

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2004

Front cover: Desoto Falls, near Ft. Payne in northeast Alabama. At Desoto Falls, the West Fork of the Little River plummets into its own little canyon which it has carved with its erosive power over the millennia. Named after the Spanish explorer (who, according to legend, 'discovered' it during his explorations in the New World) the 104 foot DeSoto Falls greets its visitors with awesome beauty. Photo courtesy of Patty Tucker of the Dekalb County Tourist Association.

Back cover: Little River Canyon, sometimes called the Grand Canyon of the East, is incised into Lookout Mountain in northeast Alabama. A hike along the rim reveals drops of as much as 600 feet from the bluffs to the canyon floor. Alabama's Little River Canyon has one of eastern North America's deepest gorges: as much as 600 feet deep and three-quarters of a mile across. Photo courtesy of the Alabama Department of Conservation.

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STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2004

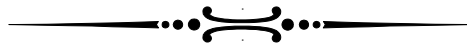


Bob Riley
Governor

Kay Ivey
State Treasurer

James Main
Director of Finance

Beth Chapman
State Auditor



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

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INTRODUCTORY SECTION



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DEPARTMENT OF FINANCE
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Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

March 31, 2005

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, 2004. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Report

The Comprehensive Annual Financial Report is divided into three sections:

- **The Introductory Section** contains this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the September 30, 2003 CAFR, a list of principal officials at September 30, 2004, and the State organization chart.
- **The Financial Section** includes the Independent Auditor's Report, management's discussion and analysis, basic financial statements including notes, required supplementary information, combining and individual fund financial statements, and supplemental statements and schedules.
- **The Statistical Section** includes selected financial and demographic information about the State, with an emphasis on multi-year trends.

Internal Controls

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

Audit

This CAFR has been audited by the Department of Examiners of Public Accounts. The Examiners conducted their audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The Examiners' unqualified opinion appears at the beginning of the financial section of this report. The State will also undergo an audit of federal programs to conform to the requirements of the *Federal 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 Examiners of Public Accounts.

Management's Discussion and Analysis

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

Profile of the Government

Reporting Entity

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

Budgetary Controls

Budgetary control is exercised through the Executive Budget Office of the State Finance Department 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 checking 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.

STATE OF ALABAMA

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Beginning Cash Balance, October 1	\$ 137,471	\$ 65,176	\$ 100,229	\$ 126,108	\$ 84,298
Receipts	1,297,452	1,313,934	1,144,313	1,163,254	1,132,078
Disbursements	<u>1,247,512</u>	<u>1,241,639</u>	<u>1,179,366</u>	<u>1,189,133</u>	<u>1,090,268</u>
Net Increase (Decrease) in Cash Balance	49,940	72,295	(35,053)	(25,879)	41,810
Ending Cash Balance, September 30	187,411	137,471	65,176	100,229	126,108
Cash Balance Reserved for Obligations	<u>30,704</u>	<u>33,216</u>	<u>35,133</u>	<u>38,637</u>	<u>65,662</u>
Unobligated Cash Balance, September 30	<u>\$ 156,707</u>	<u>\$ 104,255</u>	<u>\$ 30,043</u>	<u>\$ 61,592</u>	<u>\$ 60,446</u>

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Beginning Cash Balance, October 1	\$ 32,078	\$ 33,084	\$ 32,619	\$ 44,044	\$ 26,955
Receipts	4,456,027	4,249,955	4,133,349	4,014,710	4,114,374
Disbursements	<u>4,271,895</u>	<u>4,250,961</u>	<u>4,132,884</u>	<u>4,026,135</u>	<u>4,097,285</u>
Net Increase (Decrease) in Cash Balance	184,132	(1,006)	465	(11,425)	17,089
Ending Cash Balance, September 30	216,210	32,078	33,084	32,619	44,044
Cash Balance Reserved for Obligations	<u>26,304</u>	<u>24,578</u>	<u>28,890</u>	<u>26,818</u>	<u>30,367</u>
Unobligated Cash Balance, September 30	<u>\$ 189,906</u>	<u>\$ 7,500</u>	<u>\$ 4,194</u>	<u>\$ 5,801</u>	<u>\$ 13,677</u>

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund (ETF) for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year. The ETF fund balance increased substantially in 2001 because GASB Statement 33 required the accrual of taxes receivable. The drop in ETF fund balance in 2002 was the result of a drop in tax revenues combined with a delay in payment of corporate tax refunds in that year.

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Fund	\$ 236.7	\$ 163.0	\$ 152.0	\$ 112.0	\$ 87.9
Education Trust Fund	543.1	409.2	81.8	326.9	26.4

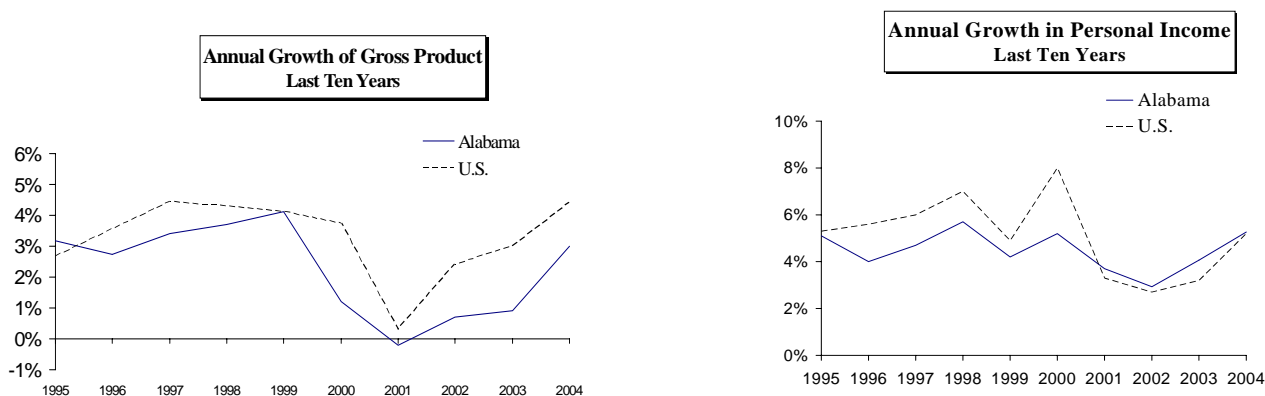
Economic Condition and Outlook

Alabama gross state product grew approximately 3 percent in 2004 with manufacturing and construction sectors growing faster than anticipated. The 6.3 percent increase from the State's construction sector was primarily due to new and expanding automotive plants and strong residential construction in the major metropolitan areas of Alabama. Manufacturing output rose 2.8 percent, mainly because of an almost 12 percent increase in motor vehicle manufacturing. Despite the output rebound, manufacturing continues to face challenges of excess capacity and intense competition from both domestic and international producers. Capacity utilization for the sector increased from 75 percent to about 78 percent.

Trade, both wholesale and retail, saw output expand by more than 4 percent in both 2003 and 2004, after two years of sluggish growth. Retailing is still tackling excess capacity and stiff competition in all categories. Discount stores continue to put pressure on profit margins and this can be worsened by higher energy prices, even though consumer spending is expected to remain strong. Services output grew 2.9 percent in 2004. The fastest growing segments of the sector included business and professional services, temporary employment services, administrative support, and healthcare-related services. Output of the finance, insurance, and real estate sector also remained strong, rising 5 percent.

From October 2003 to October 2004, there were 14,600 new jobs added. About 9,700 or 67 percent of those jobs were in metropolitan areas, with 4,900 in Mobile. Manufacturing gained 1,600 jobs state-wide during the period; nondurables lost 2,800 jobs while durables gained 4,400. Services providing businesses added 6,800 new jobs with two sectors, professional and business services and retail trade, adding 3,400 and 2,100, respectively. Professional, scientific, and technical services gained 2,700 of the 3,400 new professional and business services jobs. Educational services gained 200 jobs while healthcare-related facilities added 2,000 employees. The information sector, which includes telecommunications, lost 1,700 jobs. The financial activities sector lost 600 workers, mainly at real estate and insurance firms and related activities; banking shed 300 jobs. Alabama payroll employment mirrored that of the nation, except that the automotive sector has prevented even greater job losses in recent years. Most other manufacturing industries experienced net losses in payroll employment.

The Alabama economy is expected to grow at a slightly slower pace in 2005 than in 2004, but is expected to add more payroll. The current forecast is based on the assumption that the sharp increase in energy prices is only temporary and that crude oil prices will gradually fall to a \$35 to \$40 range by midyear. For 2005 total Alabama nonagricultural employment is expected to increase by 1.5 percent, an addition of more than 27,000 jobs. The automotive sector will be primarily responsible for a gain of over 6,000 manufacturing jobs, as motor vehicle manufacturing output is expected to jump 28 percent or more in 2005. However, it should be noted that structural changes in the state and national economies suggest a declining long term future trend for manufacturing employment. Job gains in Alabama's automotive sector cannot be expected to work against this trend for long.



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

Major Initiatives

Governor's Commission on Efficiency, Consolidation and Funding

The Governor signed an executive order on October 23, 2003, officially creating the Governor's Commission on Efficiency, Consolidation, and Funding, a panel designed to find ways for General Fund and other non-education agencies to cope with the on-going fiscal crisis in State government. The commission examined the general agencies and functions of State government, excluding education, with the charge of identifying the essential purposes of government, consolidating functions and agencies, ending duplication, streamlining processes, cutting costs and establishing fair and effective funding mechanisms for necessary services.

Task Force on Health Insurance Spending

The Governor appointed both business and employee leaders to the Task Force on Health Insurance Spending to address the rising cost of health insurance for state employees and education employees. As a result of the work of this task force, legislation was adopted which gives the State Employees' Insurance Board and the Public Education Employees' Health Insurance Board broader powers to control the rising cost of insurance benefits. The Public Education Employees' Health Insurance Board was also given authority to implement a flexible benefits plan for education employees that will enable both the employee and the State to save money.

Workforce Development

The Alabama Industrial Development Training Program ranks number one among workforce training programs in all 50 states, according to a recent survey of industrial site selection consultants. In December 2003 all State workforce development activities were consolidated under the Office of Workforce Development. In April 2004 the Governor announced the new Focused Industry Training Program. This program will provide training and job placement services at 34 sites across the State, concentrated in areas around Alabama's automotive manufacturing plants. This new initiative helps train adults for existing jobs that become vacant when workers leave them for employment in Alabama's growing automotive industry.

Operation Grateful Heart

Operation Grateful Heart is a new statewide initiative to show public appreciation and support for Alabama troops deployed overseas and their families back home, and to assist returning military personnel in their transition back to civilian life. The program is the first of its kind in the nation and is expected to be a model that other states will use in creating similar efforts. Returning troops and the families of deployed personnel will be able to receive assistance and answers to questions they may have about re-entry into the workforce, health benefits, and support organizations.

SMART Budgeting

SMART Budgeting is designed to improve Alabama government by requiring organizational planning, linking plans to budget requests and appropriations, and creating meaningful performance measurements. SMART Budgeting is Specific, Measurable, Accountable, Responsive, and Transparent. What this new approach will provide is strategic planning on the front end of the budget process and meaningful performance monitoring to complete the process on the back end. The result will be a comprehensive planning, budgeting, and performance monitoring process. The Governor will be requiring each agency to link its spending with measurable results that taxpayers will be able to see in annual reports that will be posted on the Internet.

Implementing SMART Budgeting will allow the State to create an open window on Alabama government, inviting the people of Alabama to see what is being accomplished with their tax dollars. With SMART Budgeting, State agencies will have to set specific performance goals, measure their success in meeting those goals, and report annually to the public on how their programs have or have not met performance expectations.

Medical Reforms

The federal government has approved a new and improved Patient First program to improve health care services for Medicaid patients and control Medicaid spending. A primary care physician who will manage care will be assigned to each eligible Medicaid recipient in addition to other new features of the program.

In May 2004 a law was enacted creating a statewide database that will help law enforcement identify people who obtain controlled substance prescription drugs like OxyContin illegally from several doctors at once. The new law contains several provisions to protect the privacy of the individual.

Homeland Security

By August 2004 more than 100 illegal immigrants had been arrested in Alabama since October 2003 under an agreement with the U.S. Department of Homeland Security that allows Alabama State Troopers to enforce federal immigration laws. Alabama is receiving a federal grant of almost \$1 million to enhance the State's homeland security efforts – the second largest grant being awarded in the nation.

Financial Information

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

Cash Management

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

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all available funds being invested. Interest earnings during the 2003-2004 fiscal year were as follows:

Time Deposit - Open Accounts - Regular	\$ 8.3 million
Repurchase Agreements	\$ 6.9 million
Other Investments	\$ 841 thousand

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

Debt Administration

Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service due in large part to the commitment to sound fiscal management. Currently, the exception is the upper medium bond ratings for the Tobacco Settlement Revenue Bonds issued by the Alabama Twenty-first Century Authority, a component unit of the State. Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Constitution prohibits the issuance of debt. Therefore, the only way to issue general obligation debt is by amending the Constitution through a statewide vote of the people.

The State does issue revenue bonds which are limited obligations of public corporations governed by state officials. Those revenue bonds are backed by a pledge of specific revenue sources for which the annual collections are generally predictable. The total outstanding general obligation bond indebtedness as of September 30, 2004, was \$445.2 million and the total outstanding revenue bond indebtedness for the primary government was \$684.7 million. The total outstanding revenue bond indebtedness for component units was \$5.2 billion. The total outstanding bond indebtedness for the reporting entity at September 30, 2004, was \$6.3 billion. The State's general obligation bond debt per capita decreased to \$98 during the year. The ratio of general obligation bond debt to assessed property valuation declined to 1.06 percent, and the ratio of general obligation debt to personal income decreased to 0.38 percent.

The State of Alabama issued no general obligation bonds in fiscal year 2004. The Alabama Public School and College Authority issued \$106,045,000 in new bonds. The Water Pollution Control Authority issued \$34,580,000 in refunding bonds. The refunding bonds were issued for the purpose of refunding the outstanding 1993 and 1994 bonds. The Alabama Drinking Water Authority issued \$38,915,000 in new bonds. The Housing Finance Authority issued \$103,094,000 in new bonds and called approximately \$194,215,000 of bonds in advance of their scheduled maturities. The University of Alabama in Birmingham issued \$71,670,000 in refunding bonds. The refunding bonds were used to refund all outstanding Series 1993 and 1993C bonds. The University of Alabama in Tuscaloosa issued \$277,980,000 in new bonds. The University of Alabama in Huntsville issued \$20,645,000 in new bonds. Auburn University issued \$104,785,000 in new bonds. The University of North Alabama issued \$11,940,000 in new bonds. The Alabama College System issued \$42,950,000 in new bonds. Troy State University issued \$13,355,000 in new bonds. Alabama State University issued \$24,425,000 in new bonds. The University of South Alabama issued \$54,715,000 in new bonds.

Pension Trust Funds

The State operates three major pension funds, the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the respective retirement systems' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the respective system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Percentages funded as of the latest actuarial valuation date, September 30, 2003, for ERS (State employees and State policemen) and JRF were 93.0 and 86.6 percent, respectively. The percentage funded for TRS as of June 30, 2003, was 93.6 percent.

