense	3,747	5,990	8	36	-
Securities Lending Interest and Fees	28,637	62,635	1,374	-	86
Net Investment Income	(1,574,095)	(3,336,697)	(38,321)	(2,154)	(258)
Other Additions					
Licenses and Fees	-	-	-	3,364	-
Miscellaneous	2,130	3,290	174	145	-
Total Other Additions	2,130	3,290	174	3,509	0
Total Additions	(1,052,816)	(2,279,540)	(26,070)	2,313	304
DEDUCTIONS					
Benefit Payments and Refunds	686,862	1,524,189	22,670	4,285	-
Administrative Expense	14,190	14,995	818	421	-
Transfers Out	-	-	-	1	-
Total Deductions	701,052	1,539,184	23,488	4,707	0
Changes in Net Assets	(1,753,868)	(3,818,724)	(49,558)	(2,394)	304
Net Assets Held in Trust for Pension and Other					
Employee Benefits, October 1, 2007, as Restated	10,401,109	21,918,548	271,010	21,183	8,492
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2008	\$ 8,647,241	\$ 18,099,824	\$ 221,452	\$ 18,789	\$ 8,796

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 334	\$ 21,700	\$ 114,304	\$ 63,327	\$ 23,691	\$ 740,216
-	-	-	-	481,226	125,232	1,676,211
-	-	-	-	23,742	12,076	35,818
0	334	21,700	114,304	568,295	160,999	2,452,245
26	427	-	56,507	14,940	1,275	1,127,518
(44)	(347)	-	(110,093)	(75,608)	(5,867)	(6,219,837)
7	122	-	9,519	3,071	73	137,315
(11)	202	0	(44,067)	(57,597)	(4,519)	(4,955,004)
-	-	-	-	-	-	9,781
6	101	-	7,212	2,271	54	102,376
(17)	101	0	(51,279)	(59,868)	(4,573)	(5,067,161)
-	-	-	-	-	-	3,364
-	-	1,969	1,000	-	-	8,708
0	0	1,969	1,000	0	0	12,072
(17)	435	23,669	64,025	508,427	156,426	(2,602,844)
-	307	22,205	69,334	336,660	112,574	2,779,086
-	-	1,607	-	2,025	675	34,731
-	-	-	-	-	-	1
0	307	23,812	69,334	338,685	113,249	2,813,818
(17)	128	(143)	(5,309)	169,742	43,177	(5,416,662)
602	8,174	-	1,163,251	410,072	-	34,202,441
\$ 585	\$ 8,302	\$ (143)	\$ 1,157,942	\$ 579,814	\$ 43,177	\$ 28,785,779



Private-Purpose Trust Funds

Private-Purpose Trust Funds 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.

Alabama College Education Savings Plan

Accounts for the operation of an individual college tuition savings plan.

Local Education Endowments

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

Foundation for Local Schools

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

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

September 30, 2008

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,995	\$ 828	\$ 528	\$ 0	\$ 3,351
Investments					
Time Deposits	-	-	132	-	132
U.S. Treasury Securities	14,698	-	-	122	14,820
U.S. Agency Securities	20,866	-	283	126	21,275
State and Local Government Securities	-	-	546	-	546
Mortgage Backed Securities	110,643	-	244	48	110,935
Corporate Stocks	318,547	-	3,152	-	321,699
Corporate Bonds	36,794	-	1,146	339	38,279
Real Estate	-	-	840	-	840
International Stocks	103,769	-	-	-	103,769
International Bonds	681	-	-	-	681
Mutual and Money Market Funds	20,243	543,305	295	9	563,852
Other	240	-	-	-	240
Receivables					
Due from Other Funds	32	-	-	-	32
Accounts Receivable	305	67,775	-	-	68,080
Interest and Dividends Receivable	2,578	1	3	-	2,582
Securities Lending Collateral	85,953	46	856	304	87,159
TOTAL ASSETS	717,344	611,955	8,025	948	1,338,272
LIABILITIES					
Warrants Payable	314	-	-	-	314
Salaries Payable	24	6	-	-	30
Due to Other Funds	43	49	-	-	92
Accounts Payable	59,072	4,247	2	-	63,321
Due to Other Governments	25	-	-	-	25
Securities Lending Obligation	85,953	46	856	304	87,159
Compensated Absences	43	-	-	-	43
Other Post-employment Benefits	23	4	-	-	27
TOTAL LIABILITIES	145,497	4,352	858	304	151,011
NET ASSETS					
Held in Trust for Beneficiaries	571,847	607,603	7,167	644	1,187,261
TOTAL NET ASSETS	\$ 571,847	\$ 607,603	\$ 7,167	\$ 644	\$ 1,187,261

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 22,438	\$ 238,371	\$ 0	\$ 0	\$ 260,809
Total Contributions	22,438	238,371	0	0	260,809
Investment Earnings					
Investment Interest and Dividends	23,228	40,451	209	35	63,923
Net Increase (Decrease) in Fair Value of Investments	(171,020)	(162,711)	(1,099)	(29)	(334,859)
Securities Lending Income	3,907	-	133	12	4,052
Total Investment Earnings	(143,885)	(122,260)	(757)	18	(266,884)
Less:					
Securities Lending Interest and Fees	3,369	-	110	10	3,489
Net Investment Income	(147,254)	(122,260)	(867)	8	(270,373)
Other Additions					
Miscellaneous	958	-	-	-	958
Total Other Additions	958	0	0	0	958
Total Additions	(123,858)	116,111	(867)	8	(8,606)
DEDUCTIONS					
Benefit Payments and Refunds	63,784	187,078	18	-	250,880
Administrative Expense	4,356	5,903	-	-	10,259
Transfers Out	-	691	-	-	691
Total Deductions	68,140	193,672	18	0	261,830
Changes in Net Assets	(191,998)	(77,561)	(885)	8	(270,436)
Net Assets Held in Trust					
for Beneficiaries, October 1, 2007, as Restated	763,845	685,164	8,052	636	1,457,697
Net Assets Held in Trust					
for Beneficiaries, September 30, 2008	\$ 571,847	\$ 607,603	\$ 7,167	\$ 644	\$ 1,187,261



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, 2008

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 145,744	\$ 3,555	\$ 3,347	\$ 17,034	\$ 169,680
Investments	-	-	-	57,287	57,287
Due from Other Funds	-	-	4	54	58
Accounts Receivable	9	-	2	53	64
Securities Lending Collateral	1,067	243	229	770	2,309
TOTAL ASSETS	\$ 146,820	\$ 3,798	\$ 3,582	\$ 75,198	\$ 229,398
LIABILITIES					
Warrants Payable	\$ 9,092	\$ 164	\$ 1,691	\$ 4,364	\$ 15,311
Accounts Payable	4	-	-	612	616
Due to Other Governments	1,217	2,079	-	81	3,377
Securities Lending Obligation	1,067	243	229	770	2,309
Amounts Held in Custody for Others	135,440	1,312	1,662	69,371	207,785
TOTAL LIABILITIES	\$ 146,820	\$ 3,798	\$ 3,582	\$ 75,198	\$ 229,398



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Balance Clearing 2007	Additions	Reductions	Balance September 30, 2008
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	\$ 144,711	\$ 17,495,094	\$ 17,494,061	\$ 145,744
Investments	-	40,408	40,408	-
Due from Other Funds	525	1,363	1,888	-
Due from Component Units	1	1	2	-
Accounts Receivable	31	10	32	9
Taxes Receivable	-	781,633	781,633	-
Securities Lending Collateral	1,162	14,754	14,849	1,067
TOTAL ASSETS	\$ 146,430	\$ 18,333,263	\$ 18,332,873	\$ 146,820
LIABILITIES				
Warrants Payable	\$ 12,529	\$ 638,514	\$ 641,951	\$ 9,092
Due to Other Funds	-	288,467	288,467	-
Accounts Payable	82	36,900	36,978	4
Due to Other Governments	1,122	12,615	12,520	1,217
Securities Lending Obligation	1,162	14,754	14,849	1,067
Amounts Held Pending Distribution	-	26,979,309	26,979,309	-
Amounts Held in Custody for Others	131,535	425,421	421,516	135,440
TOTAL LIABILITIES	\$ 146,430	\$ 28,395,980	\$ 28,395,590	\$ 146,820
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	\$ 2,631	\$ 266,971	\$ 266,047	\$ 3,555
Investments	-	427	427	-
Securities Lending Collateral	168	292	217	243
TOTAL ASSETS	\$ 2,799	\$ 267,690	\$ 266,691	\$ 3,798
LIABILITIES				
Warrants Payable	\$ 396	\$ 260,066	\$ 260,298	\$ 164
Accounts Payable	-	10,919	10,919	-
Due to Other Governments	1,358	266,068	265,347	2,079
Securities Lending Obligation	168	292	217	243
Amounts Held in Custody for Others	877	1,313	878	1,312
TOTAL LIABILITIES	\$ 2,799	\$ 538,658	\$ 537,659	\$ 3,798
PAYROLL				
ASSETS				
Cash and Cash Equivalents	\$ 3,964	\$ 2,341,252	\$ 2,341,869	\$ 3,347
Investments	-	1,519	1,519	-
Due from Other Funds	2	40	38	4
Due from Component Units	3	-	3	-
Accounts Receivable	-	2	-	2
Securities Lending Collateral	254	549	574	229
TOTAL ASSETS	\$ 4,223	\$ 2,343,362	\$ 2,344,003	\$ 3,582
LIABILITIES				
Warrants Payable	\$ 3,044	\$ 1,858,183	\$ 1,859,536	\$ 1,691
Due to Other Funds	-	556	556	-
Accounts Payable	-	744,756	744,756	-
Securities Lending Obligation	254	549	574	229
Amounts Held Pending Distribution	-	660,701	660,701	-
Amounts Held in Custody for Others	925	574,862	574,125	1,662
TOTAL LIABILITIES	\$ 4,223	\$ 3,839,607	\$ 3,840,248	\$ 3,582