Risk Management

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk control is managed by such means as encouraging that automatic sprinkler systems in insured properties are adequate and in full functioning order,

carefully investigating and defending claims to minimize loss potential, managing care programs, and promoting healthy employee programs. Risk financing includes self-insurance plus excess insurance and reinsurance through several different funds. The State Insurance Fund, which insures property against fire and casualty losses, has excess insurance and reinsurance to cover any additional damage amounts, plus earthquake and flood damage. The General Liability Trust Fund protects state employees against the risk of loss from employment-related liability claims. Automobile liability is fully reinsured. The State Employee Injury Compensation Trust Fund, which provides benefits to eligible state employees for job-incurred injuries, is self-insured. The State Employees' Insurance Fund, which provides health insurance benefits for current and retired state employees and their dependents, is self-insured. The Public Education Employees' Health Insurance Fund, which provides health benefits for current and retired employees and their dependents of state educational institutions, is also self-insured.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003. This was the sixth consecutive year that the government 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, 2003

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, 2004

EXECUTIVE BRANCH

Bob Riley
Governor

Lucy Baxley
Lt. Governor

Kay Ivey
State Treasurer

Nancy Worley
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Beth Chapman
State Auditor

JUDICIAL BRANCH

Drayton Nabers, Jr.
Chief Justice of
the Supreme Court

Justices of the Supreme Court

Jean Williams Brown

Robert Bernard Harwood, Jr.

J. Gorman Houston, Jr.

Douglas Inge Johnstone

Champ Lyons, Jr.

Harold F. See

Lyn Stuart

Thomas A. Woodall

LEGISLATIVE BRANCH

Lowell Ray Barron
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

James Allen Main
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

Anthony Humphries
State Banking Department

Barnett Lawley
Department of Conservation
and Natural Resources

Col. Mike Coppage
Department of Public Safety

James K. Lyons
Alabama State Port Authority

William C. Segrest
Board of Pardons and Paroles

John Harrison
ADECA

Maj. Gen. Mark Bowen
State Military Department

Dr. Page Walley
Department of Human Resources

Jim Bennett
Department of Labor

Kathy E. Sawyer
Department of Mental Health
and Mental Retardation

Lee Sentell
Bureau of Tourism and Travel

Linda Hampton
Department of Children's Affairs

Donal Campbell
Department of Corrections

Bruce Baughman
Emergency Management Agency

Joe McInnes
Department of Transportation

Phyllis Kennedy
Department of Industrial
Relations

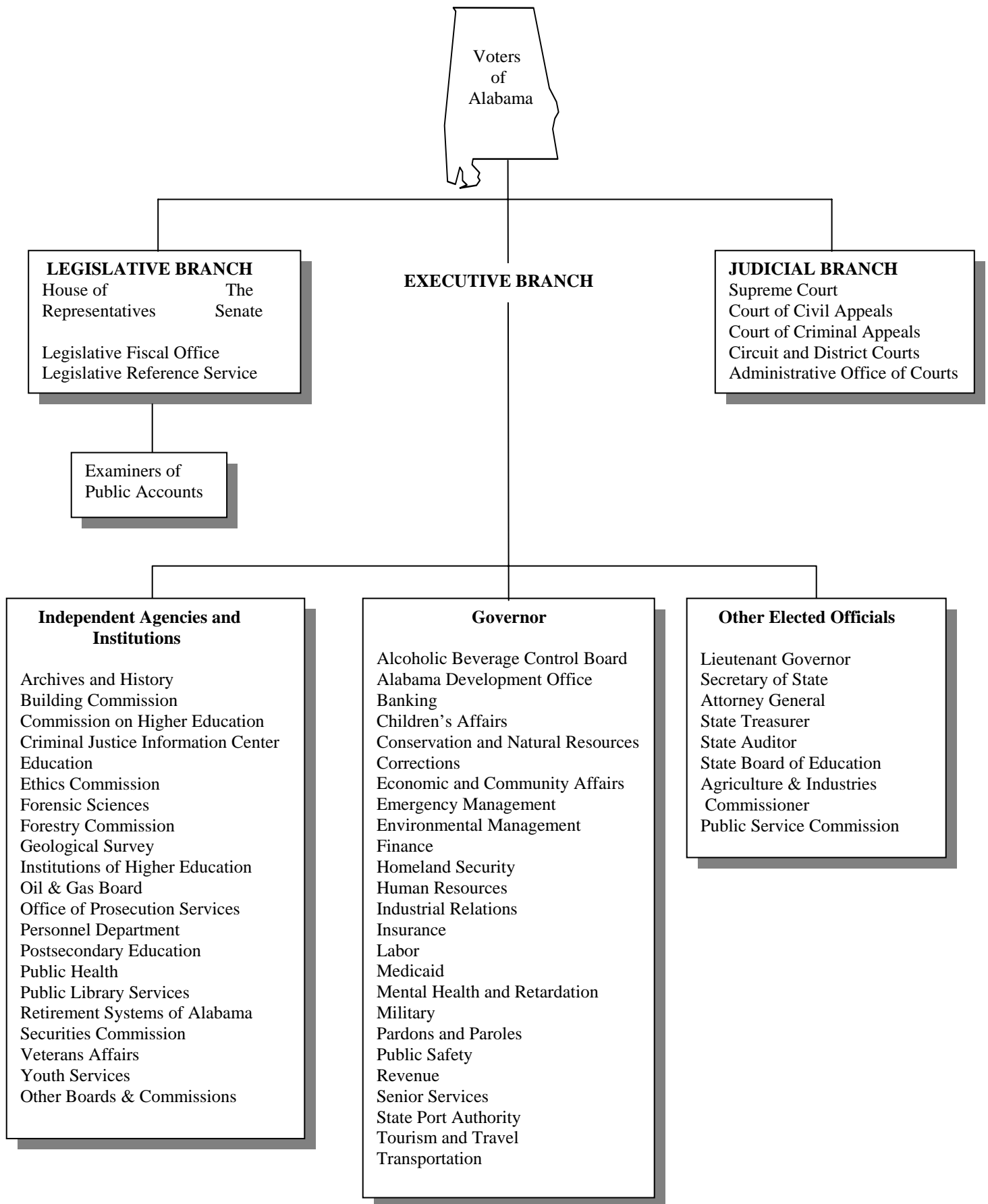
Carol Herrmann
Alabama Medicaid Agency

Tom Surtees
Department of Revenue

Walter A. Bell
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART







State of Alabama
Department of
Examiners of Public Accounts

Ronald L. Jones
Chief Examiner

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2004, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: State Employees' Insurance Fund Alabama Educational Television Foundation Authority Board of Dental Examiners	0.37%	2%
Business-Type Activities: Public Education Employees' Health Insurance Fund Local Government Health Insurance Program Alabama Health Insurance Plan Alabama State Port Authority	30%	44%
Aggregate Discretely Presented Component Units: Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	85%	3%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Proprietary/Enterprise Fund: Public Education Employees' Health Insurance Fund	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Prepaid Affordable College Tuition Program State Employees' Insurance Fund Alabama Educational Television Foundation Authority Board of Dental Examiners Local Government Health Insurance Program Alabama Health Insurance Plan	92%	56%

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

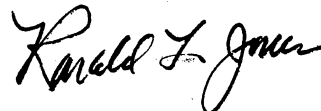
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2004, 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, 2005, 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 read in conjunction with this report in considering the results of our audit.

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

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



RONALD L. JONES
Chief Examiner of Public Accounts

March 31, 2005



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, 2004. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net assets increased by \$1.0 billion during fiscal year 2004. The assets of the State exceeded its liabilities at the close of the fiscal year by \$20.8 billion (*net assets*). Of this amount, \$15.7 billion was invested in capital assets (net of related debt), \$2.3 billion was in the Alabama Trust Fund, and another \$2.4 billion was restricted for various purposes. The remaining \$433 million in net assets was unrestricted.
- The Change in Net Assets in governmental activities was a positive \$968 million. However, \$492 million of this can be attributed to the capitalization of infrastructure and construction in progress. An additional \$403 million can be attributed to an increase in cash and investments.
- The business-type activities reported net assets at year-end of \$1.0 billion, an increase of \$45 million for the fiscal year.
- The State's total bonded debt at the end of the fiscal year was \$1.130 billion, a decrease of \$38 million, which represents the net difference between new issuances and payments and refundings of outstanding debt. During the year the State issued \$43 million in new revenue bonds. There were no new general obligation bonds during fiscal year 2004, and the payments on general obligation bonds totaled \$48 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$4.8 billion. Approximately \$2.1 billion of this amount is unreserved fund balance.
- On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$54 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$56 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health- physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and services for shippers at the Port of Mobile.

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

Fund Financial Statements

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

Governmental funds

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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 \$20.8 billion as of September 30, 2004.

The largest component (75%) 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.

Over 90 percent of the State's net assets that are unrelated to capital assets are restricted and represent resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance of \$433 million is unrestricted net assets and may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. Internally imposed designations of resources are not presented as restricted net assets.

At the end of fiscal year 2004, the State was able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The prior year has been restated.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 6,331,529	\$ 5,686,236	\$ 872,791	\$ 800,941	\$ 7,204,320	\$ 6,487,177
Capital Assets	15,753,417	15,236,404	770,190	739,368	16,523,607	15,975,772
Total Assets	22,084,946	20,922,640	1,642,981	1,540,309	23,727,927	22,462,949
Long-term Liabilities	1,014,792	1,102,265	354,351	331,013	1,369,143	1,433,278
Other Liabilities	1,272,145	990,487	270,335	235,844	1,542,480	1,226,331
Total Liabilities	2,286,937	2,092,752	624,686	566,857	2,911,623	2,659,609
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	15,193,372	14,721,726	459,269	425,588	15,652,641	15,147,314
Restricted	4,379,063	3,869,559	351,847	365,594	4,730,910	4,235,153
Unrestricted	225,574	238,603	207,179	182,270	432,753	420,873
Total Net Assets	\$ 19,798,009	\$ 18,829,888	\$ 1,018,295	\$ 973,452	\$ 20,816,304	\$ 19,803,340

STATE OF ALABAMA

The following table was derived from the government-wide Statement of Activities. As a result of the excess of revenues over expenses, the State's net assets increased by \$1.013 billion during fiscal year 2004. \$553 million of this increase was the result of increases in the amount of capital assets reported, of which \$492 million of the increase came from infrastructure alone. Cash and investments increased by \$403 million. Taxes provided \$5.824 billion, or approximately 36 percent, of the State's total revenue. Education and Cultural Resources made up \$4.722 billion, or 31 percent, of the State's expenses. \$4.296 billion, or 28 percent, was spent on Health-Physical and Mental; over \$3.615 billion was spent on Medicaid programs.

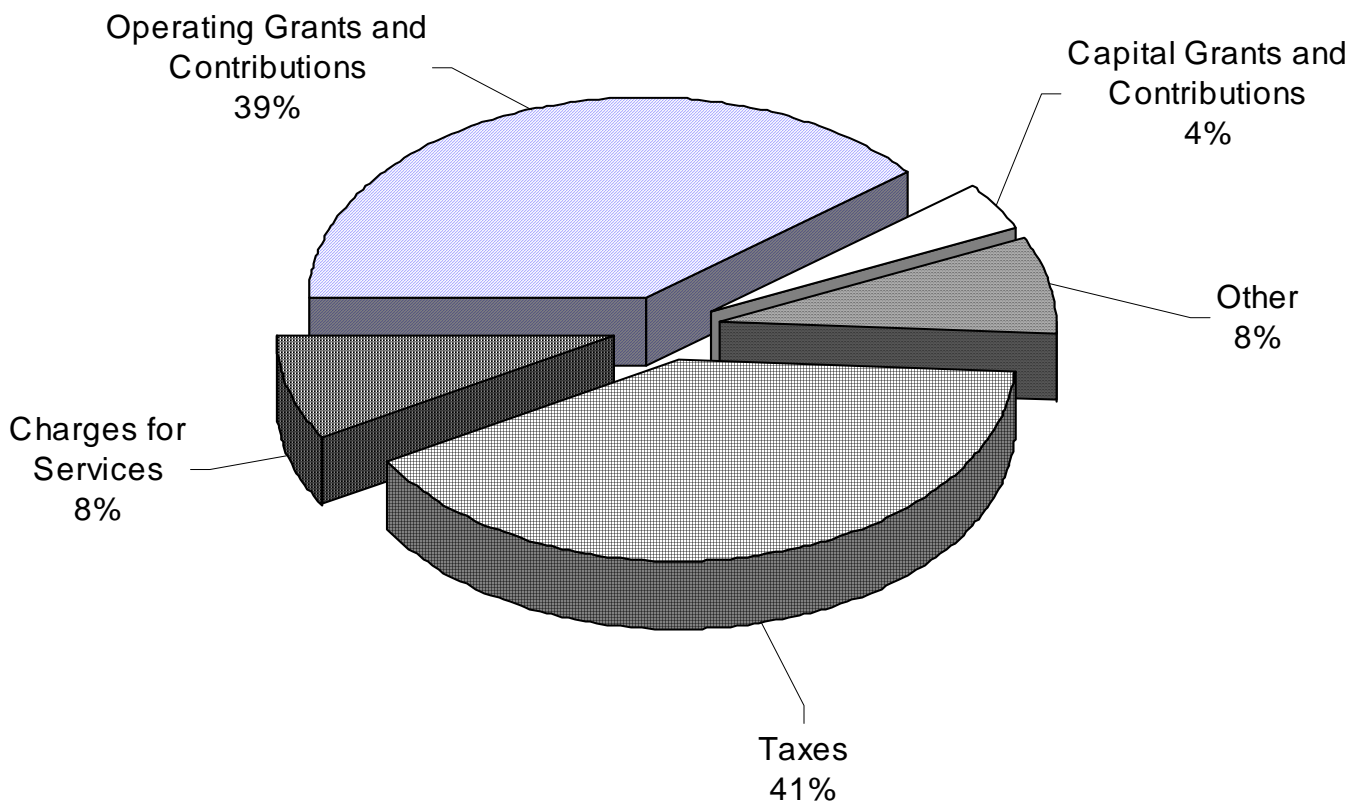
Changes in Net Assets
For the Fiscal Year Ended September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,157,709	\$ 1,214,137	\$ 1,553,937	\$ 1,389,355	\$ 2,711,646	\$ 2,603,492
Operating Grants and Contributions	5,584,314	5,427,425	297,858	324,201	5,882,172	5,751,626
Capital Grants and Contributions	565,871	593,673	6,479	21,121	572,350	614,794
General Revenues:						
Taxes	5,824,681	5,748,605	8,492	7,790	5,833,173	5,756,395
Grants and Contributions Not Restricted to Specific Programs	75,741	84,231	-	1,806	75,741	86,037
Investment Earnings	173,657	210,143	22,658	29,605	196,315	239,748
Miscellaneous	859,684	859,220	2,765	2,026	862,449	861,246
Total Revenues	<u>14,241,657</u>	<u>14,137,434</u>	<u>1,892,189</u>	<u>1,775,904</u>	<u>16,133,846</u>	<u>15,913,338</u>
Expenses:						
Economic Development and Regulation	59,894	63,623			59,894	63,623
Education and Cultural Resources	4,721,672	4,644,971			4,721,672	4,644,971
Natural Resources and Recreation	93,772	100,644			93,772	100,644
Health- Physical and Mental	4,296,424	4,226,858			4,296,424	4,226,858
Social Services	1,496,160	1,511,438			1,496,160	1,511,438
Protection of Persons and Property	746,763	692,104			746,763	692,104
Transportation	631,826	568,667			631,826	568,667
General Government	545,314	611,938			545,314	611,938
Distributions to Local Governments	410,514	367,461			410,514	367,461
Debt Service - Interest and Other Charges	42,083	43,493			42,083	43,493
Unemployment Compensation			308,281	410,384	308,281	410,384
State Port Authority			74,679	74,894	74,679	74,894
Alabama College System			627,732	593,278	627,732	593,278
Alcoholic Beverage Control Board			184,391	177,003	184,391	177,003
Public Education Employees' Health Insurance			736,669	667,564	736,669	667,564
Nonmajor Proprietary Funds			144,714	127,559	144,714	127,559
Total Expenses	<u>13,044,422</u>	<u>12,831,197</u>	<u>2,076,466</u>	<u>2,050,682</u>	<u>15,120,888</u>	<u>14,881,879</u>
Increase (Decrease) in Net Assets Before Contributions and Transfers	1,197,235	1,306,237	(184,277)	(274,778)	1,012,958	1,031,459
Contributions to Permanent Funds & Endowments	-	204	6	207	6	411
Transfers	(229,114)	(226,788)	229,114	226,788	-	-
Change in Net Assets	968,121	1,079,653	44,843	(47,783)	1,012,964	1,031,870
Net Assets- Beginning	<u>18,829,888</u>	<u>17,750,235</u>	<u>973,452</u>	<u>1,021,235</u>	<u>19,803,340</u>	<u>18,771,470</u>
Net Assets- Ending	<u>\$ 19,798,009</u>	<u>\$ 18,829,888</u>	<u>\$ 1,018,295</u>	<u>\$ 973,452</u>	<u>\$ 20,816,304</u>	<u>\$ 19,803,340</u>