	Balance Clearing 2007	Additions	Reductions	Balance September 30, 2008
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 19,675	\$ 769,760	\$ 772,401	\$ 17,034
Investments	53,931	11,515	8,159	57,287
Due from Other Funds	3	159	108	54
Due from Component Units	-	53	53	-
Accounts Receivable	-	254	201	53
Securities Lending Collateral	912	2,023	2,165	770
TOTAL ASSETS	\$ 74,521	\$ 783,764	\$ 783,087	\$ 75,198
LIABILITIES				
Warrants Payable	\$ 4,392	\$ 330,610	\$ 330,638	\$ 4,364
Due to Other Funds	-	8	8	-
Accounts Payable	479	16,167	16,034	612
Due to Other Governments	149	763	831	81
Securities Lending Obligation	912	2,023	2,165	770
Amounts Held Pending Distribution	-	366,763	366,763	-
Amounts Held in Custody for Others	68,589	409,592	408,810	69,371
TOTAL LIABILITIES	\$ 74,521	\$ 1,125,926	\$ 1,125,249	\$ 75,198
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 170,981	\$ 20,873,077	\$ 20,874,378	\$ 169,680
Investments	53,931	53,869	50,513	57,287
Due from Other Funds	530	1,562	2,034	58
Due from Component Units	4	54	58	-
Accounts Receivable	31	266	233	64
Taxes Receivable	-	781,633	781,633	-
Securities Lending Collateral	2,496	17,618	17,805	2,309
TOTAL ASSETS	\$ 227,973	\$ 21,728,079	\$ 21,726,654	\$ 229,398
LIABILITIES				
Warrants Payable	\$ 20,361	\$ 3,087,373	\$ 3,092,423	\$ 15,311
Due to Other Funds	-	289,031	289,031	-
Accounts Payable	561	808,742	808,687	616
Due to Other Governments	2,629	279,446	278,698	3,377
Securities Lending Obligation	2,496	17,618	17,805	2,309
Amounts Held Pending Distribution	-	28,006,773	28,006,773	-
Amounts Held in Custody for Others	201,926	1,411,188	1,405,329	207,785
TOTAL LIABILITIES	\$ 227,973	\$ 33,900,171	\$ 33,898,746	\$ 229,398



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 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 incentive grants 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, 2008

(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	\$ 47,560	\$ 38,710	\$ 3,176	\$ 35,971	\$ 33,565
Investments	-	56,118	22,865	137,156	38,702
Due from Primary Government	-	-	-	-	-
Accounts Receivable	67	590	13,179	8,085	10,516
Due from Other Governments	-	228,894	-	1,628	-
Interest and Dividends Receivable	1,363	1,247	-	295	-
Mortgages, Notes, and Loans Receivable	68,179	-	9,152	2,723	1,391
Securities Lending Collateral	-	1	-	-	-
Inventory	-	-	18	652	-
Restricted Assets	-	-	-	-	-
Other Assets	1,005	4,038	10,100	4,818	401
Capital Assets, Net of Accumulated Depreciation	-	97	93,621	93,847	49,713
Capital Assets Not Depreciated	-	-	15,669	44,908	15,078
TOTAL ASSETS	118,174	329,695	167,780	330,083	149,366
LIABILITIES					
Warrants Payable	-	-	-	-	-
Salaries Payable	-	-	-	-	2,933
Due to Primary Government	-	1,160	-	-	-
Accounts Payable	66	-	1,252	6,781	5,043
Interest Payable	1,390	1,112	1,086	-	-
Due to Other Governments	-	15,154	-	-	-
Securities Lending Obligation	-	1	-	-	-
Unearned Revenue	-	-	21,506	14,419	16,999
Amounts Held in Custody for Others	-	-	2,417	-	2,784
Noncurrent Liabilities:					
Due Within One Year	21,900	6,040	3,287	4,977	2,577
Due In More Than One Year	80,998	179,880	66,694	132,064	18,719
TOTAL LIABILITIES	104,354	203,347	96,242	158,241	49,055
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	97	42,736	86,781	45,081
Restricted for:					
Permanent - Expendable	1,009	-	9,642	20,541	31,598
Permanent - Non-expendable	-	-	-	36,693	9,677
Debt Service	-	126,251	4,211	2,712	-
Other Purposes	-	-	25,253	-	-
Unrestricted	12,811	-	(10,304)	25,115	13,955
TOTAL NET ASSETS	\$ 13,820	\$ 126,348	\$ 71,538	\$ 171,842	\$ 100,311

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 48,758	\$ 138,869	\$ 83	\$ 5,703	\$ 53,155	\$ 33,164	\$ 69,498	\$ 508,212
24,265	27,287	-	7,520	-	-	61,862	375,775
-	-	-	114	-	-	368	482
5,904	44,094	1,979	-	-	105,801	18,007	208,222
-	-	-	-	-	-	910	231,432
27	-	-	-	-	-	214	3,146
1,974	2,631	-	-	-	-	426	86,476
-	-	-	1,858	1,104	95	736	3,794
32	112	424	482	-	-	8,192	9,912
-	-	2,957	-	-	-	1,473	4,430
945	5,841	311	-	-	-	3,597	31,056
58,613	137,017	47,848	1,065	8,580	645	92,720	583,766
4,947	24,698	6,297	70,779	596	-	22,744	205,716
145,465	380,549	59,899	87,521	63,435	139,705	280,747	2,252,419
-	-	-	75	-	-	2,011	2,086
571	-	-	335	-	-	157	3,996
-	-	-	134	36,533	-	1,636	39,463
2,910	14,065	2,274	212	-	-	12,417	45,020
475	-	370	-	3,017	2,671	124	10,245
-	-	-	41	-	-	573	15,768
-	-	-	1,858	1,104	95	736	3,794
10,997	30,345	1,439	-	-	-	15,618	111,323
668	10,031	-	-	15,712	553	1,834	33,999
1,609	3,304	4,294	-	1,620	5,625	9,579	64,812
23,363	77,431	15,658	890	81,475	121,985	41,218	840,375
40,593	135,176	24,035	3,545	139,461	130,929	85,903	1,170,881
39,713	98,650	39,455	71,844	9,176	645	97,952	532,130
9,399	22,068	-	-	-	-	12,928	107,185
14,478	290	-	7,520	-	-	16,266	84,924
2,234	-	-	-	-	-	-	135,408
-	-	3,527	-	-	-	-	28,780
39,048	124,365	(7,118)	4,612	(85,202)	8,131	67,698	193,111
\$ 104,872	\$ 245,373	\$ 35,864	\$ 83,976	\$ (76,026)	\$ 8,776	\$ 194,844	\$ 1,081,538

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 3,453	\$ 12,543	\$ 132,165	\$ 120,855	\$ 108,666
Program Revenues					
Charges for Services	1,271	8,619	40,308	39,449	41,012
Operating Grants and Contributions	-	27,205	40,588	62,320	25,984
Capital Grants and Contributions	-	-	-	-	-
Total Program Revenues	1,271	35,824	80,896	101,769	66,996
Net (Expense) Revenue	(2,182)	23,281	(51,269)	(19,086)	(41,670)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	2,318	4,364	563	386	1,928
Miscellaneous	-	1,361	5,760	-	-
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Payments from State of Alabama	2,031	-	50,287	49,267	49,306
Total General Revenues, Special Items, and Transfers	4,349	5,725	56,610	49,653	51,234
Change in Net Assets	2,167	29,006	5,341	30,567	9,564
Net Assets, October 1, 2007, as Restated	11,653	97,342	66,197	141,275	90,747
Net Assets, September 30, 2008	\$ 13,820	\$ 126,348	\$ 71,538	\$ 171,842	\$ 100,311

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 84,950	\$ 220,512	\$ 28,548	\$ 9,064	\$ 10,037	\$ 110,258	\$ 226,445	\$ 1,067,496
39,902	140,261	25,687	3,455	724	104,649	93,185	538,522
14,884	48,014	49	2,129	-	-	37,485	258,658
2,003	-	4,188	129	30	-	1,397	7,747
56,789	188,275	29,924	5,713	754	104,649	132,067	804,927
(28,161)	(32,237)	1,376	(3,351)	(9,283)	(5,609)	(94,378)	(262,569)
-	-	-	-	-	-	1,220	1,220
-	-	-	-	-	-	3,050	3,050
(1,220)	175	68	(730)	872	875	60	9,659
59	-	-	2	19,165	-	652	26,999
3	-	-	-	-	-	-	3
33,907	62,458	1,659	6,804	1,000	-	111,890	368,609
32,749	62,633	1,727	6,076	21,037	875	116,872	409,540
4,588	30,396	3,103	2,725	11,754	(4,734)	22,494	146,971
100,284	214,977	32,761	81,251	(87,780)	13,510	172,350	934,567
\$ 104,872	\$ 245,373	\$ 35,864	\$ 83,976	\$ (76,026)	\$ 8,776	\$ 194,844	\$ 1,081,538