Governmental Activities

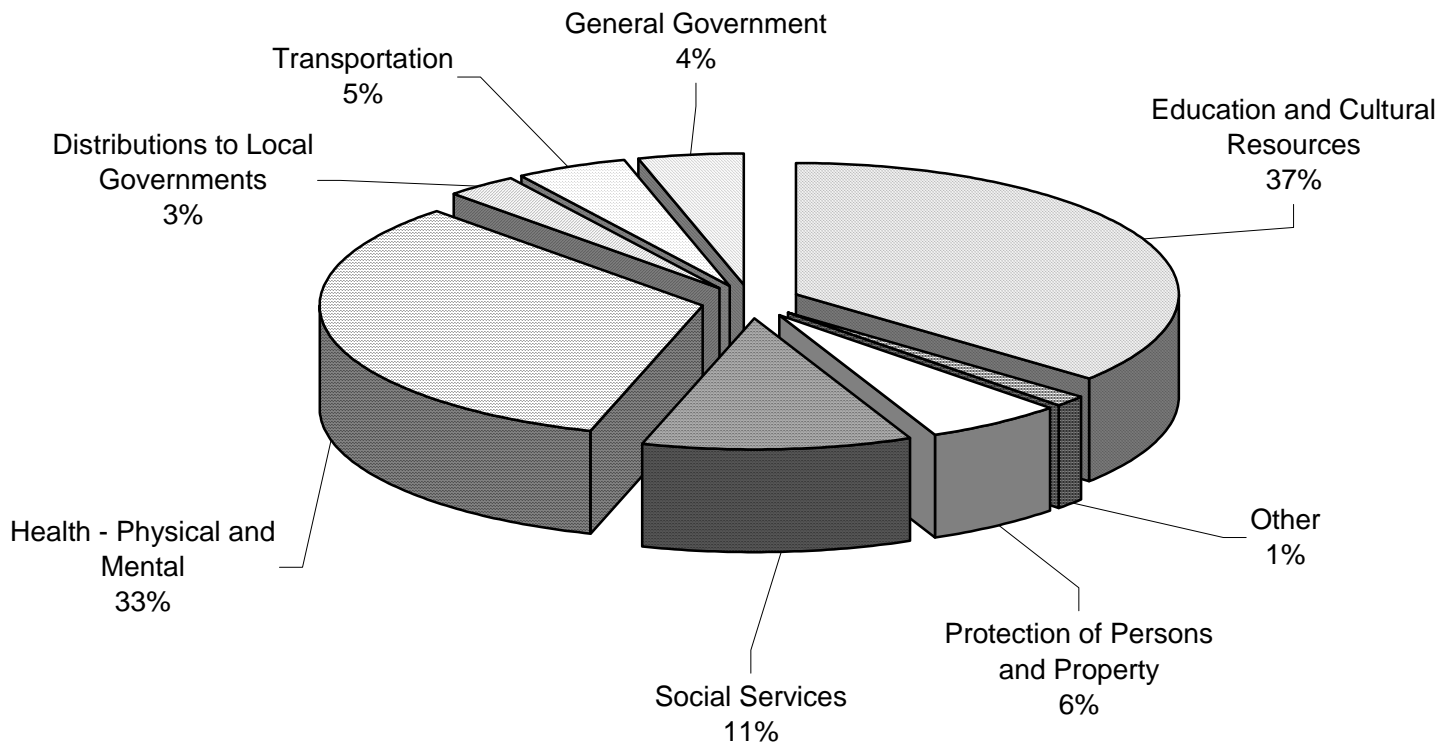
Revenue from all tax types represents 41 percent of total governmental revenues earned during fiscal year 2004. Total revenues for the governmental activities in fiscal year 2004 were \$14.2 billion. General revenues of the governmental activities were \$6.9 billion, of which the largest components are income taxes of \$2.5 billion and sales and use taxes of \$1.8 billion. Operating grants and contributions make up 39 percent of total governmental revenues. Nearly all of the operating grants and contributions were received from the Federal government.

Revenues - Governmental Activities Fiscal Year Ended September 30, 2004



The two largest activities (1) Education and Cultural Resources and (2) Health- Physical and Mental together accounted for 70 percent of the governmental activities expenses for fiscal year 2004. Social Services accounted for 11 percent of the governmental activities expenses.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2004



Business-type Activities

Net assets of the business-type activities increased by \$45 million during fiscal year 2004. Revenues of business-type activities totaled \$1.9 billion. These activities generated program revenues of \$1.858 billion and general revenues of \$34 million. The program revenues consisted of \$1.55 billion of charges for services, \$298 million of operating grants and contributions, and \$6 million of capital grants and contributions. The total expenses for business-type activities were \$2.076 billion. The largest business-type activities involved the Public Education Employees' Health Insurance Plan, Alabama College System, and Unemployment Compensation services. The net assets of the Alabama College System increased by \$46 million, the net assets of the Unemployment Compensation Trust increased by \$3 million, and the Public Education Employees' Health Insurance Plan decreased by \$18 million.

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of fiscal year 2004, the governmental funds reported combined ending fund balances of \$4.78 billion. Of this total amount, \$2.67 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest total reserved amount of \$2.46 billion is for the Alabama Trust Fund which is a special revenue fund. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of an amendment to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. A portion of the reserved balance of the Alabama Trust Fund is \$104 million, and it is legally reserved as an Education Rainy Day Account for the Education Trust Fund. \$390 million of the Governmental Funds have been designated for various capital projects and debt service, leaving \$1.7 billion as unreserved and undesignated.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$233 million, and reserved fund balance was \$4 million. Total fund balance increased by \$56 million during the fiscal year. Tax revenue was up by \$56 million. Expenditures increased overall by \$5 million. Protection of Persons and Property increased \$31 million which was mainly for the Department of Corrections. These funds are needed because of the overcrowded prison system. Health – Physical and Mental increased \$25 million mainly because the fiscal year 2004 budget for the Medicaid Agency was \$38 million more than fiscal year 2003. These funds were needed because of rising healthcare costs. Cash and cash equivalents increased by \$54 million because revenue was greater than anticipated when the budget was passed.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, various scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues for fiscal year 2004 were up approximately \$14 million as compared to fiscal year 2003 and the expenditures decreased by \$12 million. However, transfers out increased by \$50 million because of \$36 million paid back to the Alabama Trust Fund for the Education Rainy Day Account and \$6 million paid to the Department of Finance for information services. The transfers in decreased by \$179 million because funds were received in the previous fiscal year from the Education Rainy Day Account. The fund balance increased by approximately \$135 million because tax revenue was higher than anticipated when the budget was passed.

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. During the 2004 fiscal year, the Alabama Trust Fund's total fund balance increased by \$194 million. Investment income and other revenues were \$89 million less than the previous year. The investment income didn't increase as much in fiscal year 2004 as in 2003 because of a smaller increase in fair market value. Other revenues, which consist mainly of natural gas royalties, decreased because of the fluctuation in the price of natural gas, compensatory damages from lawsuit settlements, and production variances.

Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Total fund balance for Medicaid increased by \$5 million as compared to an increase in fiscal year 2003 of \$14 million. Although revenue did increase, expenditures increased by \$34 million and transfers out increased by \$35 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Revenues and expenditures increased in fiscal year 2004 as compared to fiscal year 2003. The expenditures for fiscal year 2004 increased primarily because of better weather conditions than 2003. Federal grants and reimbursements were lower because of a decrease in construction programs that are federally-funded. The fund balance increased by \$3 million to a total fund balance of \$508 million. \$42 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$16 million is in inventory of materials on hand, and \$40 million is reserved by statute for replacement of equipment. The remaining \$410 million is unreserved and will be used for the general purposes of the fund in the future.

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. The Public Welfare Trust Fund total fund balance decreased by \$1 million in fiscal year 2004. That amount is less than one percent of the fund revenues and fund expenditures for the year and thus is within the range of normal annual fluctuation for 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. Total net assets for all enterprise funds increased by \$45 million in fiscal year 2004. The net assets of the Unemployment Compensation Trust Fund increased by \$3 million in fiscal year 2004 as compared to a decrease of \$72 million in fiscal year 2003. The expenses decreased by \$100 million because of a decrease in the unemployment rate. The State Port Authority's increase in net assets for fiscal year 2004 was \$7 million. Revenues increased by approximately 17% from \$67 million to \$78 million resulting from a number of factors. The increased demand for coal, particularly import coal used by the utility companies served by the Authority, was a significant factor in the revenue increase. The Alabama College System's net assets increased \$46 million as compared to \$52 million in fiscal year 2003. The Alcoholic Beverage Control Board's net assets increased by \$3 million in fiscal year 2004 resulting in an ending balance of \$439 thousand. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will always remain very low. The Public Education Employees' Health Insurance Plan net assets decreased by \$18 million because of an increase in claims expense as a result of rising healthcare costs.

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by approximately \$54 million during fiscal year 2004. \$51 million of this increase was recorded as expenditures and \$3 million as Transfers Out, and the increases are included in the final budget on the Budgetary Comparison Schedule. Supplemental appropriations were approximately \$40 million. Conditional and other appropriations were approximately \$27 million. Conditional appropriations were mentioned in the original General Fund appropriation bill, but none of the agencies included conditional amounts in their original budgets. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations cannot exceed two percent of the total amount appropriated. There were approximately \$9 million of emergency appropriations in fiscal year 2004. The Medicaid Agency, Department of Corrections, and Administrative Office of Courts budgets increased by approximately \$40 million, \$16 million, and \$6 million, respectively. There was a positive variance of \$23 million in tax revenue because revenue was greater than anticipated. On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$54 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$56 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 2004, the State had invested \$16.5 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$103.7 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Capital Assets Not Being Depreciated:						
Land	\$ 141,462	\$ 121,782	\$ 50,740	\$ 50,893	\$ 192,202	\$ 172,675
Construction In Progress	30,952	16,367	46,835	25,301	77,787	41,668
Historical Exhibits	2,657	2,657	2,350	2,350	5,007	5,007
Construction In Progress - Infrastructure	3,414,240	3,569,819	-	-	3,414,240	3,569,819
Infrastructure	11,444,614	10,797,362	-	-	11,444,614	10,797,362
Total Capital Assets Not Being Depreciated	15,033,925	14,507,987	99,925	78,544	15,133,850	14,586,531
Capital Assets Being Depreciated:						
Buildings	964,938	954,263	885,655	855,455	1,850,593	1,809,718
Machinery & Equipment	497,127	484,169	335,682	319,505	832,809	803,674
Total Capital Assets Being Depreciated	1,462,065	1,438,432	1,221,337	1,174,960	2,683,402	2,613,392
Less Accumulated Depreciation	742,573	710,015	551,072	514,136	1,293,645	1,224,151
Total Capital Assets Being Depreciated, Net	719,492	728,417	670,265	660,824	1,389,757	1,389,241
Capital Assets, Net	\$ 15,753,417	\$ 15,236,404	\$ 770,190	\$ 739,368	\$ 16,523,607	\$ 15,975,772

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

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

Roadway assets accounted for under the modified approach included approximately 10,846 miles of State maintained highways. The State maintains an asset management system to measure and monitor the condition of those highways. The State expects to maintain the roads at a rating within the range of 55-70, which is considered "satisfactory," meaning that only routine patching and sealing maintenance is required. The measured average rating of the roadways in the most recent condition assessment actually exceeded the State's goal, with a weighted average rating of 76.48.

The State maintains 5,652 bridges and culverts. 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 6.79, in the upper end of the satisfactory range.

In fiscal years 2004, 2003 and 2002, the State estimated it would need to spend \$205 million, in each of these fiscal years, to preserve and maintain all roadway and bridge assets at or above the "Established Condition Levels" presented above. In fiscal years 2004, 2003 and 2002, the State spent \$162,823,215, \$124,388,121 and \$186,391,931, respectively, for maintenance and preservation of the roadway

STATE OF ALABAMA

and bridge assets. Even though actual spending on maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the “Established Condition Levels,” as supported by the most recent condition assessment.

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

Long-term Debt

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 445,211	\$ 490,085	\$ -	\$ -	\$ 445,211	\$ 490,085
Revenue Bonds	347,429	369,327	337,291	308,061	684,720	677,388
Total	<u>\$ 792,640</u>	<u>\$ 859,412</u>	<u>\$ 337,291</u>	<u>\$ 308,061</u>	<u>\$ 1,129,931</u>	<u>\$ 1,167,473</u>

The Alabama College System issued new revenue bonds in the amount of \$43 million. More detailed information regarding the State’s long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The fiscal year 2005 budget has certain appropriation increases for the General Fund and Education Trust Fund, which amount to approximately \$180 million and \$316 million, respectively. The increases for the General Fund were spread among various agencies. The Department of Corrections budget increased by \$40 million and the Medicaid Agency budget increased by \$44 million. \$200 million of the Education Trust Fund was an increase for K-12 Local Boards of Education. The Legislature is currently in session. The Governor has proposed increases for fiscal year 2006 for the General Fund and the Education Trust Fund in the amounts of \$3 million and \$580 million, respectively. The General Fund budget presented by the Governor increases funding for Medicaid and increases funds to add 100 new State Troopers to improve highway safety. The Education Trust Fund budget presented by the Governor increases the K-12 Local Boards’ budgets by \$292 million and includes a repayment to the Alabama Trust Fund for the Rainy Day Account in the amount of \$108 million. Real gross state product for Alabama is expected to grow by approximately 3 percent in 2005 and in 2006. Personal income is expected to increase by approximately 5 percent in 2005 and in 2006.