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2008

(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	\$ 5,057	\$ 1,028	\$ 247	\$ 12,759	\$ 24,326
Investments	-	693	-	1,885	41,728
Due from Primary Government	24	-	-	-	-
Accounts Receivable	33	-	-	7,320	5,415
Due from Other Governments	816	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	426
Securities Lending Collateral	345	-	-	-	-
Inventory	-	179	71	887	-
Restricted Assets	-	-	-	-	1,473
Other Assets	-	74	-	816	2,500
Capital Assets, Net of Accumulated Depreciation	2,851	11,390	2,626	10,562	31,688
Capital Assets Not Depreciated	174	255	896	493	1,501
TOTAL ASSETS	9,300	13,619	3,840	34,722	109,057
LIABILITIES					
Warrants Payable	7	-	-	-	-
Salaries Payable	-	-	24	-	-
Due to Primary Government	1	-	-	-	-
Accounts Payable	1,004	243	62	789	4,485
Interest Payable	-	-	-	-	-
Due to Other Governments	14	-	-	-	510
Securities Lending Obligation	345	-	-	-	-
Unearned Revenue	-	-	-	7,449	7,773
Amounts Held in Custody for Others	-	-	-	1,133	506
Noncurrent Liabilities:					
Due Within One Year	-	1,338	42	180	720
Due In More Than One Year	191	184	655	3,486	20,474
TOTAL LIABILITIES	1,562	1,765	783	13,037	34,468
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,025	11,645	3,522	9,671	22,837
Restricted for:					
Permanent - Expendable	-	-	-	-	10,000
Permanent - Non-expendable	-	-	-	419	12,897
Unrestricted	4,713	209	(465)	11,595	28,855
TOTAL NET ASSETS	\$ 7,738	\$ 11,854	\$ 3,057	\$ 21,685	\$ 74,589

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 15,006	\$ 269	\$ 335	\$ 5,202	\$ 0	\$ 1,726	\$ 3,543	\$ 69,498
13,724	-	600	-	-	3,232	-	61,862
-	-	-	-	-	-	344	368
4,078	1,158	-	-	-	-	3	18,007
-	-	-	-	-	-	94	910
214	-	-	-	-	-	-	214
-	-	-	-	-	-	-	426
-	-	-	355	-	17	19	736
6,888	139	-	-	-	-	28	8,192
-	-	-	-	-	-	-	1,473
199	-	-	-	-	-	8	3,597
25,689	7,070	-	-	-	22	822	92,720
3,728	1,501	14,035	-	-	-	161	22,744
69,526	10,137	14,970	5,557	0	4,997	5,022	280,747
-	-	-	2,000	-	4	-	2,011
-	-	-	-	-	133	-	157
-	-	-	77	-	1,308	250	1,636
5,809	3	-	-	-	20	2	12,417
-	-	-	60	64	-	-	124
-	-	-	-	-	-	49	573
-	-	-	355	-	17	19	736
322	74	-	-	-	-	-	15,618
78	115	-	-	-	-	2	1,834
973	312	40	3,100	475	2,259	140	9,579
2,565	920	740	2,525	8,845	358	275	41,218
9,747	1,424	780	8,117	9,384	4,099	737	85,903
26,121	8,134	12,035	-	-	22	940	97,952
2,294	634	-	-	-	-	-	12,928
2,950	-	-	-	-	-	-	16,266
28,414	(55)	2,155	(2,560)	(9,384)	876	3,345	67,698
\$ 59,779	\$ 8,713	\$ 14,190	\$ (2,560)	\$ (9,384)	\$ 898	\$ 4,285	\$ 194,844

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 9,796	\$ 3,907	\$ 2,205	\$ 45,062	\$ 51,625
Program Revenues					
Charges for Services	3,151	5,789	1,495	27,264	21,618
Operating Grants and Contributions	3	11	34	5,948	10,865
Capital Grants and Contributions	-	232	-	-	277
Total Program Revenues	3,154	6,032	1,529	33,212	32,760
Net (Expense) Revenue	(6,642)	2,125	(676)	(11,850)	(18,865)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	-	34	8	105	585
Miscellaneous	-	-	7	35	-
Payments from State of Alabama	10,074	-	200	17,059	24,154
Total General Revenues, Special Items, and Transfers	10,074	34	215	17,199	24,739
Change in Net Assets	3,432	2,159	(461)	5,349	5,874
Net Assets, October 1, 2007, as Restated	4,306	9,695	3,518	16,336	68,715
Net Assets, September 30, 2008	\$ 7,738	\$ 11,854	\$ 3,057	\$ 21,685	\$ 74,589

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 89,376	\$ 10,743	\$ 257	\$ 2,409	\$ 777	\$ 8,510	\$ 1,778	\$ 226,445
26,880	2,059	-	139	-	4,561	229	93,185
11,618	4,498	1,642	-	-	1,559	1,307	37,485
888	-	-	-	-	-	-	1,397
39,386	6,557	1,642	139	0	6,120	1,536	132,067
(49,990)	(4,186)	1,385	(2,270)	(777)	(2,390)	(242)	(94,378)
-	-	-	-	1,220	-	-	1,220
-	-	-	3,050	-	-	-	3,050
(292)	5	17	-	-	(497)	95	60
451	5	-	-	-	-	154	652
52,456	5,024	-	2,000	-	150	773	111,890
52,615	5,034	17	5,050	1,220	(347)	1,022	116,872
2,625	848	1,402	2,780	443	(2,737)	780	22,494
57,154	7,865	12,788	(5,340)	(9,827)	3,635	3,505	172,350
\$ 59,779	\$ 8,713	\$ 14,190	\$ (2,560)	\$ (9,384)	\$ 898	\$ 4,285	\$ 194,844



Supplemental Statements and Schedules

Supplemental Statements and Schedules 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, 2008

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 876
Agriculture and Industries	7,877
Archives and History	439
Attorney General	1,163
Child Abuse Prevention	2,239
Children's Affairs	207
Choctawhatchee, Pea & Yellow Rivers Watershed Mgt Authority	21
Commission On Higher Education	1,948
Conservation and Natural Resources	21,918
Corrections	31
Council on the Arts	645
Crime Victims Compensation Commission	1,551
Criminal Justice Information Center	3,350
Drinking Water Finance Authority	27,201
Economic and Community Affairs	161,758
Education	840,068
Emergency Management	47,402
Environmental Management	19,835
ETV Foundation Authority	49
Farmers' Market Authority	1,914
Finance Special Funds	2,612
Forensic Sciences	2,626
Forestry Commission	9,637
Forever Wild Land Trust	2,776
Geological Survey	631
Governor's Office of Faith Based and Community Initiatives	1,820
High School of Math and Science	87
Historical Commission	1,980
Human Resources	1,034,698
Industrial Relations	95,723
Labor	153
Land Recycling Finance Authority	775
Manufactured Housing Commission	260
Medicaid	3,010,091
Mental Health and Retardation	54,723
Military	59,849
Office of Homeland Security	22,974
Other - Medicare Part D	12,076
Pardons and Paroles	8
Postsecondary Education	8,028
Public Health	379,573
Public Library Service	2,603
Public Safety	11,953
Public Service Commission	440
Rehabilitation Services	61,590
Revenue	796
School of Fine Arts	224
Secretary of State	241
Senior Services	24,506
Soil and Water Conservation Commission	962
State Employees Insurance Board	1,443
State Port Authority	6,031
Surface Mining Commission	1,214
Transportation	871,307
Veterans Affairs	10,448
Water Pollution Control Authority	15,075
Total Federal Revenues	\$ 6,850,425

This part of the State of Alabama's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

Page 270

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

- ◆ Net Assets by Component
- ◆ Changes in Net Assets
- ◆ Fund Balances of Governmental Funds
- ◆ Changes in Fund Balances of Governmental Funds

Revenue Capacity

Page 280

These schedules contain information to help the reader assess the factors affecting the State's ability to generate its individual income tax and corporate income tax.

- ◆ Major Revenue Base
- ◆ Revenue Rates
- ◆ Principal Revenue Payers

Debt Capacity

Page 286

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

- ◆ Ratios of Outstanding Debt
- ◆ Ratios of General Bonded Debt Outstanding
- ◆ Debt Limitations
- ◆ Pledged Revenue Coverage

Demographic and Economic Information

Page 292

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

- ◆ Labor Force Statistics
- ◆ Population/Per Capita Personal Income Statistics
- ◆ Top Ten Employers in Alabama

Operating Information

Page 296

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

- ◆ State Government Employment by Function
- ◆ Indicators of Demand or Level of Service
- ◆ Indicators of Volume, Usage and Nature of Capital Assets

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Note: The number of years presented on each schedule varies according to available data.