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, 2004

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 2,334,601	\$ 536,314	\$ 2,870,915	\$ 907,170
Investments	2,611,920	181,953	2,793,873	4,538,432
Accounts Receivable	64,773	63,468	128,241	392,856
Internal Balances	14,192	(14,192)	-	-
Due from Primary Government	-	-	-	49,334
Due from Component Units	52,162	52	52,214	-
Due from Other Governments	386,635	194	386,829	676,384
Taxes Receivable	659,986	-	659,986	90,472
Interest and Dividends Receivable	24,667	4,633	29,300	15,144
Mortgages, Notes, and Loans Receivable	35	-	35	545,083
Securities Lending Collateral	152,522	-	152,522	4,396
Inventory	23,084	42,452	65,536	27,671
Other Assets	5,639	16,091	21,730	128,453
Restricted Assets	1,313	41,826	43,139	12,108
Capital Assets, Net of Accumulated Depreciation	719,492	670,265	1,389,757	2,470,566
Capital Assets Not Depreciated	15,033,925	99,925	15,133,850	759,720
TOTAL ASSETS	22,084,946	1,642,981	23,727,927	10,617,789
LIABILITIES				
Warrants Payable	47,312	10,881	58,193	11,634
Accounts Payable	457,043	48,962	506,005	389,527
Salaries Payable	94,500	4,344	98,844	14,481
Interest Payable	7,258	-	7,258	55,625
Due to Primary Government	-	-	-	52,214
Due to Component Units	44,932	4,402	49,334	-
Due to Other Governments	185,197	2,158	187,355	119,801
Claims Payable	76,509	105,283	181,792	1,643
Securities Lending Obligation	152,522	-	152,522	4,396
Deferred Revenue	65,140	57,296	122,436	379,952
Amounts Held in Custody for Others	49,268	14,623	63,891	186,274
Noncurrent Liabilities:				
Due Within One Year	92,464	22,386	114,850	347,505
Due In More Than One Year	1,014,792	354,351	1,369,143	5,045,101
TOTAL LIABILITIES	2,286,937	624,686	2,911,623	6,608,153
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	15,193,372	459,269	15,652,641	1,832,853
Restricted for:				
Permanent Trust - Expendable	-	38,231	38,231	828,586
Permanent Trust - Non-expendable	64,920	5,665	70,585	639,795
Unemployment Compensation	-	287,239	287,239	-
Forever Wild Stewardship Account	9,635	-	9,635	-
Alabama Trust Capital	2,315,603	-	2,315,603	-
Educational Programs	782,321	-	782,321	-
Health Programs	59,206	-	59,206	-
Social Services	116,672	-	116,672	-
Transportation Programs	510,439	-	510,439	-
General Government	190,866	-	190,866	-
Debt Service	10,195	20,635	30,830	454,097
Other Purposes	319,206	77	319,283	3,446
Unrestricted	225,574	207,179	432,753	250,859
TOTAL NET ASSETS	\$ 19,798,009	\$ 1,018,295	\$ 20,816,304	\$ 4,009,636

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, 2004

(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	\$ 59,894	\$ 52,618	\$ 4,811	\$ -
Education and Cultural Resources	4,721,672	8,100	718,922	-
Natural Resources and Recreation	93,772	51,960	19,723	4
Health - Physical and Mental	4,296,424	142,912	3,498,658	-
Social Services	1,496,160	118,185	1,092,177	3
Protection of Persons and Property	746,763	176,256	122,305	646
Transportation	631,826	150,757	18,126	564,229
General Government	545,314	422,120	105,385	-
Distributions to Local Governments	410,514	31,771	2,256	-
Debt Service - Interest and Other Charges	42,083	3,030	1,951	989
Total Governmental Activities	13,044,422	1,157,709	5,584,314	565,871
Business-type Activities				
Unemployment Compensation	308,281	263,229	41,541	-
State Port Authority	74,679	77,870	-	1,860
Alabama College System	627,732	142,786	256,251	4,589
Alcoholic Beverage Control Board	184,391	198,482	-	-
Public Education Employees' Health Insurance	736,669	717,546	-	-
Nonmajor Proprietary Funds	144,714	154,024	66	30
Total Business-type Activities	2,076,466	1,553,937	297,858	6,479
Total Primary Government	15,120,888	2,711,646	5,882,172	572,350
Component Units:				
Public School and College Authority	254,837	-	-	-
Mental Health	688,986	6,650	44,495	-
Housing Finance Authority	65,261	28,472	-	-
Water Pollution Control Authority	39,839	16,821	12,730	-
University of Alabama	2,105,248	1,175,773	548,425	29,331
Auburn University	625,613	278,258	127,622	33,744
University of South Alabama	467,845	311,847	54,013	7,274
Nonmajor Component Units	823,368	416,504	167,487	10,772
Total Component Units	5,070,997	2,234,325	954,772	81,121
General Revenues:				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Payments from State of Alabama				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets, October 1, 2003, as Restated				
Net Assets, September 30, 2004				

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
\$ (2,465)	\$ -	\$ (2,465)	\$ -
(3,994,650)	-	(3,994,650)	-
(22,085)	-	(22,085)	-
(654,854)	-	(654,854)	-
(285,795)	-	(285,795)	-
(447,556)	-	(447,556)	-
101,286	-	101,286	-
(17,809)	-	(17,809)	-
(376,487)	-	(376,487)	-
(36,113)	-	(36,113)	-
(5,736,528)	0	(5,736,528)	0
-	(3,511)	(3,511)	-
-	5,051	5,051	-
-	(224,106)	(224,106)	-
-	14,091	14,091	-
-	(19,123)	(19,123)	-
-	9,406	9,406	-
0	(218,192)	(218,192)	0
(5,736,528)	(218,192)	(5,954,720)	0
-	-	-	(254,837)
-	-	-	(637,841)
-	-	-	(36,789)
-	-	-	(10,288)
-	-	-	(351,719)
-	-	-	(185,989)
-	-	-	(94,711)
-	-	-	(228,605)
0	0	0	(1,800,779)
1,765,035	-	1,765,035	108,324
2,494,384	-	2,494,384	-
564,031	-	564,031	-
413,553	-	413,553	116,554
238,607	-	238,607	5,154
232,057	-	232,057	-
117,014	8,492	125,506	12,637
75,741	-	75,741	49
173,657	22,658	196,315	335,172
859,684	2,765	862,449	80,775
-	6	6	25,267
-	-	-	1,422,186
(229,114)	229,114	-	-
6,704,649	263,035	6,967,684	2,106,118
968,121	44,843	1,012,964	305,339
18,829,888	973,452	19,803,340	3,704,297
\$ 19,798,009	\$ 1,018,295	\$ 20,816,304	\$ 4,009,636

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2004

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 206,392	\$ 254,831	\$ 147,569	\$ 13,934	\$ 450,320
Investments	-	-	2,262,986	-	46,476
Accounts Receivable	38	250	59,599	1,320	18
Due from Other Funds	8,496	268	-	3,895	263
Due from Component Units	-	-	-	16,816	-
Due from Other Governments	-	-	-	177,178	116,783
Taxes Receivable	149,766	314,405	-	-	51,286
Interest and Dividends Receivable	-	-	23,538	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	-	-	151,957	-	-
Inventory	2,756	-	-	-	15,520
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 367,448	\$ 569,754	\$ 2,645,649	\$ 213,143	\$ 680,666
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 3,225	\$ 2,178	\$ -	\$ 909	\$ 13,380
Accounts Payable	7,522	12,373	1,022	200,969	106,657
Salaries Payable	30,374	4,062	-	1,219	11,714
Due to Other Funds	4,166	7,222	-	18,522	1,903
Due to Component Units	220	59	-	43,607	-
Due to Other Governments	5,617	677	-	125	6,233
Securities Lending Obligation	-	-	151,957	-	-
Deferred Revenue	79,020	-	32,828	-	14,895
Amounts Held in Custody for Others	109	4	-	-	17,973
Compensated Absences	466	67	-	21	238
Total Liabilities	130,719	26,642	185,807	265,372	172,993
Fund Balances					
Reserved for:					
Encumbrances	1,472	3,266	12	728	42,216
Inventory	2,756	-	-	-	15,520
Highway Equipment Replacement	-	-	-	-	40,044
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Education Rainy Day Account	-	-	104,007	-	-
Forever Wild Stewardship Account	-	-	9,635	-	-
Alabama Trust Capital	-	-	2,315,603	-	-
Local Governments	-	-	6,117	-	-
Forever Wild Lands	-	-	3,059	-	-
General Fund	-	-	21,409	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	232,501	-	-	-	-
Special Revenue Funds	-	539,846	-	(52,957)	409,893
Permanent Funds	-	-	-	-	-
Total Fund Balances	236,729	543,112	2,459,842	(52,229)	507,673
TOTAL LIABILITIES AND FUND BALANCES	\$ 367,448	\$ 569,754	\$ 2,645,649	\$ 213,143	\$ 680,666

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 61,987	\$ 1,128,128	\$ 2,263,161
-	142,242	2,451,704
-	1,790	63,015
10,674	37,374	60,970
89	229	17,134
-	92,674	386,635
29,970	114,559	659,986
-	142	23,680
-	35	35
-	565	152,522
-	668	18,944
-	1,313	1,313
\$ 102,720	\$ 1,519,719	\$ 6,099,099

\$ 1,374	\$ 22,141	\$ 43,207
30,345	89,208	448,096
12,139	33,413	92,921
6,350	28,699	66,862
55	940	44,881
887	168,260	181,799
-	565	152,522
26,195	86,138	239,076
18	31,164	49,268
435	470	1,697
77,798	460,998	1,320,329

3,062	28,891	79,647
-	668	18,944
-	-	40,044
-	7,876	7,876
-	33	33
-	-	104,007
-	-	9,635
-	-	2,315,603
-	-	6,117
-	-	3,059
-	-	21,409
-	64,921	64,921
-	381,579	381,579
-	8,208	8,208
-	-	232,501
21,860	562,007	1,480,649
-	4,538	4,538
24,922	1,058,721	4,778,770
\$ 102,720	\$ 1,519,719	\$ 6,099,099

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

September 30, 2004

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$4,778,770

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

Land	140,758	
Historical Exhibits	2,657	
Construction in progress	17,161	
Construction in progress - Infrastructure	3,414,240	
Infrastructure	11,444,614	
Buildings	797,776	
Equipment	433,906	
Accumulated Depreciation - Buildings	(313,086)	
Accumulated Depreciation - Equipment	(246,477)	
		15,691,549

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.

198,910

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.

159,418

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	(37,487)	
Compensated Absences	(222,402)	
Forward Delivery Agreements	(1,814)	
Claims and Judgments	(46,282)	
		(307,985)

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	(443,440)	
Revenue Bonds Payable	(267,560)	
Unamortized Premiums	(4,903)	
Unamortized Loss	226	
Deferred Debt Financing Costs	282	
Accrued Interest Payable	(7,258)	
		(722,653)

Net Assets of Governmental Activities \$19,798,009

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, 2004

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 903,902	\$ 4,404,357	\$ -	\$ -	\$ 364,059
Licenses, Permits, and Fees	130,165	514	-	-	140,355
Fines, Forfeits, and Court Settlements	19,176	-	-	3,055	-
Investment Income	38,212	-	135,493	36	1,480
Federal Grants and Reimbursements	75,612	-	-	2,716,834	545,929
Other Revenues	3,455	460	257,454	667,822	25,103
Total Revenues	1,170,522	4,405,331	392,947	3,387,747	1,076,926
EXPENDITURES					
Current:					
Economic Development and Regulation	5,958	-	-	-	-
Education and Cultural Resources	6,343	3,817,674	-	-	-
Natural Resources and Recreation	2,372	3	78	-	-
Health - Physical and Mental	393,649	35,959	-	3,354,569	-
Social Services	16,620	36,796	-	-	-
Protection of Persons and Property	413,254	37,872	-	-	-
Transportation	-	-	-	-	1,106,233
General Government	230,950	7,232	936	-	-
Distributions to Local Governments	5,330	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	6,892	8,068	-	-	16,561
Debt Service - Interest and Other Charges	1,978	864	-	-	1,782
Total Expenditures	1,083,346	3,944,468	1,014	3,354,569	1,124,576
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	87,176	460,863	391,933	33,178	(47,650)
OTHER FINANCING SOURCES (USES)					
Transfers In	137,318	1,237	37,568	103,044	87,418
Transfers Out	(168,444)	(327,438)	(235,018)	(130,911)	(36,987)
Other Debt Refunding Proceeds	-	-	-	-	-
Other Debt Refunding Uses	-	-	-	-	-
Capital Lease Proceeds	63	-	-	-	-
Total Other Financing Sources (Uses)	(31,063)	(326,201)	(197,450)	(27,867)	50,431
Net Change in Fund Balances	56,113	134,662	194,483	5,311	2,781
Fund Balances, October 1, 2003, as Restated	179,806	408,450	2,265,359	(57,540)	507,256
Increase (Decrease) in Inventory	810	-	-	-	(2,364)
Fund Balances, September 30, 2004	\$ 236,729	\$ 543,112	\$ 2,459,842	\$ (52,229)	\$ 507,673

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 110,402	\$ 648,579	\$ 6,431,299
294	260,790	532,118
-	17,990	40,221
32	8,669	183,922
824,651	1,512,919	5,675,945
138,356	255,280	1,347,930
1,073,735	2,704,227	14,211,435
-	53,305	59,263
-	882,830	4,706,847
-	116,382	118,835
-	510,792	4,294,969
1,098,472	344,435	1,496,323
-	279,654	730,780
-	23,806	1,130,039
379	261,169	500,666
-	405,184	410,514
-	55,833	55,833
2,514	39,615	73,650
1,962	31,696	38,282
1,103,327	3,004,701	13,616,001
(29,592)	(300,474)	595,434
92,781	534,303	993,669
(64,621)	(275,691)	(1,239,110)
600	-	600
(600)	-	(600)
-	1,089	1,152
28,160	259,701	(244,289)
(1,432)	(40,773)	351,145
26,354	1,099,494	4,429,179
-	-	(1,554)
\$ 24,922	\$ 1,058,721	\$ 4,778,770

STATE OF ALABAMA

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

September 30, 2004

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		\$351,145
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	582,173	
Depreciation Expense	(58,166)	
		524,007
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.		
		(10,637)
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.		
		(1,152)
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.		
		(1,554)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		11,916
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.		
		12,944
Capital assets reassigned to an internal service fund from a governmental fund are reported as capital contributions in internal service funds, but in the Statement of Activities such interfund activity is eliminated.		
		(68)
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 repayments exceed proceeds.		
Repayment of bond principal	69,106	
Accrued interest	(476)	
		68,630
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Capital lease payments	4,545	
Compensated absences payments	147	
Litigation payments	7,330	
Other debt refunding uses	600	
Other debt payments	868	
		13,490
Other debt refunding proceeds are considered other financing sources in the governmental funds, but in the statement of net assets they are reported as liabilities.		
		(600)
Change in Net Assets of Governmental Activities		\$968,121