STATE OF ALABAMA

NET ASSETS BY COMPONENT

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 17,576,424	\$ 16,973,157	\$ 16,360,753	\$ 15,820,864	\$ 15,241,575
Restricted	4,624,715	6,020,208	5,853,605	5,004,105	4,245,991
Unrestricted	(223,495)	(113,210)	204,854	299,693	310,172
Total Governmental Activities Net Assets	<u>21,977,644</u>	<u>22,880,155</u>	<u>22,419,212</u>	<u>21,124,662</u>	<u>19,797,738</u>
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	753,665	709,460	643,742	508,280	459,250
Restricted	479,666	513,663	503,024	352,524	351,847
Unrestricted	344,797	284,537	244,630	330,692	204,790
Total Business-type Activities Net Assets	<u>1,578,128</u>	<u>1,507,660</u>	<u>1,391,396</u>	<u>1,191,496</u>	<u>1,015,887</u>
Primary government					
Invested in Capital Assets, Net of Related Debt	18,330,089	17,682,617	17,004,495	16,329,144	15,700,825
Restricted	5,104,381	6,533,871	6,356,629	5,356,629	4,597,838
Unrestricted	121,302	171,327	449,484	630,385	514,962
Total Primary Government Net Assets	<u>\$ 23,555,772</u>	<u>\$ 24,387,815</u>	<u>\$ 23,810,608</u>	<u>\$ 22,316,158</u>	<u>\$ 20,813,625</u>

<u>2003</u>	<u>2002</u>
\$ 14,774,902	\$ 3,924,791
3,869,559	3,145,156
185,427	489,765
<u>18,829,888</u>	<u>7,559,712</u>

425,588	433,667
365,594	470,196
182,270	117,372
<u>973,452</u>	<u>1,021,235</u>

15,200,490	4,358,458
4,235,153	3,615,352
367,697	607,137
<u>\$ 19,803,340</u>	<u>\$ 8,580,947</u>

STATE OF ALABAMA

CHANGES IN NET ASSETS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Expenses					
Governmental Activities					
Economic Development and Regulation	\$ 281,176	\$ 213,756	\$ 100,588	\$ 63,016	\$ 59,894
Education and Cultural Resources	7,198,488	6,527,515	5,653,464	5,092,756	4,724,935
Natural Resources and Recreation	135,368	131,688	145,414	82,841	95,032
Health	5,144,802	5,165,470	4,663,485	4,479,828	4,296,802
Social Services	1,743,177	1,678,091	1,627,951	1,606,588	1,496,160
Protection of Persons and Property	1,103,566	1,014,248	1,032,088	1,031,731	746,763
Transportation	1,094,598	997,376	1,025,928	882,823	856,603
General Government	1,021,561	925,237	819,122	776,791	726,150
Debt Service - Interest and Other Charges	57,253	43,391	42,672	43,052	42,083
Total Governmental Activities Expenses	17,779,989	16,696,772	15,110,712	14,059,426	13,044,422
Business-type Activities					
Unemployment Compensation	330,068	248,448	232,447	251,137	308,281
State Port Authority	127,200	115,714	89,939	85,984	74,679
Alabama College System	812,195	745,122	683,618	646,868	627,846
Alcoholic Beverage Control Board	249,389	230,370	215,832	192,278	184,391
Public Education Employees Health Insurance	-	-	-	-	736,669
Nonmajor Proprietary Funds	47,168	45,955	48,972	47,838	144,714
Total Business-type Activities Expenses	1,566,020	1,385,609	1,270,808	1,224,105	2,076,580
Total Primary Government Expenses	19,346,009	18,082,381	16,381,520	15,283,531	15,121,002
Program Revenues					
Governmental Activities					
Economic Development and Regulation	59,859	58,452	52,014	49,332	52,618
Education and Cultural Resources	12,131	12,406	10,070	10,952	8,352
Natural Resources and Recreation	164,709	53,920	54,121	60,111	52,059
Health	204,561	259,598	194,339	206,017	142,941
Social Services	6,590	5,905	6,127	4,141	118,185
Protection of Persons and Property	230,745	208,252	187,325	183,281	176,256
Transportation	198,669	199,489	192,458	174,509	168,153
General Government	573,465	464,574	565,311	460,047	436,115
Debt Service - Interest and Other Charges	-	-	-	450	3,030
Operating Grants and Contributions	6,670,099	6,618,419	6,612,934	6,315,902	5,584,314
Capital Grants and Contributions	874,111	719,041	801,902	673,977	565,871
Total Governmental Activities Program Revenues	8,994,939	8,600,056	8,676,601	8,138,719	7,307,894
Business-type Activities					
Unemployment Compensation	227,906	228,572	264,895	307,724	263,229
State Port Authority	132,481	108,235	90,998	87,022	77,870
Alabama College System	155,559	152,558	145,714	146,194	142,786
Alcoholic Beverage Control Board	252,265	239,852	219,429	202,959	198,482
Public Education Employees Health Insurance	-	-	-	-	717,546
Operating Grants and Contributions	305,339	270,897	277,667	269,667	297,858
Capital Grants and Contributions	13,717	19,413	45,053	22,776	6,479
Nonmajor Proprietary Funds	47,019	49,548	52,384	167,257	154,604
Total Business-type Activities Program Revenues	1,134,286	1,069,075	1,096,140	1,203,599	1,858,854
Total Primary Government Program Revenues	\$ 10,129,225	\$ 9,669,131	\$ 9,772,741	\$ 9,342,318	\$ 9,166,748

2003	2002
\$ 63,623	\$ 66,746
4,648,126	4,553,598
101,811	94,449
4,227,236	4,173,401
1,511,438	1,425,124
692,104	650,341
772,935	1,059,637
770,431	641,869
43,493	64,538
12,831,197	12,729,703
410,384	404,133
74,894	66,988
593,278	545,491
177,003	170,550
667,564	581,877
127,559	114,199
2,050,682	1,883,238
14,881,879	14,612,941
46,564	45,844
7,853	12,647
369,582	72,072
121,827	298,783
114,269	111,610
173,417	162,981
172,801	167,467
198,426	324,839
9,398	8,311
5,427,425	5,106,726
593,673	802,218
7,235,235	7,113,498
239,871	191,825
66,749	59,832
137,015	123,472
184,758	184,182
627,094	600,646
324,201	265,425
21,121	12,960
133,868	109,990
1,734,677	1,548,332
\$ 8,969,912	\$ 8,661,830

Continued on next page...

STATE OF ALABAMA

CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Net (Expense)/Revenue					
Governmental Activities	\$ (8,785,050)	\$ (8,096,716)	\$ (6,434,111)	\$ (5,920,707)	\$ (5,736,528)
Business Activities	(431,734)	(316,534)	(174,668)	(20,506)	(217,726)
Total Primary Government					
Net (Expense) Revenue	(9,216,784)	(8,413,250)	(6,608,779)	(5,941,213)	(5,954,254)
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,261,452	2,323,078	1,999,053	1,975,512	1,765,035
Income Taxes	3,512,255	3,446,018	3,172,117	2,938,046	2,494,384
Motor Fuels Taxes	550,811	569,369	568,880	534,696	564,031
Utility Taxes	539,337	511,734	492,694	447,191	413,553
Insurance Premium Tax	288,341	273,614	270,379	269,496	238,607
Property Tax	314,181	301,002	266,916	251,960	232,057
Liquor Taxes	122,195	150,085	135,189	125,160	117,014
Tobacco and Cigarette Taxes	140,786	147,266	144,204	146,374	-
Grants & Contributions Not Restricted to Specific Programs	-	-	-	6,159	75,741
Investment Earnings	(141,251)	513,750	284,139	236,191	173,657
Miscellaneous	738,746	744,942	739,378	643,724	858,777
Contributions to Permanent Funds and Endowments	-	-	-	2	-
Transfers	(444,314)	(379,209)	(321,020)	(261,067)	(229,114)
Total Governmental Activities	7,882,539	8,601,649	7,751,929	7,313,444	6,703,742
Business-type Activities					
Liquor Taxes	9,912	9,831	9,314	8,598	8,492
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	34,631	40,206	34,056	25,124	22,658
Miscellaneous	13,257	3,421	10,056	4,330	2,765
Contributions to Permanent Funds and Endowments	88	131	122	201	6
Transfers	444,314	379,209	321,020	261,067	229,114
Total Business-type Activities	502,202	432,798	374,568	299,320	263,035
Total Primary Government					
General Revenues and Other Charges	8,384,741	9,034,447	8,126,497	7,612,764	6,966,777
Change in Net Assets					
Governmental Activities	(902,511)	504,933	1,317,818	1,392,737	967,214
Business-type Activities	70,468	116,264	199,900	278,814	45,309
Total Primary Government Changes in Net Assets	\$ (832,043)	\$ 621,197	\$ 1,517,718	\$ 1,671,551	\$ 1,012,523

2003	2002
\$ (5,595,962)	\$ (5,616,205)
(316,005)	(334,906)
(5,911,967)	(5,951,111)
1,714,618	1,606,149
2,520,393	2,049,460
530,255	510,342
425,686	378,983
226,307	218,712
213,908	340,557
117,438	111,611
-	-
84,231	7,018
210,143	113,966
859,220	811,940
204	680
(226,788)	(216,423)
6,675,615	5,932,995
7,790	7,440
1,806	112,684
29,605	27,253
2,026	2,045
207	174
226,788	216,423
268,222	366,019
6,943,837	6,299,014
1,079,653	316,790
(47,783)	31,113
\$ 1,031,870	\$ 347,903

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

	2008	2007	2006	2005	2004
General Fund					
Reserved	\$ 5,303	\$ 5,772	\$ 3,314	\$ 6,003	\$ 4,228
Unreserved	376,391	399,009	401,393	317,879	232,501
Total General Fund	381,694	404,781	404,707	323,882	236,729
All Other Governmental Funds					
Reserved	3,191,402	3,498,507	3,165,956	2,888,340	2,667,067
Unreserved, Designated for Capital Projects	185,790	441,221	275,528	292,934	381,579
Unreserved, Designated for Debt Service	4,630	5,449	4,866	4,606	8,208
Unreserved, Designated	702	-	-	-	-
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	1,350,918	2,133,319	2,607,528	2,105,050	1,480,649
Permanent Funds	24,938	20,659	16,173	12,147	4,538
Total All Other Governmental Funds	\$ 4,758,380	\$ 6,099,155	\$ 6,070,051	\$ 5,303,077	\$ 4,542,041

2003	2002
\$ 4,699	\$ 4,087
158,346	147,941
163,045	152,028
2,528,464	2,452,710
465,437	498,935
8,979	9,249
-	-
1,226,798	733,488
4,708	2,123
\$ 4,234,386	\$ 3,696,505

STATE OF ALABAMA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Revenues					
Taxes	\$ 8,449,096	\$ 8,255,088	\$ 7,833,276	\$ 7,272,895	\$ 6,431,299
Licenses, Permits, and Fees	647,535	650,635	608,770	562,461	532,118
Fines, Forfeits, and Court Settlements	148,030	44,180	42,347	47,168	40,221
Investment Income	(142,347)	520,517	300,993	227,980	183,922
Federal Grants and Reimbursements	6,697,069	6,380,166	6,643,162	6,216,771	5,675,945
Other Revenues	1,523,910	1,550,167	1,379,482	1,309,343	1,347,930
Total Revenues	17,323,293	17,400,753	16,808,030	15,636,618	14,211,435
Expenditures					
Economic Development and Regulation	84,627	79,409	70,554	62,894	60,763
Education and Cultural Resources	7,166,373	6,423,025	5,644,208	5,087,885	4,710,110
Natural Resources and Recreation	194,725	133,234	171,825	120,188	120,095
Health	5,125,487	5,166,541	4,653,398	4,477,717	4,295,347
Social Services	1,717,523	1,693,797	1,625,180	1,610,677	1,496,323
Protection of Persons and Property	1,025,662	982,932	1,011,393	1,005,967	730,780
Transportation	1,556,330	1,522,329	1,512,116	1,399,903	1,354,816
General Government	987,302	933,855	840,293	726,704	680,002
Capital Outlay	272,032	168,402	56,835	66,823	55,833
Debt Service - Principal Retirement	71,213	68,616	81,727	78,195	73,650
Debt Service - Interest and Other Charges	61,514	48,336	40,319	37,201	38,282
Total Expenditures	18,262,788	17,220,476	15,707,848	14,674,154	13,616,001
Other Financing Sources (Uses)					
Transfers In	1,841,818	1,520,089	1,460,110	1,254,049	993,669
Transfers Out	(2,289,913)	(1,907,908)	(1,791,969)	(1,527,416)	(1,239,110)
Bonds Issued	10,000	305,000	61,150	103,920	-
Refunding Bonds Issued	22,660	-	-	57,975	-
Other Debt Refunding Proceeds	-	-	-	-	600
Payments to Refunded Bond Escrow Agent	-	-	-	(27,949)	-
Current Refunding to Bondholders	(23,625)	-	-	-	-
Other Debt Refunding Uses	-	-	-	-	(600)
Capital Leases	171	11,738	1,989	659	1,152
Other Debt Proceeds	-	-	-	-	-
Premiums on Debt	-	-	-	5,242	-
Debt Issuance Premiums	1,210	9,333	1,085	-	-
Discounts on Debt	-	-	-	(580)	-
Insurance Recovery Proceeds	4,579	3,024	7,725	-	-
Total Other Financing Sources (Uses)	(433,100)	(58,724)	(259,910)	(134,100)	(244,289)
Net Increase (Decrease) for the Year	(1,372,595)	121,553	840,272	828,364	351,145
Debt Service as a Percentage of Noncapital Expenditures	0.75%	0.7%	0.81%	0.83%	0.86%

2003	2002
\$ 6,267,772	\$ 5,699,382
502,493	497,191
64,204	34,593
204,596	100,127
5,515,520	5,321,974
1,511,073	1,335,183
<u>14,065,658</u>	<u>12,988,450</u>
65,914	67,862
4,657,009	4,530,082
108,638	96,462
4,216,237	4,151,124
1,510,823	1,411,889
680,605	610,113
1,277,739	1,419,426
679,532	646,599
48,636	38,983
81,963	63,716
40,125	86,902
<u>13,367,221</u>	<u>13,123,158</u>
1,004,619	712,776
(1,239,551)	(917,652)
4,305	345,708
17,553	-
-	-
-	-
(17,162)	-
-	-
618	2,048
3,634	4,696
-	-
-	-
-	-
-	-
<u>(225,984)</u>	<u>147,576</u>
472,453	12,868
0.95%	1.16%

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2007	2006	2005	2004	2003
Mining	\$ 1,119,272	\$ 1,052,157	\$ 947,364	\$ 827,964	\$ 720,976
Utilities	1,538,445	1,422,707	1,421,088	1,518,838	1,375,031
Construction	6,849,942	6,709,300	6,214,820	5,683,886	5,272,938
Manufacturing	18,251,142	18,113,966	16,850,779	16,241,778	15,502,515
Wholesale trade	5,542,798	5,272,889	4,915,336	4,560,013	4,200,942
Retail trade	7,685,732	7,427,097	7,191,253	6,792,029	6,556,423
Transportation and warehousing	3,514,574	3,387,118	3,195,994	2,975,726	2,650,280
Finance and insurance	5,475,783	5,419,527	4,912,558	4,561,438	4,277,440
Professional and technical services	8,550,446	8,102,499	7,464,619	7,074,163	6,600,893
Government and government enterprises	22,545,305	21,187,018	20,027,576	18,904,789	17,831,219
All Other	68,875,270	63,546,300	60,597,244	57,129,122	53,367,598
Total Personal Income	149,948,709	141,640,578	133,738,631	126,269,746	118,356,255
State Income Taxes	3,028,266	2,832,954	2,557,322	2,294,636	2,075,774
Average Effective Rate*	2.02%	2.00%	1.91%	1.82%	1.75%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

* Note: The average effective rate for personal income equals state income taxes divided by total personal income.

Year 2007 is the most recent year data is available.

2002	2001	2000	1999	1998
\$ 720,793	\$ 672,891	\$ 715,509	\$ 715,972	\$ 714,680
1,260,088	1,231,889	1,125,194	1,053,408	1,034,176
5,156,208	5,251,085	5,069,034	4,781,902	4,390,247
15,171,752	14,799,501	14,667,696	14,556,404	14,088,756
4,098,860	3,983,352	3,889,059	3,672,705	3,450,285
6,356,529	6,128,947	5,817,505	5,658,971	5,298,095
2,616,496	2,599,463	2,522,933	2,424,956	2,288,287
3,957,916	3,660,909	3,433,269	3,293,536	3,083,590
6,123,024	6,041,702	5,457,540	5,224,192	4,928,606
16,850,710	15,837,865	15,231,615	14,600,865	14,232,221
51,522,847	50,213,333	47,877,339	44,679,515	43,502,845
113,835,223	110,420,937	105,806,693	100,662,426	97,011,788
2,068,453	2,097,557	2,066,893	2,012,519	1,835,536
1.82%	1.90%	1.95%	2.00%	1.89%

STATE OF ALABAMA

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status	1998 - 1999	2000 - 2007
Taxable Net Income Level	Rate	Rate
Single, Head of family, Married filing separate	Adjusted Gross Income of \$1,500 or more	Adjusted Gross Income of \$1,875 or more
Not Over \$500	2%	2%
Over \$500 But Not Over \$3,000	4%	4%
Over \$3,000	5%	5%
Married filing Jointly	Adjusted Gross Income of \$3,000 or more	Adjusted Gross Income of \$3,750 or more
Not over \$1,000	2%	2%
Over \$1,000 But Not Over \$6,000	4%	4%
Over \$6,000	5%	5%
Corporate Income Tax Rates	5%	6.5%

Source: Alabama Department of Revenue

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Individual Income Tax Filers and Liability by Taxable Income

For Tax Year 2006

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Total Income (In Thousands)</u>	<u>Percentage of Total</u>	<u>Tax Liability (In Thousands)</u>	<u>Percentage of Total</u>
Less Than 10,000	372,455	22%	\$ 1,824,101	3%	\$ 22,525	2%
10,001- 20,000	326,257	20%	4,812,957	9%	107,094	7%
20,001- 40,000	408,237	24%	11,726,591	21%	273,349	18%
40,001- 60,000	216,114	13%	8,633,188	16%	230,940	15%
60,001- 80,000	130,007	8%	5,016,392	9%	192,987	13%
Over 80,000	211,074	13%	23,384,310	42%	680,800	45%
TOTAL	<u>1,664,144</u>	<u>100%</u>	<u>\$ 55,397,539</u>	<u>100%</u>	<u>\$ 1,507,695</u>	<u>100%</u>

Note: Due to legal confidentiality issues, the names of the ten largest individual income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2006 is the most recent data available.