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



STATE OF ALABAMA

STATEMENT OF NET ASSETS Proprietary Funds

September 30, 2004

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 283,976	\$ 14,323	\$ 187,194	\$ 29,471	\$ 681
Investments, Short-term	-	15,098	72,706	-	53,439
Accounts Receivable	2,578	9,895	39,364	1,004	9,912
Interest and Dividends Receivable	4,062	338	-	-	65
Due from Other Funds	-	-	-	24	33
Due from Component Units	-	-	-	50	-
Due from Other Governments	194	-	-	-	-
Inventory	-	3,327	8,832	17,020	-
Other Current Assets	86	1,145	-	-	1,280
Total Current Assets	290,896	44,126	308,096	47,569	65,410
Noncurrent Assets					
Investments, Long-term	-	16,880	-	-	1,238
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	6,046	7,056	-	-
Restricted Assets	-	-	41,731	95	-
Capital Assets, Net of Accumulated Depreciation	-	276,486	385,606	4,508	-
Capital Assets Not Depreciated	-	49,535	47,760	-	-
Total Noncurrent Assets	0	348,947	482,153	4,603	1,238
TOTAL ASSETS	290,896	393,073	790,249	52,172	66,648
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	10,755	15
Accounts Payable	688	14,881	20,336	12,333	59
Salaries Payable	-	2,342	-	1,836	62
Due to Other Funds	113	-	-	13,627	-
Due to Component Units	-	-	-	4,402	-
Due to Other Governments	26	-	-	2,123	-
Deferred Revenue	-	1,365	46,906	80	-
Funds Held in Escrow	439	-	3,683	194	-
Compensated Absences	-	-	1,729	25	-
Claims Payable	-	-	-	-	90,457
Notes Payable	-	-	2,401	-	-
Revenue Bonds Payable	-	5,575	9,112	-	-
Capital Leases	-	675	1,317	1,461	-
Total Current Liabilities	1,266	24,838	85,484	46,836	90,593
Long-term Liabilities					
Deferred Revenue, Noncurrent	-	4,047	-	-	-
Compensated Absences	-	-	12,336	4,897	246
Notes Payable	-	-	3,795	-	-
Revenue Bonds Payable	-	175,251	147,353	-	-
Capital Leases Payable	-	58	6,563	-	-
Other Long-term Liabilities	-	1,988	-	-	-
Total Long-term Liabilities	0	181,344	170,047	4,897	246
TOTAL LIABILITIES	1,266	206,182	255,531	51,733	90,839
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	148,017	303,088	3,047	-
Restricted for:					
Permanent Trust - Expendable	-	-	38,231	-	-
Permanent Trust - Non-expendable	-	-	5,665	-	-
Unemployment Compensation	287,239	-	-	-	-
Debt Service	-	20,635	-	-	-
Other Purposes	-	-	-	-	-
Unrestricted	2,391	18,239	187,734	(2,608)	(24,191)
TOTAL NET ASSETS	\$ 289,630	\$ 186,891	\$ 534,718	\$ 439	\$ (24,191)

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

Governmental Activities

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 20,669	\$ 536,314	\$ 71,440
13,334	154,577	70,154
715	63,468	1,670
168	4,633	987
260	317	13,266
3	53	721
-	194	-
13,273	42,452	4,140
478	2,989	4,607
48,900	804,997	166,985
9,258	27,376	90,062
-	-	9,734
-	-	34,390
-	13,102	750
-	41,826	-
3,665	670,265	47,373
2,630	99,925	14,495
15,553	852,494	196,804
64,453	1,657,491	363,789
111	10,881	4,106
664	48,961	8,906
104	4,344	1,579
770	14,510	2,915
1	4,403	88
9	2,158	3,398
4,898	53,249	24,972
10,307	14,623	-
1	1,755	20
14,826	105,283	76,509
90	2,491	-
-	14,687	4,730
-	3,453	496
31,781	280,798	127,719
-	4,047	-
306	17,785	4,030
1,558	5,353	-
-	322,604	72,234
-	6,621	388
-	1,988	-
1,864	358,398	76,652
33,645	639,196	204,371
5,117	459,269	(16,192)
-	38,231	-
-	5,665	-
-	287,239	-
-	20,635	-
77	77	-
25,614	207,179	175,610
\$ 30,808	\$ 1,018,295	\$ 159,418

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
OPERATING REVENUES					
Charges for Goods and Services	\$ -	\$ 77,870	\$ 142,786	\$ 194,764	\$ -
Investment Earnings	-	-	(768)	-	1,113
Premiums and Contributions	254,399	-	-	-	717,546
Rents and Leases	-	-	-	-	-
Total Operating Revenues	254,399	77,870	142,018	194,764	718,659
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	354,203	29,123	955
Utilities and Communications	-	-	16,524	1,538	4
Professional Services	-	-	-	588	275
Supplies, Materials, and Operating Expenses	-	-	153,045	143,075	25
Interest	-	-	6,966	-	-
Depreciation	-	17,000	19,263	651	-
Claims and Benefits	306,214	-	-	-	735,408
Operations and Maintenance	-	40,495	-	-	-
General and Administrative	-	7,695	-	-	-
Other	-	-	67,271	9,388	2
Total Operating Expenses	306,214	65,190	617,272	184,363	736,669
Operating Income (Loss)	(51,815)	12,680	(475,254)	10,401	(18,010)
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	8,484	-
Grants	41,541	-	256,251	-	-
Investment Income	15,585	1,526	3,912	-	-
Other Nonoperating Revenues	8,830	-	2,595	3,894	-
Interest Expense	-	(9,408)	-	-	-
Other Nonoperating Expenses	(2,067)	(81)	(10,461)	(28)	-
Total Nonoperating Revenues (Expenses)	63,889	(7,963)	252,297	12,350	0
Income (Loss) Before Contributions and Transfers	12,074	4,717	(222,957)	22,751	(18,010)
Capital Contributions	-	1,860	4,589	-	-
Contributions to Endowments	-	-	6	-	-
Transfers In	-	-	264,211	509	-
Transfers Out	(8,830)	(17)	-	(20,109)	(2)
Increase (Decrease) in Net Assets	3,244	6,560	45,849	3,151	(18,012)
Total Net Assets, October 1, 2003, as Restated	286,386	180,331	488,869	(2,712)	(6,179)
Total Net Assets, September 30, 2004	\$ 289,630	\$ 186,891	\$ 534,718	\$ 439	\$ (24,191)

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

<u>Governmental Activities</u>		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 24,268	\$ 439,688	\$ 67,698
1,049	1,394	8,682
120,059	1,092,004	308,242
490	490	11,539
145,866	1,533,576	396,161
2,503	386,784	25,380
236	18,302	14,248
1,033	1,896	15,054
16,439	312,584	29,846
-	6,966	4,012
416	37,330	8,241
123,105	1,164,727	297,625
-	40,495	-
-	7,695	-
917	77,578	12,120
144,649	2,054,357	406,526
1,217	(520,781)	(10,365)
9,058	17,542	-
66	297,858	250
241	21,264	48
153	15,472	7,213
(65)	(9,473)	(182)
-	(12,637)	(38)
9,453	330,026	7,291
10,670	(190,755)	(3,074)
30	6,479	68
-	6	-
444	265,164	22,565
(7,094)	(36,052)	(6,615)
4,050	44,842	12,944
26,758	973,453	146,474
\$ 30,808	\$ 1,018,295	\$ 159,418

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	257,566	70,033	110,426	198,117	704,473
Receipts from Interfund Services	-	-	8	1	250
Receipts from Operating Grants	39,316	-	253,212	-	-
Receipts from Interfund Reimbursements	3,959	-	-	-	-
Receipts from Other Operating Activities	2	5,859	34,745	11,824	-
Payments for Goods Held for Resale	-	-	-	(142,288)	-
Payments for Other Goods & Services	-	(28,680)	(168,566)	(12,882)	(230)
Payments for Employees Services	-	(21,644)	(354,202)	(29,171)	(943)
Payments for Taxes, Fines, Penalties, & Similar Fees	(6,203)	-	-	-	-
Payments for Interfund Services	-	-	-	(912)	(28)
Payments for Other Operating Activities	-	-	(68,029)	(2,599)	(2)
Payments for Claims	(311,386)	-	-	-	(717,769)
Net Cash Provided by (Used In) Operating Activities	(16,746)	25,568	(192,406)	22,090	(14,249)
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	2,045	-	1,473	-	-
Transfers from Other Funds for Noncapital Financing	-	-	266,180	526	-
Receipts from Noncapital Financing Taxes	8,830	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(2,287)	-	(5,095)	-	-
Transfers to Other Funds for Noncapital Financing	(8,747)	-	-	(20,108)	(2)
Net Cash Provided By (Used In) Noncapital Financing Activities	(159)	0	262,558	(19,582)	(2)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	44,342	-	-
Receipts from Capital Grants & Contributions	-	2,123	4,158	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	178	-	68	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(12,788)	(44,931)	(1,092)	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	(6,294)	(22,476)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(10,773)	(7,051)	-	-
Bond Issuance Cost	-	-	(1,274)	-	-
Net Cash Provided by (Used In) Capital and Related Financing Activities	0	(27,554)	(27,232)	(1,024)	0
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	5,535	36,152	-	858,275
Receipts from Interest & Dividends on Investments & Loans	16,239	1,496	3,819	-	1,006
Purchase of Investments	-	(4,684)	(41,130)	-	(860,687)
Net Cash Provided By (Used In) Investing Activities	16,239	2,347	(1,159)	0	(1,406)
Net Increase (Decrease) In Cash and Cash Equivalents	(666)	361	41,761	1,484	(15,657)
Cash Balance, October 1, 2003	284,642	13,962	138,510	17,232	16,323
Restatements	-	-	6,923	-	-
Cash Balance, September 30, 2004	283,976	14,323	187,194	18,716	666
Add: Warrants Payable	-	-	-	10,755	15
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 283,976	\$ 14,323	\$ 187,194	\$ 29,471	\$ 681

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

<u>Governmental Activities</u>		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
145,557	1,486,172	20,472
857	1,116	373,408
-	292,528	-
-	3,959	-
1,421	53,851	13,112
(17,291)	(159,579)	(13,403)
(30,777)	(241,135)	(50,486)
(2,504)	(408,464)	(25,086)
-	(6,203)	(2,606)
(434)	(1,374)	(5,229)
(1,327)	(71,957)	(9,195)
(95,262)	(1,124,417)	(290,721)
240	(175,503)	10,266
-	3,518	-
9,503	276,209	17,369
-	8,830	-
-	(7,382)	-
(7,006)	(35,863)	(1,420)
2,497	245,312	15,949
276	44,618	-
-	6,281	-
7	253	178
(978)	(59,789)	(8,494)
(92)	(28,862)	(4,149)
(65)	(17,889)	(5,142)
-	(1,274)	-
(852)	(56,662)	(17,607)
87,329	987,291	669,434
522	23,082	5,295
(91,894)	(998,395)	(677,847)
(4,043)	11,978	(3,118)
(2,158)	25,125	5,490
20,218	490,887	61,852
2,498	9,421	(8)
20,558	525,433	67,334
111	10,881	4,106
\$ 20,669	\$ 536,314	\$ 71,440

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Public Education Employees' Health Insur
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	(51,815)	12,680	(475,254)	10,401	(18,010)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	(589)	(703)	(1,291)	(37)	(9,912)
Due from Other Funds	-	-	-	1	(33)
Inventory	-	(117)	(81)	(4,845)	-
Other Assets	-	(19)	677	-	142
Accounts Payable	(3,840)	5,155	5,457	633	46
Salaries Payable	-	-	-	244	6
Due to Other Funds	-	-	-	(14,167)	-
Due to Other Governments	-	-	-	17,671	-
Claims Payable	-	-	-	-	17,496
Amounts Held Pending Distribution	-	-	-	183	-
Deferred Revenue	-	-	(1,760)	-	(2,878)
Amounts Held in Custody for Others	2	-	353	5	-
Compensated Absences	-	-	54	(263)	7
Other Liabilities	-	(8,413)	445	-	-
Investment Income	-	-	-	-	(1,113)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	17,000	19,263	651	-
Amortization Expense	-	-	4	-	-
Nonoperating Revenues	39,496	-	259,727	11,613	-
Nonoperating Expenses	-	(15)	-	-	-
Total Adjustments	35,069	12,888	282,848	11,689	3,761
Net Cash Provided (Used) by Operating Activities	\$ (16,746)	\$ 25,568	\$ (192,406)	\$ 22,090	\$ (14,249)
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers, Donations, and Other Additions to Capital Assets	-	-	2,671	2,564	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	(883)	-
Assumption of Debt Obligations	-	-	(2,671)	-	-
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	-	-	-	-	(11)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(96)
Investment Accruals and Other Adjustments	-	-	-	-	96
Transfers In (Out)	-	-	-	(84)	-

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

Governmental Activities

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
1,217	(520,781)	(10,365)
580	(11,952)	1,350
92	60	3,099
(2,145)	(7,188)	277
(281)	519	885
(738)	6,713	1,317
14	264	202
(773)	(14,940)	(863)
11	17,682	(2,606)
2,296	19,792	5,209
250	433	3
103	(4,535)	809
-	360	(1)
(22)	(224)	159
-	(7,968)	-
(1,037)	(2,150)	(8,682)
-	-	4,012
416	37,330	8,241
-	4	-
257	311,093	7,220
-	(15)	-
(977)	345,278	20,631
\$ 240	\$ (175,503)	\$ 10,266

123	5,358	14,119
(145)	(1,028)	(15,841)
-	(2,671)	-
-	-	22
(473)	(484)	(988)
(283)	(379)	(2,173)
656	752	(41,170)
38	(46)	733

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS

Fiduciary Funds

September 30, 2004

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 53,999	\$ 20,952	\$ 236,689
Investments			
Time Deposits	-	132	4,080
U.S. Treasury Securities	502,812	20,449	26,444
U.S. Agency Securities	1,163,802	27,531	-
State and Local Government Securities	-	1,046	3,985
Mortgage Backed Securities	146,958	54,705	9,157
Corporate Stocks	11,604,576	342,749	-
Corporate Bonds	6,267,575	66,597	4,150
Real Estate	1,575,307	840	-
Commercial Paper	439,620	-	-
International Stocks	2,726,193	95,150	-
International Bonds	42,861	-	-
Mutual and Money Market Funds	977,951	268,801	166
Other	17,598	-	-
Receivables			
Accounts Receivable	160	772	10
Due from Other Funds	-	62	5
Due from Primary Government	38	-	-
Employer Contributions Receivable	37,896	-	-
Member Contributions Receivable	29,219	-	-
Interest and Dividends Receivable	231,428	1,965	-
Securities Lending Collateral	1,793,994	631	-
Capital Assets, Net of Accumulated Depreciation	3,464	-	-
Capital Assets Not Depreciated	1,190	-	-
TOTAL ASSETS	27,616,641	902,382	284,686
LIABILITIES			
Warrants Payable	\$ 32,714	\$ 718	\$ 24,539
Accounts Payable	1,346	3,392	101
Salaries Payable	931	23	-
Due to Other Funds	2	65	-
Due to Primary Government	84	-	-
Due to Other Governments	-	-	7,061
Securities Lending Obligation	1,793,994	631	-
Deferred Revenue	1,553	-	-
Amounts Held in Custody for Others	-	-	252,985
Compensated Absences	2,321	55	-
TOTAL LIABILITIES	1,832,945	4,884	284,686
NET ASSETS			
Held in Trust for Beneficiaries	-	897,498	-
Held in Trust for Pension and Other Employee Benefits	25,783,696	-	-
TOTAL NET ASSETS	\$ 25,783,696	\$ 897,498	\$ 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, 2004

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Employee	\$ 470,812	\$ -
Employer	492,508	-
Participants	-	235,919
Other Contributions	-	4
Total Contributions	<u>963,320</u>	<u>235,923</u>
Investment Earnings		
Investment Interest and Dividends	899,781	20,428
Net Increase (Decrease) in Fair Value of Investments	1,539,618	49,662
Securities Lending Income	16,083	3
Total Investment Earnings	<u>2,455,482</u>	<u>70,093</u>
Less:		
Investment Expense	(6,541)	-
Securities Lending Interest and Fees	(11,845)	(3)
Net Investment Income	<u>2,437,096</u>	<u>70,090</u>
Other Additions		
Licenses and Fees	2,500	-
Miscellaneous	3,809	991
Transfers In	600	-
Total Other Additions	<u>6,909</u>	<u>991</u>
Total Additions	3,407,325	307,004
DEDUCTIONS		
Benefit Payments	1,562,194	88,386
Return of Contributions	86	-
Administrative Expense	19,013	4,963
Transfers Out	1	220
Total Deductions	<u>1,581,294</u>	<u>93,569</u>
Changes in Net Assets	1,826,031	213,435
Net Assets Held in Trust		
for Beneficiaries, October 1, 2003, as Restated	<u>23,957,665</u>	<u>684,063</u>
Net Assets Held in Trust		
for Beneficiaries, September 30, 2004	<u>\$ 25,783,696</u>	<u>\$ 897,498</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, 2004

(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	\$ 182,966	\$ 44,795	\$ 1,795	\$ 85,941	\$ 201,820
Investments	27,991	1	857,984	204,866	2,021,631
Accounts Receivable	-	-	-	-	246,771
Due from Primary Government	-	49,231	-	-	-
Due from Other Governments	-	2,802	-	519,161	-
Taxes Receivable	-	90,472	-	-	-
Interest and Dividends Receivable	-	-	8,240	3,379	165
Mortgages, Notes, and Loans Receivable	-	-	410,190	-	59,593
Securities Lending Collateral	-	-	-	-	-
Inventory	-	2,498	-	-	17,327
Other Assets	-	-	7,055	9,378	59,029
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	12,967	78,255	-	334	1,292,409
Capital Assets Not Depreciated	-	2,241	-	-	482,702
TOTAL ASSETS	223,924	270,295	1,285,264	823,059	4,381,447
LIABILITIES					
Warrants Payable	2,909	3,490	-	-	-
Accounts Payable	-	51,956	1,065	332	224,702
Salaries Payable	-	7,838	-	-	-
Interest Payable	20,854	847	17,825	3,489	-
Due to Primary Government	-	17,593	-	129	-
Due to Other Governments	-	3,655	-	54,153	26,793
Claims Payable	-	-	-	-	-
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	8,587	-	8,289	1,869	169,227
Amounts Held in Custody for Others	-	-	138,226	-	21,447
Compensated Absences	-	15,442	-	-	33,938
Other Liabilities	-	-	19,180	1,020	14,825
Notes and Mortgages Payable	-	-	2,000	-	4,849
Revenue Bonds Payable	1,496,650	39,235	891,422	555,338	1,015,279
Capital Lease Obligations	-	-	-	-	24,350
TOTAL LIABILITIES	1,529,000	140,056	1,078,007	616,330	1,535,410
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	12,967	41,262	-	334	930,265
Restricted for:					
Permanent Trust - Expendable	-	-	-	-	456,451
Permanent Trust - Non-expendable	-	-	-	-	422,562
Debt Service	-	-	168,399	206,395	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,318,043)	88,977	38,858	-	1,036,759
TOTAL NET ASSETS	\$ (1,305,076)	\$ 130,239	\$ 207,257	\$ 206,729	\$ 2,846,037

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

Auburn University	University of South Alabama	Nonmajor Component Units	Total Component Units
\$ 1,662	\$ 38,818	\$ 349,373	\$ 907,170
799,787	392,017	234,155	4,538,432
25,089	46,317	74,679	392,856
-	-	103	49,334
-	-	154,421	676,384
-	-	-	90,472
2,180	-	1,180	15,144
48,098	4,887	22,315	545,083
-	-	4,396	4,396
3,674	-	4,172	27,671
3,811	11,473	37,707	128,453
-	7,454	4,654	12,108
448,813	182,333	455,455	2,470,566
93,747	35,693	145,337	759,720
1,426,861	718,992	1,487,947	10,617,789
-	-	5,235	11,634
58,360	32,487	20,625	389,527
3,670	-	2,973	14,481
3,805	-	8,805	55,625
-	-	34,492	52,214
-	-	35,200	119,801
-	-	1,643	1,643
-	-	4,396	4,396
84,817	17,200	89,963	379,952
20,997	-	5,604	186,274
20,129	12,671	10,046	92,226
7,502	-	11,356	53,883
1,596	27,064	9,482	44,991
299,259	125,934	744,904	5,168,021
2,297	-	6,838	33,485
502,432	215,356	991,562	6,608,153
352,560	116,037	379,428	1,832,853
110,364	220,652	41,119	828,586
154,595	10,372	52,266	639,795
-	-	79,303	454,097
-	-	3,446	3,446
306,910	156,575	(59,177)	250,859
\$ 924,429	\$ 503,636	\$ 496,385	\$ 4,009,636

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 254,837	\$ 688,986	\$ 65,261	\$ 39,839	\$ 2,105,248
Program Revenues					
Charges for Services	-	6,650	28,472	16,821	1,175,773
Operating Grants and Contributions	-	44,495	-	12,730	548,425
Capital Grants and Contributions	-	-	-	-	29,331
Total Program Revenues	0	51,145	28,472	29,551	1,753,529
Net (Expense) Revenue	(254,837)	(637,841)	(36,789)	(10,288)	(351,719)
General Revenues:					
Taxes:					
Sales and Use Taxes	108,324	-	-	-	-
Utility Taxes	-	115,336	-	-	-
Insurance Premium Tax	-	5,154	-	-	-
Liquor Taxes	-	12,637	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	24	-	-	-
Investment Earnings	2,027	127	45,068	10,642	182,666
Miscellaneous	-	30,623	291	3,622	4,610
Contributions to Permanent Funds and Endowments	-	-	-	-	19,111
Payments from State of Alabama	36,750	488,527	-	569	379,666
Total General Revenues, Special Items, and Transfers	147,101	652,428	45,359	14,833	586,053
Change in Net Assets	(107,736)	14,587	8,570	4,545	234,334
Net Assets, October 1, 2003, as Restated	(1,197,340)	115,652	198,687	202,184	2,611,703
Net Assets, September 30, 2004	\$ (1,305,076)	\$ 130,239	\$ 207,257	\$ 206,729	\$ 2,846,037

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

Auburn University	University of South Alabama	Nonmajor Component Units	Total Component Units
\$ 625,613	\$ 467,845	\$ 823,368	\$ 5,070,997
278,258	311,847	416,504	2,234,325
127,622	54,013	167,487	954,772
33,744	7,274	10,772	81,121
439,624	373,134	594,763	3,270,218
(185,989)	(94,711)	(228,605)	(1,800,779)
-	-	-	108,324
-	-	1,218	116,554
-	-	-	5,154
-	-	-	12,637
-	-	25	49
42,010	38,889	13,743	335,172
-	13,673	27,956	80,775
3,271	2,866	19	25,267
207,784	83,810	225,080	1,422,186
253,065	139,238	268,041	2,106,118
67,076	44,527	39,436	305,339
857,353	459,109	456,949	3,704,297
\$ 924,429	\$ 503,636	\$ 496,385	\$ 4,009,636

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

1. Primary Government

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

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

2. Blended Component Units

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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

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

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

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

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

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

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

3. Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy State 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Director of Accounting and Financial Reporting, University of Alabama in Huntsville, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1530 3rd Avenue South, Birmingham, AL 35294-0110; Director of Financial Reporting, Auburn University, 321 Ingram Hall, Auburn University, AL 36849-5161; Comptroller, Station 6061, University of Montevallo, Montevallo, AL 35115-6000, Vice President for Fiscal Affairs, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104, .

The Alabama Institute for the Deaf and Blind is an educational institution governed by a fourteen-member board, twelve of whom are appointed by the Governor.

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

The Alabama Public School and College Authority issues bonds and uses the proceeds to fund capital construction projects in the local school systems. The Governor, the finance director, and the state superintendent of education constitute the Authority. The Tombigbee Valley Development Authority consists of six State officials who oversee the development of improvements along the Tombigbee River.

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

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

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

The Alabama Historic Ironworks Commission operates an historic park based on one of the State's early ironworks. Fourteen of the eighteen members on the commission are appointed by the Governor. Part of the Commission's budget is subject to State control. Compilation financial statements may be obtained from the Commission, 12632 Confederate Parkway, McCalla, AL 35111.

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

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

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

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

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

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

4. Excluded Organizations

Other entities have been examined but failed to meet the criteria for inclusion in the State's reporting entity. The 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 governments. It is more appropriate that they be included as part of 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 neither 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.

5. 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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 Center
- Alabama State Port Authority
- Alabama State Fire College
- Athens State College
- 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
- Mary May Eliot Memorial Fund
- Medicaid Agency Lien Account and Qualifying Individual (2 Funds)
- Medical Scholarships Awards Board
- Medical Examiners and Licensure Commission
- Men's Hall of Fame Outside Account
- Military Department Unit Funds
- Montgomery Downtown Redevelopment Authority
- Motor Sports Hall of Fame
- National Guard Canteen Funds
- Non-Emergency Transportation

-
- Optometry Board
 - Optometric Scholarships Awards Board
 - Peace Officers' Annuity and Benefit Investment Account
 - Pharmacy Board
 - Pilotage Commission
 - Podiatry Board
 - Public Health Care Authority
 - Public Health Local Funds
 - Public Safety Narcotics Funds
 - Sports Hall of Fame Checking Account
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan
 - State Port Authority Railway Pension Plan
 - Student Assistance Initiated Loan Servicing Account
 - Supreme Court Checking Account
 - Transportation Surety Bonds
 - Unemployment Compensation Funds
 - Victims Services Fund
 - W.V. Chambliss Trust Fund
 - Women's Hall of Fame
 - Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama A & M University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority
- Alabama Incentives Financing Authority
- Alabama Institute for Deaf and Blind
- Alabama State University
- Auburn University
- Blakeley Historic Authority
- Cahawba Advisory Committee
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Client/Patient Funds
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Space Science Exhibit Commission and
Space Science Exhibit Finance Authority
- St Stephens Historical Commission
- Troy State University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama in Tuscaloosa

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority
- University of Alabama System Office

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

2. Fund Financial Statements

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

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

1. Measurement Focus and Basis of Accounting

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

a. Accrual Basis

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

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

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

b. Modified Accrual Basis

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

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

2. Financial Statement Presentation

a. Major Funds

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

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

b. Nonmajor Funds

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services, such as health insurance and the sale of surplus property.

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

Fiduciary Fund Types:

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plan, individual retirement accounts, and flexible employees' benefit plan. 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 2004 ended on September 26. 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. Cash equivalents in the State Treasury consist of short-term repurchase agreements and other allowable time deposits with an original maturity date of three months or less at the date of purchase. 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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 primary government has minimal amounts of Notes and Leases Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable.

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

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

3. Inventories

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

Surplus supplies, materials, and property from State agencies and the Federal Government are recorded as inventory at historical cost in two enterprise funds. The market value of the inventory in the surplus property funds is significantly lower than the historical cost because of the age and condition of the items.

4. Investments

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include buildings, land, equipment, infrastructure (e.g., roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of two years. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated

fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

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

7. Compensated Absences

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

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

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts to be paid from expendable available resources are recognized as current fund liabilities. Current liabilities were determined from actual termination or retirement payments made during the sixty days following the end of the fiscal year. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

The liability at September 30, 2004, was computed using salary rates effective at that date including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and non-vested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

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

8. Long-Term Obligations

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

9. Net Assets and Fund Balances

As discussed previously, net assets on the government-wide financial statements and the proprietary fund financial statements are reported in three categories: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

Reservations of fund balance on the governmental fund financial statements indicate that a portion of the fund balance is not available for appropriation and expenditure or is legally segregated for a specific future use. Fund balance designations are established to indicate tentative plans for financial resource utilization in a future period. Such designations reflect managerial plans or intent as distinguished from legally required reserves.

F. Proprietary Fund Operating Revenues and Expenses

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

G. New Accounting Pronouncements

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

GASB Statement No. 39: Determining Whether Certain Organizations Are Component Units (an amendment of GASB Statement No. 14)

GASB Technical Bulletin 2004-1: Tobacco Settlement Recognition and Financial Reporting Entity Issues

NOTE 2 - FUND BALANCES

A. Restatements

Fund balances and Net Assets as of October 1, 2003 have been restated for certain accounting changes necessary to conform to GAAP.

(Amounts In Thousands)	Sept. 30, 2003 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2003 As Restated
<u>Primary Government</u>			
Governmental Funds			
General Fund	\$ 163,045	\$ 16,761	\$ 179,806
Education Trust Fund	409,262	(812)	408,450
Alabama Trust Fund	2,265,359	-	2,265,359
Medicaid Fund	(57,540)	-	(57,540)
Public Road & Bridge Fund	479,560	27,696	507,256
Public Welfare Trust Fund	26,952	(598)	26,354
Nonmajor Governmental Funds	1,110,793	(11,299)	1,099,494
Total Governmental Funds	<u>\$ 4,397,431</u>	<u>\$ 31,748</u>	<u>\$ 4,429,179</u>
Proprietary Funds			
Unemployment Compensation	\$ 287,239	\$ (853)	\$ 286,386
State Port Authority	180,331	-	180,331
Alabama College System	488,348	521	488,869
Alcoholic Beverage Control Board	(2,712)	-	(2,712)
Public Ed Employees' Health Insurance	(6,179)	-	(6,179)
Nonmajor Enterprise Funds	24,763	1,995	26,758
Internal Service Funds	149,468	(2,994)	146,474
Total Proprietary Funds	<u>\$ 1,121,258</u>	<u>\$ (1,331)</u>	<u>\$ 1,119,927</u>
Governmental Activities			
September 30, 2003, as Previously Reported	\$ 8,606,598		
Capital Asset Restatements	10,233,526		
Long-term Debt Restatements	(43,020)		
Governmental Fund Restatements	31,748		
Internal Service Fund Restatements	(2,994)		
Government-wide Restatements	4,030		
Net Assets, October 1, 2003, as Restated	<u>\$ 18,829,888</u>		

The restatements of \$16,761,000 and \$27,696,000 in the General Fund and the Public Road and Bridge Fund, respectively, were largely the result of an increase in the tax accruals for the prior year. In the nonmajor governmental funds, \$9,782,000 was the result of a restatement in a long-term loan from an internal service fund. The majority of the \$10,233,526,000 restatement in Government-wide Capital Assets resulted from the implementation of GASB 34's requirement to record the historical costs of the State's infrastructure.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

(Amounts In Thousands)	Sept. 30, 2003 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2003 As Restated
<u>Component Units</u>			
Public School and College Authority	\$ (1,197,446)	\$ 106	\$ (1,197,340)
Mental Health	47,351	68,301	115,652
Housing Finance Authority	198,687	-	198,687
Water Pollution Control Authority	202,188	(4)	202,184
University of Alabama	2,531,068	80,635	2,611,703
Auburn University	669,911	187,442	857,353
University of South Alabama	218,192	240,917	459,109
Other Component Units	411,050	45,899	456,949
Total Component Units	<u>\$ 3,081,001</u>	<u>\$ 623,296</u>	<u>\$ 3,704,297</u>
<u>Fiduciary Funds</u>			
Pension Trust Funds	\$ 23,957,665	\$ -	\$ 23,957,665
Private Purpose Trust Funds	684,063	-	684,063
Total Fiduciary Funds	<u>\$ 24,641,728</u>	<u>\$ 0</u>	<u>\$ 24,641,728</u>

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

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$52,957,000 leading to a total deficit in fund balance of \$52,229,000. This was caused by the accrual of claims outstanding on September 30, 2004. The expense was recognized in 2004 along with a receivable for the federal share of the claim. The state matching money will not be available until 2005 when the claims will be paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$2,608,000 at September 30, 2004, although the total net assets was a positive \$439,000. The deficits are largely due to the accrual of liabilities for compensated absences and salaries payable made in 2004. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Public Education Employee Health Insurance Plan, a major enterprise fund, had a deficit in net assets of \$24,191,000 at September 30, 2004. The accrual of claims that will be paid with revenues earned in 2005 was the primary reason for the deficit.