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Corporate Income Tax Filers and Liability by Taxable Income

For Tax Year 2006

<u>Alabama Taxable Income</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Taxable Income (In Thousands)</u>	<u>Percentage of Total</u>	<u>Tax Liability (In Thousands)</u>
50,000 and lower	20,673	83%	\$110,469	1%	\$7,355
50,001 ~100,000	1,421	5%	99,716	1%	6,487
100,001 ~ 500,000	1,735	7%	397,866	5%	25,872
500,001 ~ 1,000,000	458	2%	328,316	4%	21,311
1,000,001 and higher	767	3%	7,229,243	89%	469,768
Total	<u>25,054</u>	<u>100%</u>	<u>\$8,165,610</u>	<u>100%</u>	<u>\$530,793</u>

Note: Due to legal confidentiality issues, the names of the ten largest corporate income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2006 is the most recent data available.



STATE OF ALABAMA

DEBT CAPACITY

Ratios of Outstanding Debt

Last Seven Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Primary Government					
Governmental Activities:					
General Obligation Bonds	\$ 721,145	\$ 773,253	\$ 516,973	\$ 507,503	\$ 445,211
Revenue Bonds	323,483	333,438	355,698	351,139	347,429
Capital Leases/Notes/Mortgages	41,934	42,352	25,643	32,100	38,370
Total Governmental Activities	<u>1,086,562</u>	<u>1,149,043</u>	<u>898,314</u>	<u>890,742</u>	<u>831,010</u>
Business-type Activities:					
Revenue Bonds	612,959	572,782	394,044	411,633	337,291
Capital Leases/Notes/Mortgages	16,224	20,877	39,228	33,986	17,918
Total Business-Type Activities	<u>629,183</u>	<u>593,659</u>	<u>433,272</u>	<u>445,619</u>	<u>355,209</u>
Total Primary Government	<u>\$ 1,715,745</u>	<u>\$ 1,742,702</u>	<u>\$ 1,331,586</u>	<u>\$ 1,336,361</u>	<u>\$ 1,186,219</u>
Debt as a percentage of Personal Income †	1.14%	1.16%	0.94%	1.00%	0.94%
Amount of Debt per Capita †	\$ 371	\$ 377	\$ 290	\$ 294	\$ 263

Notes: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.

Fiscal year 2008 personal income and population data are estimated.

All years presented with revised population and personal income data.

† See the Schedule of Demographic and Economic Statistics on page 293 for personal income and population data.

<u>2003</u>	<u>2002</u>
\$ 490,085	\$ 535,080
369,327	386,891
42,316	33,059
<u>901,728</u>	<u>955,030</u>
308,061	299,508
14,948	12,346
<u>323,009</u>	<u>311,854</u>
<u>\$ 1,224,737</u>	<u>\$ 1,266,884</u>

1.03% 1.11%

\$ 273 \$ 283

STATE OF ALABAMA

DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Seven Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Primary Government

Fiscal Year	General Obligation Bonds Payable	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2008	\$ 721,145	\$ 936,442	\$ -	\$ 1,657,587	1.11%	\$ 358
2007	773,253	906,220	-	1,679,473	1.12%	363
2006	516,973	749,742	-	1,266,715	0.89%	276
2005	507,503	762,772	-	1,270,275	0.95%	280
2004	445,211	684,720	-	1,129,931	0.89%	251
2003	490,085	677,388	-	1,167,473	0.99%	260
2002	535,079	686,398	-	1,221,477	1.07%	273

Component Units (Only includes issues that the State has pledged revenue for principal payment)

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2008	\$ 2,621,615	\$ 28,352	\$ 2,593,263	1.73%	\$ 560
2007	1,620,570	39,511	1,581,059	1.05%	342
2006	1,734,825	27,922	1,706,903	1.21%	372
2005	1,822,135	36,043	1,786,092	1.34%	393
2004	1,832,695	27,487	1,805,208	1.43%	400
2003	1,844,164	22,490	1,821,674	1.54%	406
2002	1,886,421	19,376	1,867,045	1.64%	418

Note: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.

† See the Schedule of Demographic and Economic Statistics on page 293 for personal income and population data.

Fiscal year 2008 personal income and population data are estimated.

All years presented with revised population and personal income data.

Debt Limitations

The *Constitution of Alabama of 1901* prohibits the issuance of debt by the State. The State does issue revenue bonds which are limited obligations of public corporations governed by state officials.



STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage

Last Five Fiscal Years

(Amounts in Thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Primary Government</u>					
Revenue Bonds-State Port Authority					
Revenue-Charges for facilities usage	125,070	109,735	88,155	87,022	77,871
Debt Service					
Principal	7,250	6,260	5,910	5,575	5,280
Interest	13,428	9,770	10,124	10,459	10,749
Coverage ¹	6.05	6.85	5.50	5.43	4.86
Revenue Bonds-Alabama College System					
Revenue-Tuition and Fees	186,429	184,664	137,133	185,013	101,333
Debt Service					
Principal	14,311	12,970	12,045	9,112	7,527
Interest	12,027	9,448	9,968	6,521	5,589
Coverage ¹	7.08	8.24	6.23	11.83	7.73
Revenue Bonds-Federal Highway Finance Authority					
Revenue-Federal Revenue	831,530	748,952	790,928	648,831	548,830
Debt Service					
Principal	11,920	11,415	10,910	10,430	9,970
Interest	7,136	7,669	8,123	8,550	8,983
Coverage ¹	43.64	39.25	41.56	34.18	28.96
<u>Component Units</u>					
Revenue Bonds-Alabama Incentives Financing Authority					
Revenue Bonds-Tennessee Valley Exhibit Authority					
Revenue-Tennessee Valley Electric Payment	19,313	18,328	18,592	17,462	16,169
Debt Service					
Principal	2,630	2,480	2,340	2,205	2,095
Interest	6,202	7,473	7,920	7,508	7,001
Coverage ¹	2.19	1.84	1.81	1.80	1.78
Revenue Bonds					
 Public School and College Authority (Excludes Pool Bonds)					
Revenue-General Sales Tax, Utility Tax, Use Tax	2,514,550	2,482,747	2,374,944	2,162,285	2,048,794
Debt Service					
Principal	68,625	66,235	89,695	55,735	53,245
Interest	66,585	46,030	49,115	51,450	54,010
Coverage ¹	18.60	22.12	17.11	20.17	19.10

	2008	2007	2006	2005	2004
Revenue Bonds-State Industrial Development Authority					
Revenue-Cigarette Tax	4,921	5,121	5,247	5,197	3,141
Debt Service					
Principal	3,315	3,115	3,050	3,050	3,050
Interest	343	508	647	776	927
Coverage ¹	1.35	1.41	1.42	1.36	0.79
Revenue Bonds-Mental Health Financing Authority					
Revenue-Cigarette Tax	6,562	6,828	6,996	6,929	4,188
Debt Service					
Principal	4,775	4,490	4,420	5,590	5,400
Interest	745	969	1,145	2,544	2,302
Coverage ¹	1.19	1.25	1.26	0.85	0.54
Revenue Bonds-Alabama Revolving Fund Authority					
Revenue-Mobile Telecommunications Tax	101,287	101,057	90,919	84,892	75,895
Debt Service					
Principal	440	405	370	345	315
Interest	780	815	847	876	903
Coverage ¹	83.02	82.83	74.71	69.53	62.31
Revenue Bonds-Alabama Twenty-first Century Authority					
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000
Debt Service					
Principal	5,360	5,100	4,855	4,660	4,490
Interest	7,241	7,513	7,773	8,022	8,262
Coverage ¹	1.03	1.03	1.03	1.03	1.02

Details regarding the state's outstanding bonds can be found in Note 4 of the financial statements.

¹ Coverage equals revenue divided by debt service.