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of \$10,356,000. The Authority has a deficit balance of \$26,588,000 in net assets invested in capital assets, net of related debt while having a positive unrestricted net assets balance of \$16,232,000. 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.

Environmental Management, a nonmajor special revenue fund, had a deficit in unreserved, undesignated fund balance of \$1,759,000, creating a deficit in total fund balance of \$1,754,000. The major reason for the deficit is an interfund loan from Risk Management to finance a building.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,318,043,000 causing a deficit in total net assets of \$1,305,076,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues.

The Alabama Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$5,138,000, and the overall total net assets balance is a positive \$17,439,000. Almost all of the Commission's assets are capital assets.

The Incentives Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$131,288,000, with an overall deficit in total net assets of \$121,195,000. The Authority issues bonds to raise money to fund financial commitments to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues.

The Twenty-first Century Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$82,747,000, creating a deficit in total net assets of \$82,342,000. The Authority issues bonds for the purpose of promoting economic development and industrial recruitment in the State and therefore the Authority accumulates few assets. The debt will be repaid with future revenues from the tobacco settlement.

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets balance of \$11,821,000. The Authority issues bonds to finance projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$10,954,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues.

The Tennessee Valley Exhibit Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$1,549,000. The Authority still has significant debt from the construction of a building it no longer owns.

The Historical Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$2,550,000 while the overall net assets balance was a positive \$78,569,000. Almost all of the Commission's assets are capital assets.

NOTE 3 - ASSETS

A. Cash Deposits

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 repurchase agreements, 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.

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

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

2. Fiduciary Funds

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

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

3. Component Units

Alabama Water Pollution Control Authority (AWPCA) The AWPCA is authorized to invest in (a) any debt securities that are direct or general obligations of the U. S.; (b) any debt security unconditionally guaranteed (principal and interest) by the U. S.; and (c) repurchase agreements collateralized by securities of the type described in (a) and (b) above or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an 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 (AHFA) - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

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

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

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

C. Investment Credit Risk

The tables on the following pages summarize the carrying and fair value of the State's investments by type and categorizes the investments by level of credit risk as follows:

Category 1 - Insured or registered, or securities held by the State or its agent in the State's name.

Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 - Uninsured or unregistered, with securities held by the counterparty, or its trust department or agent, but not in the State's name.

Investments not required to be categorized are presented "below the line," followed by reconciling items between this note and the total investments as shown on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

INVESTMENT CREDIT RISK
PRIMARY GOVERNMENT AND FIDUCIARY FUNDS
(Amounts in Thousands)

	Category			Carrying and
	1	2	3	Fair Value
<u>Investments Categorized</u>				
Commercial Paper	\$ 50,348	\$ 11,194	\$ 494,428	\$ 555,970
U S Government Guaranteed Securities	461,715	3,224	-	464,939
U S Agency Securities	1,463,114	63,004	-	1,526,118
International Securities	2,456,090	-	131,853	2,587,943
State and Local Government Securities	5,031	-	-	5,031
Mortgage-backed Securities	624,438	5,949	-	630,387
Corporate Bonds	3,764,047	2,820	-	3,766,867
Common and Preferred Stocks	11,844,367	10,978	26	11,855,371
Repurchase Agreements	8,372	197,706	-	206,078
Subtotal				21,598,704
<u>Investments Not Categorized</u>				
Real Estate and Mortgages				1,583,667
Mutual Funds				3,379,876
Private Placements				2,817,060
Stock Lent Under Securities Lending for Cash Collateral				1,892,905
Total Primary Government and Fiduciary Funds	\$ 20,677,522	\$ 294,875	\$ 626,307	\$ 31,272,212
<u>Reconciliation to the Government-wide Statement of Net Assets</u>				
Investments Per Investment Note				\$ 31,272,212
Certificates of Deposit †				71,305
Cash Equivalents †				(200,590)
Investments Classified as Restricted Assets				(1,313)
Securities Purchased with Securities Lending Collateral				(1,956,506)
Fiduciary Funds				(26,391,235)
Investments per Government-wide Statement of Net Assets				\$ 2,793,873

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

INVESTMENT CREDIT RISK
DISCRETELY PRESENTED COMPONENT UNITS
(Amounts in Thousands)

	Category			Carrying and Fair Value
	1	2	3	
<u>Investments Categorized</u>				
U S Government Guaranteed Securities	1,048,966	3,078	65,658	1,117,702
U S Agency Securities	906	-	-	906
Mortgage-backed Securities	615,393	-	-	615,393
Corporate Bonds	55,829	-	-	55,829
Common and Preferred Stocks	87,532	-	-	87,532
Repurchase Agreements	149,875	165,652	-	315,527
University Pooled Investments	242,546	-	-	242,546
Subtotal				2,435,435
<u>Investments Not Categorized</u>				
Real Estate and Mortgages				20,616
Mutual Funds				176,498
Pooled Investments				1,848,030
Guaranteed Investment Contracts				64,311
Private Placements				7,503
Trusts Held By Others				5,549
Total Component Units	\$ 2,201,047	\$ 168,730	\$ 65,658	\$ 4,557,942

Reconciliation to Government-wide Statement of Net Assets

Investments Per Investment Note	\$ 4,557,942
Certificates of Deposit †	9,608
Cash Equivalents †	(21,644)
Securities Purchased with Securities Lending Collateral	(4,396)
Investments Classified as Restricted Assets	(3,078)
Investments per Government-wide Statement of Net Assets	\$ 4,538,432

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 custodian, State Street Bank and Trust Company, administers the program for the TRS, ERS, JRF, and ATF. Certain securities from the TRS, ERS, JRF, and ATF are loaned to borrowers approved by the Retirement Systems of Alabama (RSA). Approved borrowers of securities provide acceptable collateral in the form of cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, sovereign debt, Canadian Provincial debt, convertible bonds, irrevocable bank letters of credit by a person other than the borrower or an affiliate of the borrower if State Street determines to be appropriate, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, ATF, 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 TRS, ERS, JRF, and ATF cannot pledge or sell collateral securities received unless the borrower defaults. Therefore, securities lent that are collateralized by other securities are categorized in the investment credit risk table based on how the collateral received is held. The securities received as collateral are not categorized since these securities cannot be sold or pledged without borrower default.

Cash collateral is invested in the State Street Quality D Short-term Investments Fund. As a result, the securities purchased with cash collateral are categorized in the investment credit risk tables based on how they are held. The securities lent are included in the investment credit risk tables in the "Investments Not Categorized" section of the table. As of September 30, 2004, the cash collateral investments had a weighted-average maturity of one day for the TRS, ERS and JRF, and three and a half days for the ATF. Also, the average term of the loans was one day for the TRS and JRF, 2 days for the ERS, and 3 days for the ATF. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2004, the fair value of the securities on loan was \$1,110,513,000, \$524,547,000, \$14,503,000, and \$148,775,676 for the TRS, ERS, JRF, and ATF, respectively. The fair value of the collateral pledged by the borrowers was \$1,145,066,000, \$540,238,000, \$14,804,000, and \$151,989,884 for the TRS, ERS, JRF, and ATF, respectively. Since the amounts owed by the TRS, ERS, JRF, and ATF exceeded the amounts the borrowers owed to the TRS, ERS, JRF, and ATF, there was no credit risk exposure as of September 30, 2004. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

E. Mortgage-Backed Securities

The State of Alabama periodically invests in mortgage-backed securities to improve yield and adjust the duration of the State's fixed income portfolio. These securities are subject to change in fair value due to changes in interest rates. Credit risk (the risk that the counterparty might be unable to meet its obligations) results from the same considerations as other counterparty risk assumed by the State.

F. Derivatives

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

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

The agreement had a negative fair market value at September 30, 2004 of \$17,698,981. This fair market value came from mark to market valuations provided by the swap providers. The following are the risks associated with the swap agreement:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

G. Capital Assets

Historical costs for infrastructure assets are included in this year's Comprehensive Annual Financial Report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2004, 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	\$ 121,782	\$ 19,724	44	\$ 141,462
Historical Exhibits	2,657	-	-	2,657
Construction in progress	16,367	24,317	9,732	30,952
Construction in progress - Infrastructure	3,569,819	491,673	647,252	3,414,240
Infrastructure	10,797,362	647,252	-	11,444,614
Total	14,507,987	1,182,966	657,028	15,033,925
Capital assets being depreciated:				
Buildings	954,263	11,969	1,294	964,938
Equipment	484,169	58,928	45,970	497,127
Total	1,438,432	70,897	47,264	1,462,065
Less accumulated depreciation:				
Buildings	421,210	22,154	702	442,662
Equipment	288,805	44,253	33,147	299,911
Total	710,015	66,407	33,849	742,573
Total capital assets being depreciated, net	728,417	4,490	13,415	719,492
Governmental-type activities capital assets, net	\$ 15,236,404	\$ 1,187,456	\$ 670,443	\$ 15,753,417
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 1,890			
Social Services	3,506			
Education and Cultural Resources	3,745			
Natural Resources and Recreation	3,960			
Health - Physical & Mental	4,026			
General Government	10,921			
Protection of Person & Property	18,945			
Transportation	19,414			
Total Depreciation Expense	\$ 66,407			

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 50,893	-	153	\$ 50,740
Historical Exhibits	2,350	-	-	2,350
Construction in progress	25,301	21,534	0	46,835
Total capital assets not being depreciated	<u>78,544</u>	<u>21,534</u>	<u>153</u>	<u>99,925</u>
Capital assets being depreciated:				
Buildings	855,455	30,200	0	885,655
Equipment	319,505	18,348	2,171	335,682
Total capital assets being depreciated	<u>1,174,960</u>	<u>48,548</u>	<u>2,171</u>	<u>1,221,337</u>
Less accumulated depreciation				
Buildings	340,284	24,727	0	365,011
Equipment	173,852	12,603	394	186,061
Total accumulated depreciation	<u>514,136</u>	<u>37,330</u>	<u>394</u>	<u>551,072</u>
Total capital assets being depreciated, net	<u>660,824</u>	<u>11,218</u>	<u>1,777</u>	<u>670,265</u>
Business-type activities capital assets, net	<u>\$ 739,368</u>	<u>\$ 32,752</u>	<u>\$ 1,930</u>	<u>\$ 770,190</u>
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 17,000			
Alabama College System	19,263			
Alcoholic Beverage Control Board	651			
Other Nonmajor Enterprise Funds	416			
Total Depreciation Expense	<u>\$ 37,330</u>			

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Component Units:				
Capital assets not being depreciated:				
Land	\$ 131,251	\$ 1,983	\$ 1,960	\$ 131,274
Historical Exhibits	71,660	2,876	30	74,506
Construction in progress	429,435	232,244	107,739	553,940
Total capital assets not being depreciated	632,346	237,103	109,729	759,720
Capital assets being depreciated:				
Buildings	3,351,478	244,824	45,736	3,550,566
Equipment	1,449,456	156,621	45,239	1,560,838
Total capital assets being depreciated	4,800,934	401,445	90,975	5,111,404
Less accumulated depreciation				
Buildings	1,453,116	137,607	3,249	1,587,474
Equipment	968,192	91,309	6,137	1,053,364
Total accumulated depreciation	2,421,308	228,916	9,386	2,640,838
Total capital assets being depreciated, net	2,379,626	172,529	81,589	2,470,566
Component Units capital assets, net	\$ 3,011,972	\$ 409,632	\$ 191,318	\$ 3,230,286
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	\$ 511			
Mental Health	3,317			
Water Pollution Control Authority	226			
University of Alabama	133,558			
Auburn University	28,940			
University of South Alabama	31,888			
Other Nonmajor Component Units	30,476			
Total Depreciation Expense	\$ 228,916			

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government

At September 30, 2004, the Department of Transportation had construction and maintenance contracts of \$2,411,902,649. The amount already performed was \$1,928,203,162, leaving an outstanding balance of \$483,699,487. The funding sources for this amount are 54 percent Federal funds, 37 percent State and local funds, and 9 percent bonds.

The State Port Authority had commitments for capital expenditures of approximately \$34,100,000 at September 30, 2004.

b. Component Units

The University of Alabama at Birmingham had construction and acquisition commitments remaining at September 30, 2004, of \$357,605,000. These costs will be financed from bond proceeds and UAB reserves of \$262,897,000, federal funds of \$50,597,000, state funds of \$24,245,000, and other non-UAB funding sources of \$19,866,000. During 2004, approximately \$134,423,000 of construction was financed through debt proceeds. In addition, certain projects in the planning and design phase that UAB expects to complete have estimated costs totaling \$146,637,000.

The University of Alabama at Tuscaloosa had construction and renovation contracts remaining at September 30, 2004, of \$40,000,000. These costs are expected to be financed from gifts, grants, bond proceeds, and University funds.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$39,000,000. At September 30, 2004, the estimated remaining cost to complete the projects was approximately \$26,000,000 payable from University funds.

At September 30, 2004, Jacksonville State University had commitments on construction projects which included \$2,867,748 on renovating and expanding Ayers Hall, McClellan Building #3181, Houston Cole Library and the Stephenson Multipurpose Athletic Building.

Troy State University had construction and renovation projects for Memorial Stadium, Recreations Center, new labs, Bibb Graves Quad, and Whitley Hall remaining at September 30, 2004 of \$4,033,464.

The University of Alabama at Huntsville had a construction contract for North Campus Residence Hall remaining at September 30, 2004 of \$9,600,000. The costs are expected to be paid from bond proceeds.

2. Operating Leases

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

3. Federal Programs

The State operates several Federal programs that have commitments for claims outstanding at September 30, 2004. These claims involve services provided to beneficiaries prior to September 30, but the claims were neither submitted to nor approved for payment by the State until after September 30. The amounts of these programs are not material.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$38,585,000 of its net assets for fiscal year September 30, 2004 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 six years. The amount outstanding is \$12,000,000. The Education Trust Fund is being used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay Bellsouth \$4,897,438 for the next seven years in the form of actual payments and tax credits. The amount outstanding is \$34,282,069. The General Fund is being used to liquidate this debt.