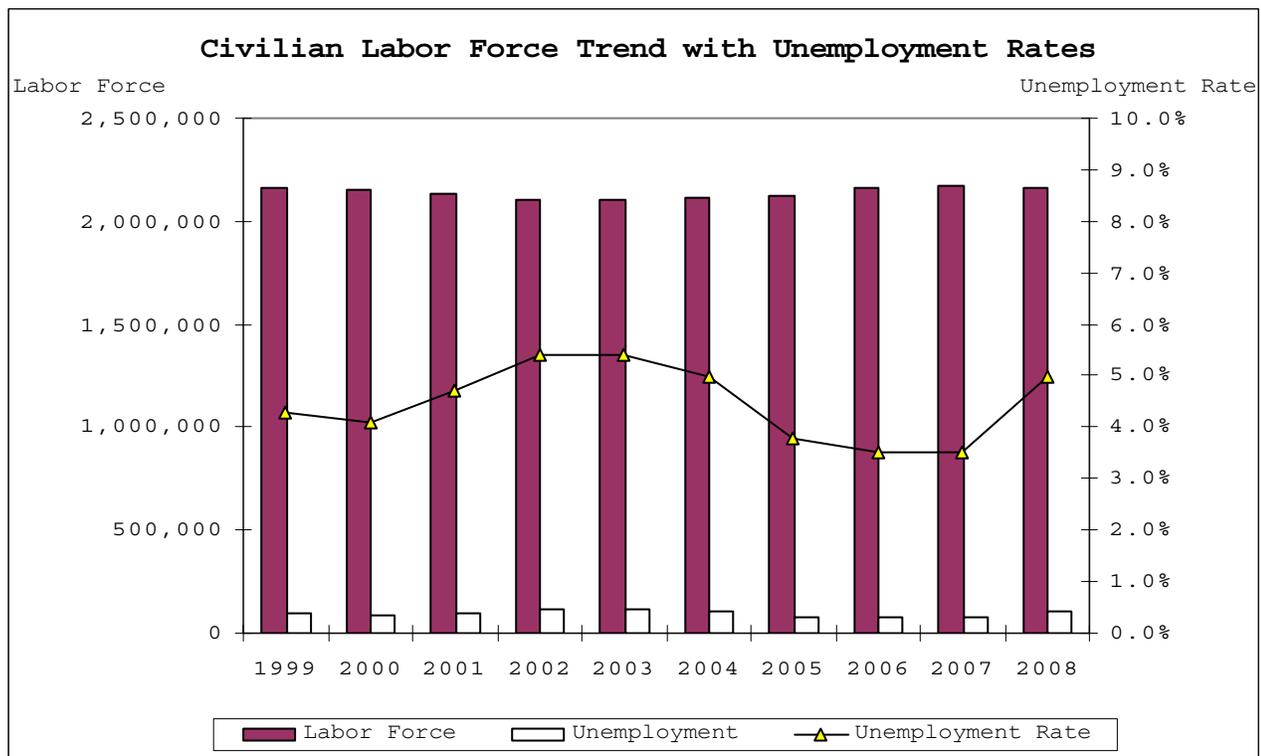
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1999	2,162,603	2,070,210	92,393	4.3%
2000	2,154,545	2,067,147	87,398	4.1%
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,107,858	1,994,748	113,110	5.4%
2003	2,104,209	1,989,784	114,425	5.4%
2004	2,113,781	2,007,153	106,628	5.0%
2005	2,124,149	2,042,925	81,224	3.8%
2006	2,166,071	2,090,387	75,684	3.5%
2007	2,175,716	2,099,615	76,101	3.5%
2008	2,162,479	2,053,502	108,977	5.0%



Note: Data were not seasonally adjusted.

2004-2008 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.

Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

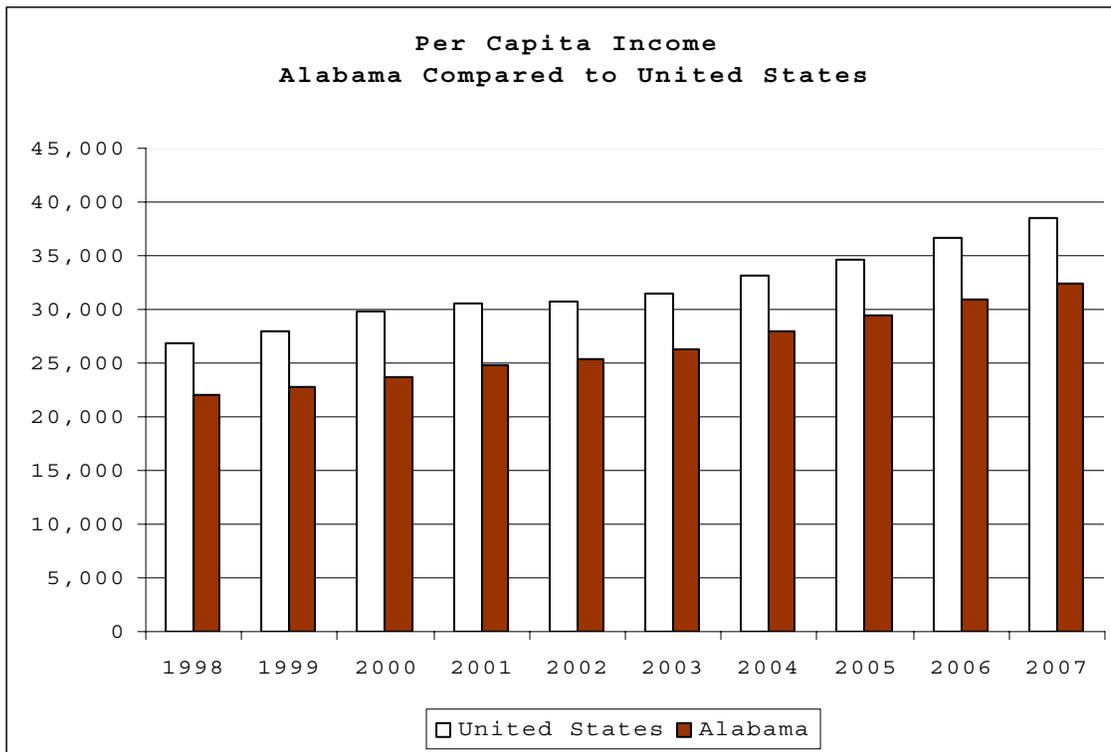
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population/Per Capita Personal Income Statistics

Last Ten Years

Year	Population		Per Capita Personal Income		Personal income (in Thousands)	
	United States	Alabama	United States	Alabama	United States	Alabama
1998	275,854,104	4,404,701	26,883	22,025	7,415,709,000	97,011,788
1999	279,040,168	4,430,141	27,939	22,722	7,796,137,000	100,662,426
2000	282,194,308	4,451,887	29,845	23,767	8,422,074,000	105,806,693
2001	285,112,030	4,463,224	30,574	24,740	8,716,992,000	110,420,937
2002	287,888,021	4,471,006	30,821	25,461	8,872,871,000	113,835,223
2003	290,447,644	4,488,071	31,504	26,371	9,150,320,000	118,356,255
2004	293,191,511	4,508,540	33,123	28,007	9,711,363,000	126,269,746
2005	295,895,897	4,539,611	34,650	29,460	10,252,849,000	133,738,631
2006	298,754,819	4,590,240	36,744	30,857	10,977,312,000	141,640,578
2007	301,621,157	4,627,851	38,564	32,401	11,631,571,000	149,948,709



Note: Year 2007 is the most recent year for which data are available.

Each year's data is updated by the U.S. Department of Commerce.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers In Alabama

Last Ten Years

Employer	2008			2007		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.80%	30,000-39,999	1	1.79%
ARMY	20,000-29,999	2	1.28%	20,000-29,999	2	1.28%
MOBILE EDUCATION BOARD	10,000-19,999	3	0.77%	10,000-19,999	4	0.77%
UNIV OF AL IN BHAM	5,000-9,999	6	0.39%	5,000-9,999	6	0.38%
ALABAMA POWER CO ELECTRIC	5,000-9,999	7	0.39%	5,000-9,999	9	0.38%
UNIV OF AL IN BHAM MEDICAL CENTER	5,000-9,999	9	0.39%	5,000-9,999	8	0.38%
U S POSTAL SERVICE	5,000-9,999	4	0.39%	10,000-19,999	3	0.77%
GOLD KIST INC	-	-	-	-	-	-
WINN DIXIE MONTGOMERY	-	-	-	5,000-9,999	10	0.38%
REGIONS BANK	5,000-9,999	5	0.39%	5,000-9,999	5	0.38%
PILGRIMS PRIDE CORPORATION	5,000-9,999	8	0.39%	5,000-9,999	7	0.38%
BELLSOUTH TELECOMMUNICATIONS	-	-	-	-	-	-
HUNTSVILLE HOSPITAL	5,000-9,999	10	0.39%	-	-	-
	95,000-159,990		6.58%	100,000-169,990		6.89%

Employer	2006			2005		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.82%	30,000-39,999	1	1.87%
ARMY	20,000-29,999	2	1.30%	20,000-29,999	2	1.33%
MOBILE EDUCATION BOARD	5,000-9,999	3	0.39%	5,000-9,999	3	0.40%
UNIV OF AL IN BHAM	5,000-9,999	4	0.39%	5,000-9,999	4	0.40%
ALABAMA POWER CO ELECTRIC	5,000-9,999	5	0.39%	5,000-9,999	7	0.40%
UNIV OF AL IN BHAM MEDICAL CENTER	5,000-9,999	6	0.39%	5,000-9,999	8	0.40%
U S POSTAL SERVICE	5,000-9,999	7	0.39%	5,000-9,999	9	0.40%
GOLD KIST INC	5,000-9,999	8	0.39%	5,000-9,999	10	0.40%
WINN DIXIE MONTGOMERY	5,000-9,999	9	0.39%	5,000-9,999	6	0.40%
REGIONS BANK	5,000-9,999	10	0.39%	-	-	-
BRUNOS SUPERMARKETS INC	-	-	-	5,000-9,999	5	0.40%
BELLSOUTH TELECOMMUNICATIONS	-	-	-	-	-	-
RUSSELL CORPORATION	-	-	-	-	-	-
	90,000-149,990		6.24%	90,000-149,990		6.40%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Industrial Relations - Labor Market Information Division

STATE OF ALABAMA

Employer	2004			2003			2002		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State	Range		Total State	Range		Total State
WAL MART ASSOCIATES INC	30,000-39,999	1	1.91%	30,000-39,999	1	1.92%	20,000-29,999	1	1.37%
ARMY	20,000-29,999	2	1.36%	15,000-19,999	2	0.96%	15,000-19,999	2	0.96%
MOBILE EDUCATION BOARD	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%	5,000-9,999	4	0.41%
UNIV OF AL IN BHAM	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%	5,000-9,999	6	0.41%
ALABAMA POWER CO									
ELECTRIC	5,000-9,999	6	0.41%	5,000-9,999	7	0.41%	5,000-9,999	9	0.41%
UNIV OF AL IN BHAM MED CTR	5,000-9,999	9	0.41%	5,000-9,999	10	0.41%	-	-	-
U S POSTAL SERVICE	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%
GOLD KIST INC	5,000-9,999	10	0.41%	-	-	-	5,000-9,999	10	0.41%
WINN DIXIE MONTGOMERY	5,000-9,999	7	0.41%	5,000-9,999	6	0.41%	5,000-9,999	5	0.41%
REGIONS BANK	-	-	-	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	4	0.41%	5,000-9,999	4	0.41%	5,000-9,999	3	0.41%
BELLSOUTH									
TELECOMMUNICATIONS	-	-	-	5,000-9,999	9	0.41%	5,000-9,999	7	0.41%
RUSSELL CORPORATION	-	-	-	-	-	-	-	-	-
	90,000-149,990		6.54%	85,000-139,990		6.18%	75,000-129,990		5.63%
Employer	2001			2000			1999		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State	Range		Total State	Range		Total State
WAL MART ASSOCIATES INC	20,000-29,999	1	1.34%	20,000-29,999	1	1.33%	20,000-29,999	1	1.34%
ARMY	15,000-19,999	2	0.94%	15,000-19,999	2	0.93%	15,000-19,999	2	0.94%
MOBILE EDUCATION BOARD	5,000-9,999	5	0.40%	5,000-9,999	4	0.40%	5,000-9,999	5	0.40%
UNIV OF AL IN BHAM	5,000-9,999	6	0.40%	5,000-9,999	6	0.40%	5,000-9,999	7	0.40%
ALABAMA POWER CO									
ELECTRIC	5,000-9,999	9	0.40%	5,000-9,999	9	0.40%	5,000-9,999	10	0.40%
UNIV OF AL IN BHAM MED CTR	-	-	-	-	-	-	-	-	-
U S POSTAL SERVICE	5,000-9,999	8	0.40%	5,000-9,999	7	0.40%	5,000-9,999	6	0.40%
GOLD KIST INC	-	-	-	-	-	-	-	-	-
WINN DIXIE MONTGOMERY	5,000-9,999	3	0.40%	10,000-14,999	3	0.67%	10,000-14,999	3	0.67%
REGIONS BANK	-	-	-	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	4	0.40%	5,000-9,999	5	0.40%	5,000-9,999	4	0.40%
BELLSOUTH									
TELECOMMUNICATIONS	5,000-9,999	7	0.40%	5,000-9,999	8	0.40%	5,000-9,999	9	0.40%
RUSSELL CORPORATION	5,000-9,999	10	0.40%	5,000-9,999	10	0.40%	5,000-9,999	8	0.40%
	75,000-129,990		5.51%	75,000-129,990		5.74%	75,000-129,990		5.78%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Industrial Relations - Labor Market Information Division

STATE OF ALABAMA

OPERATING INFORMATION

State Government Employment by Function

Last Seven Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Primary Government							
Governmental Activities:							
Economic Development and Regulation	881	882	836	824	835	893	899
Education and Cultural Resources	1,226	1,210	1,117	1,104	1,086	1,092	1,111
Natural Resources and Recreation	1,608	1,378	1,460	1,383	1,486	1,575	1,622
Health-Physical and Mental	5,644	5,493	5,167	4,890	4,818	5,081	4,931
Social Services	5,968	6,163	6,277	6,313	6,323	6,488	6,768
Protection of Person and Property	8,317	8,057	7,842	7,733	7,590	7,583	7,395
Transportation	5,368	5,263	5,169	5,138	5,013	4,981	4,688
General Government	4,731	4,458	4,173	4,124	4,166	4,482	4,495
Total Governmental Activities	33,743	32,904	32,041	31,509	31,317	32,175	31,909
Business-type Activities:							
Alcoholic Beverage Control Board	898	895	851	778	753	746	760
State Port Authority	200	184	165	150	142	119	119
Alabama College System	1,916	1,885	1,792	1,766	1,796	1,750	1,702
Total Business-Type Activities	3,014	2,964	2,808	2,694	2,691	2,615	2,581
Total Primary Government	36,757	35,868	34,849	34,203	34,008	34,790	34,490

Note: Includes State Merit System, House, Senate, and Administrative Office of the Courts.

Sources: Alabama Personnel Department

Alabama Commission on Higher Education

Alabama Administrative Office of the Courts

Alabama House of Representatives

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Three Fiscal Years

	2008	2007	2006
Economic Development and Regulation			
Forestry Commission			
Number of fires	2,450	4,591	4,932
Average acres burned	10	16	15
Agriculture and Industries			
Pounds of meat and poultry processed under inspection	105,603,617	88,835,448	88,823,389
Educational and Cultural Resources			
Education Department			
Teacher certificates issued	n/a	48,840	52,024
Number of local schools supported	1,550	n/a	n/a
Number of children served	744,000	n/a	n/a
Natural Resources and Recreation			
Conservation and Natural Resources			
Number of guests to outdoor recreational sites	3,082,009	3,031,646	2,961,506
Acres of land managed	197,451	10,946	8,298
Number of registered boats	273,406	273,987	243,483
Health - Physical and Mental			
Public Health			
Vital records issued	517,723	584,475	501,984
Medicaid			
Citizens enrolled monthly	765,616	732,970	n/a
Claims processed monthly	2,180,736	4,819,280	4,419,711
Social Services			
Industrial Relations			
Employment Security claims	285,075	237,697	237,389
Individuals registered with employment services	285,000	292,335	310,470
Human Resources			
Number of visits to licensed child care centers	4,060	3,650	2,946
Child support caseload	228,479	228,019	229,078
Households receiving food assistance	231,470	226,855	209,316
Number of child abuse/neglect assessments	29,301	28,566	27,216
Protection of Persons and Property			
Department of Corrections			
Number of inmates	25,303	27,062	24,159
Public Safety			
Arrest tickets issued	538,910	407,289	324,627
Accidents investigated	33,115	31,939	36,147
Pardons and Paroles			
Number of board hearings	12,158	11,546	13,375
Number of offenders supervised	66,196	58,862	49,269
Forensic Sciences			
Number of death cases investigated	4,098	3,607	3,756
Transportation			
Transportation Department			
Roadway miles	10,875	11,235	10,846
Bridges	5,362	5,683	5,328
General Government			
Administrative Office of Courts			
Caseload	2,589,796	2,353,372	2,041,982
Revenue Department			
Number of payments received	3,304,603	n/a	n/a

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Five Fiscal Years

(Amounts in Thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Economic Development and Regulation					
Forestry Commission					
Buildings	142	142	142	142	142
Vehicles	371	397	326	322	307
Heavy Equipment	671	690	682	741	715
Natural Resources and Recreation					
Conservation and Natural Resources					
Buildings	659	631	611	609	604
Vehicles	774	759	689	672	645
Heavy Equipment	207	211	212	210	213
Health - Physical and Mental					
Environmental Management					
Vehicles	178	189	196	192	172
Social Services					
Human Resources					
Buildings	31	30	30	30	30
Protection of Persons and Property					
Agriculture and Industries					
Vehicles	234	233	236	222	186
Corrections					
Buildings	362	362	362	362	345
Vehicles	446	448	404	332	332
Military					
Buildings	680	642	688	688	688
Public Safety					
Vehicles	1375	1,357	1,159	1,287	1,062
Youth Services					
Buildings	119	118	118	118	118
Vehicles	101	96	89	82	74
Pardons and Paroles					
Vehicles	305	262	252	248	211
Transportation					
Transportation					
Buildings	501	473	472	472	471
Vehicles	2343	2,379	2,356	2,389	2,241
Heavy Equipment	1146	1,127	1,130	1,184	1,138

Note: Agencies in the General Government, Educational and Cultural Resources, and Economic Development and Regulation functional areas are not capital asset intensive.