C. Long-term Debt

1. Debt Limitations and Methods of Bond Issuance

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

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

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

2. General Obligation Bonds – Governmental Activities

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

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 50,130,000	\$ 16,714,675	\$ 66,844,675
2006	47,792,111	18,797,850	66,589,961
2007	43,839,880	25,624,876	69,464,756
2008	28,932,800	19,684,584	48,617,384
2009	16,225,000	12,349,949	28,574,949
2010-2014	84,940,000	50,457,969	135,397,969
2015-2019	104,555,000	28,598,563	133,153,563
2020-2022	53,295,000	4,165,083	57,460,083
Total	429,709,791 †	\$ 176,393,549 †	\$ 606,103,340
Unamor Prem	1,771,045		
	\$431,480,836		

† The liability reported on the balance sheet includes \$13,730,591 for the accretion of interest on capital appreciation bonds. The above table shows interest in the year it is paid, not the year it is accrued.

<u>General Obligation Issue</u>	<u>Date</u>	<u>Final</u>	<u>Interest</u>	<u>Bonds Payable</u>
	<u>Issued</u>	<u>Maturity Date</u>	<u>Rates</u>	<u>Sept. 30, 2004</u>
Series 1999				
Series A Refunding Bonds	07/15/99	10/01/07	4.6% to 5.5%	\$ 13,445,382 †
Series B Refunding Bonds	07/15/99	10/01/09	3.8% to 5.0%	9,405,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	51,740,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	15,815,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	94,510,000
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	5,450,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	84,000,000
Series 2002				
Series A - Capital Improvement Bonds	09/01/02	09/01/22	3.0% to 5.0%	51,075,000
Sub-total General Obligation Bonds				443,440,382
‡ Plus: Unamortized Premiums				1,771,045
Total General Obligation Bonds				\$ 445,211,427

† The amount outstanding includes \$13,730,591 accretion of interest.

‡ Unamortized premiums were \$844,035 for Series 2001-E and \$927,010 for Series 2002-A.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

3. Revenue Bonds

a. Primary Government – Governmental Activities

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

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

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

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

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

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

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

b. Primary Government – Business Type Activities

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

The Alabama College System has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. The total principal amount outstanding on these bonds is \$153,880,000 for the Alabama College System and \$2,585,000 for Athens State.

PRIMARY GOVERNMENT					
Governmental Activities	Date	Final	Interest	Bonds	
Revenue Bonds	Issued	Maturity	Rates	Payable	
		Date		Sept. 30, 2004	
Alabama Industrial Access Road and Bridge Corporation					
Capital Improvement Bonds, Series 1995	08/01/95	06/01/05	4.55% to 4.90%	\$	1,305,000
Alabama Corrections Institution Finance Authority					
Series 1993-A Refunding Bonds	08/01/93	04/01/06	4.50% to 5.20%		8,740,000
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%		14,800,000
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%		4,000,000
Montgomery Downtown Redevelopment Authority					
Series 2002	07/25/02	10/01/13	2.30% to 5.00%		43,265,000
Alabama Building Renovation Finance Authority					
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%		21,300,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%		11,985,000
Alabama Judicial Building Authority					
Series 1996 Current Interest Bonds	12/01/96	01/01/06	4.20% to 4.85%		7,580,000
Series 1996 Capital Appreciation Bonds	12/01/96	01/01/14	5.15% to 5.75%		22,845,027 †
Alabama Public Health Care Authority					
Series 1996	05/15/96	10/01/25	5.20% to 7.00%		27,795,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		180,495,000
Sub-total Revenue Bonds Payable					344,110,027
‡ Less: Unamortized Discounts					(62,581)
§ Plus: Unamortized Premiums					5,971,214
†† Less: Unamortized Loss					(2,589,393)
Net Primary Government					
Revenue Bonds Payable, Governmental Activities				\$	347,429,267

† Balance includes the accretion of interest on capital appreciation bonds in the amount of \$7,650,588 for the Judicial Building Authority 1996 Capital Appreciation Bonds

‡ Unamortized Discount \$62,581 for Alabama Building Renovation Finance Authority.

§ Unamortized premium is \$2,630,524 for Federal Aid Highway Finance Authority, \$2,839,580 for Montgomery Downtown Redevelopment Authority and \$501,110 for Alabama Corrections Institution Finance Authority .

†† Unamortized accounting losses were \$689,530 for the Alabama Building Renovation Finance Authority, \$1,673,930 for Montgomery Downtown Redevelopment Authority and \$225,933 for Alabama Corrections Institution Finance Authority.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

PRIMARY GOVERNMENT-Business-Type Activities	Date	Final	Interest	Bonds Payable
Revenue Bonds, Proprietary Funds	Issued	Maturity Date	Rates	Sept. 30, 2004
State Port Authority †				
Series 1996	03/01/96	10/01/21	6.10% to 6.30%	\$ 58,000,000
Series 1997	09/01/97	10/01/17	4.90% to 5.38%	34,665,000
Series 1998, Refunding Bonds	07/08/98	10/01/22	5.25% to 6.00%	73,695,000
Series 2001	12/01/01	10/01/26	5.25% to 5.25%	17,855,000
Alabama College System	Various	Various	3.50% to 13.61%	156,465,000
Sub-total Revenue Bonds Payable, Proprietary Funds				340,680,000
§ Less: Unamortized Discounts				(3,388,694)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 337,291,306

§ Unamortized discounts \$3,388,694 for Alabama State Port Authority.

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

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

Revenue Bonds

Debt Service Requirements to Maturity

Governmental Activities			Business-type Activities	
Maturity	Principal	Interest	Principal	Interest
2005	\$ 26,505,000	\$ 15,600,822	\$ 14,687,083	\$ 16,979,873
2006	26,600,000	14,454,725	15,379,167	16,790,254
2007	21,466,511	14,925,460	16,064,167	15,740,452
2008	22,171,923	14,213,291	16,799,166	15,007,078
2009	22,933,474	13,377,010	29,089,167	17,762,668
2010-2014	122,472,533	51,915,525	75,268,750	54,853,555
2015-2019	69,470,000	13,976,509	83,905,000	37,366,099
2020-2024	20,620,000	4,718,006	79,856,667	13,603,826
2025-2029	4,220,000	256,800	9,630,833	777,837
Total	336,459,441	\$ 143,438,148	340,680,000	\$ 188,881,642
Unamort Prem	5,971,214		-	
Unamort Loss	(2,589,393)		-	
Unamort Disc	(62,581)		(3,388,694)	
	\$ 339,778,681 †		\$ 337,291,306	

† The liability reported on the balance sheet includes \$7,650,586 for the accretion of interest on Alabama Judicial Building capital appreciation bonds. The above table shows interest in the year it will be paid, not the year it is accrued.

c. Component Units

The Alabama Incentives Finance Authority issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds. At September 30, 2004, the outstanding principal balance of the 1999C bonds was \$40,105,000. The interest rates for the Series 1999C bonds are variable and conditional. The 1999C bonds bear interest at the Weekly Rate, Term Rate or Bank Rate. The rate at 9/30/04 was 1.9%. In fiscal year 2004, the 1995B bonds in the principal amount of \$33,874,000 were reclassified from a bond payable to a loan to the Risk Management internal service fund.

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

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

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

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

The Tennessee Valley Exhibit Commission issued bonds for the purpose of funding the Tennessee Valley Exhibit Center. The full faith and credit of the State do not back these revenue bonds. The principal and interest requirements on these bonds are payable from the revenues of the Commission. If these revenues are insufficient, then the "in lieu of taxes" payments made to the State by the Tennessee Valley Authority are used to pay the debt.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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, 2004, the outstanding principal balance of the 2001 bonds was \$9,615,000. The interest rate for the 2001 bonds is variable and determined by the Remarketing Agent. The rate at September 30, 2004 was 1.68%.

The Alabama Higher Education Loan Corporation issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the federal Guaranteed Student Loan Program. The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guarantee payments on defaulted loans, proceeds from any sale of loans, issuance of refunding bonds, and if necessary, by drawing on the corporation's irrevocable letters of credit. The interest rate for the 1998-A bonds is an auction rate based on an auction period of 35 days. The rate at September 30, 2004 was 1.52%.

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

COMPONENT UNITS	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2004
Revenue Bonds				
Alabama Incentives Finance Authority				
Series 1999-A	10/01/99	10/01/29	6.00% to 6.00%	23,970,000
Series 1999-B	10/01/99	10/01/29	6.25% to 7.88%	64,590,000
Series 1999-C	10/01/99	10/01/29	Variable	40,105,000
Alabama Public School and College Authority				
Refunding Bonds, Series 1993	03/01/93	12/01/05	4.30% to 5.00%	61,330,000
Refunding Bonds, Series 1993-A	10/01/93	08/01/06	4.10% to 6.00%	26,745,000
Series 1996	01/15/96	11/01/07	4.50% to 5.25%	146,570,000
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	300,000,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
Series 1999-B	09/01/99	09/01/09	7.10% to 7.15%	70,640,000
Series 1999-C	10/01/99	07/01/19	5.50% to 5.75%	250,000,000
Series 1999-D	11/01/99	08/01/19	5.00% to 6.00%	201,080,000
Capital Improvement Bonds, Series 2001A	05/15/01	02/01/21	4.50% to 5.63%	83,740,000
Series 2001-B	12/15/01	05/01/08	5.00% to 5.63%	12,075,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	83,870,000
Series 2002-A	08/21/02	02/01/22	3.00% to 5.00%	99,145,000
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%	106,045,000
State Industrial Development Authority				
Special Tax Bonds, Series 1995	01/01/95	01/01/05	5.50% to 6.00%	2,000,000
Special Tax Bonds, Series 1998	02/01/98	02/01/08	4.00% to 4.30%	7,030,000
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	4,800,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	4,350,000
Mental Health Finance Authority				
Series 1995	07/01/95	05/01/15	4.75% to 5.50%	39,235,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	2,155,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	45,390,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	100,885,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	10,880,000
Sub-Total Revenue Bonds, Component Units				\$ 1,832,695,000

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STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2004
Sub-Total from previous page				\$ 1,832,695,000
Alabama Housing Finance Authority				
Single family Bond Programs	1992-2003	2006-2036	Various	609,022,000
Multi-family Bond Programs	1989-2004	2009-2045	Various	282,400,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 1994	12/01/94	08/15/17	5.85% to 6.95%	36,720,000
Revolving Fund Loan Bonds, Series 1996-A	01/15/96	08/15/18	5.00% to 5.25%	33,255,000
Revolving Fund Loan Bonds, Series 1996-B	11/01/96	08/15/20	5.25% to 5.50%	33,220,000
1997 Refunding Bonds Maturing in August	10/01/97	08/15/12	4.50% to 5.00%	32,360,000
1997 Refunding Bonds Maturing in February	10/01/97	02/15/13	4.50% to 5.00%	6,885,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	50,165,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	52,760,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	53,980,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	56,860,000
Revolving Fund Loan Bonds, Series 2002A	01/15/02	08/15/24	3.00% to 5.10%	31,060,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	48,825,000
Revolving Fund Loan Bonds, Series 2003A	01/01/03	08/15/26	3.00% to 5.00%	30,985,000
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	49,710,000
Revolving Fund Loan Bonds, Series 2003C	08/01/03	08/15/15	2.50% to 4.25%	10,595,000
Revolving Fund Loan Bonds, Series 2004A	04/01/04	08/15/16	2.00% to 4.00%	34,580,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	29,415,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	7,480,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,895,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	23,815,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	32,970,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	38,915,000
Alabama Space Science Exhibit Finance Authority				
Space Camp Habitat	08/01/92	08/01/07	6.10% to 6.50%	990,000
Refunding Bonds, Series 1995-A	12/01/95	12/01/06	5.00% to 5.90%	1,505,000
Series 1995-B	12/01/95	12/01/10	6.25% to 6.25%	3,520,000
Series 2001	01/24/01	10/01/22	Conditional	9,615,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 1994-C	Apr 1994	Mar 2009	4.50% to 6.10%	5,490,000
Student Loan Revenue Bonds, Series 1994-D	Apr 1994	Sept 2010	4.50% to 6.15%	12,910,000
Student Loan Revenue Bonds, Series 1998-A	June 1998	Mar 2033	Various	25,000,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,482,597,000

Continued on next page

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2004
Sub-Total from previous page				\$ 3,482,597,000
Higher Education				
University of Alabama - Tuscaloosa	1997	2034	2.00% to 5.00%	319,780,000
University of Alabama - Birmingham	1993	2031	2.00% to 6.00%	648,160,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 6.00%	61,876,000
Alabama A&M University	1998	06/01/26	4.45% to 5.38%	59,415,000
Alabama State University	1965	07/01/23	1.90% to 8.50%	63,744,000
Auburn University	1971	2034	1.40% to 7.00%	296,547,515
Jacksonville State University	1993	2020	2.25% to 5.00%	25,935,000
University of West Alabama	12/1/67	6/1/19	3.00% to 3.00%	3,440,000
University of Montevallo	1985	2023	3.00% to 5.30%	14,137,000
University of North Alabama	1999	2035	3.65% to 5.40%	25,290,000
University of South Alabama	1993	2024	2.80% to 5.25%	124,067,000
Troy State University System	1998	2029	2.75% to 4.70%	53,695,000
Total Revenue Bonds Payable				5,178,683,515
Less: Unamortized Discounts				(15,666,849) †
Less: Unamortized Loss				(16,008,533) ‡
Plus: Unamortized Premium				21,012,105 §
Net Revenue Bonds Payable, Component Units				\$ 5,168,020,238

† Unamortized discounts were \$12,269,634 for the University of Alabama - Birmingham, \$171,157 for Alabama State University,

\$118,340 for the University of Montevallo, \$822,470 for the Drinking Water Authority, \$28,186 for the Space Science Exhibit Commission,

\$1,360,733 for Auburn University, \$45,000 for State Industrial Development Authority, \$48,282 for Tennessee Valley Exhibit Commission,

\$444,000 for the University of South Alabama and \$359,047 for the University of North Alabama.

‡ Unamortized accounting loss was \$2,769,694 for Alabama State University, \$711,546 for the Alabama Space and Science Commission,

\$7,899,355 for the Water Pollution Control Authority, \$38,076 for the Tennessee Valley Commission, \$2,683,601 for the

University of Alabama - Tuscaloosa, and \$1,906,261 for Auburn University.

§ Unamortized premiums were \$416,459 for the University of Alabama - Tuscaloosa, \$5,978,865 for Auburn University, \$1,683,730 for

Alabama Twenty-first Century Authority, \$9,344,549 for Alabama Public School and College Authority, \$2,311,000 for the University of S. Alabama, and \$1,277,502 to the Water Pollution Control Authority.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

COMPONENT UNITS

Debt Service Requirements to Maturity

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 308,389,144	\$ 228,553,663	\$ 536,942,807
2006	239,823,942	229,476,020	469,299,962
2007	214,373,903	219,246,780	433,620,683
2008	224,277,440	210,454,430	434,731,870
2009	225,478,294	199,693,187	425,171,481
2010-2014	1,099,062,350	839,641,970	1,938,704,320
2015-2019	1,128,658,258	564,861,034	1,693,519,292
2020-2024	762,449,184	313,035,641	1,075,484,825
2025-2029	534,677,000	155,164,758	689,841,758
2030-2034	287,854,000	63,374,157	351,228,157
2035-2039	152,470,000	4,029,981	156,499,981
2040-2044	950,000	198,000	1,148,000
2045-2049	220,000	6,000	226,000
Total	5,178,683,515 †	\$ 3,027,735,621	\$ 8,206,419,136
Unamort Disc	(15,666,849)		
Unamort Loss	(16,008,533)		
Unamort Prem	21,012,105		
	\$ 5,168,020,238		

† 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.

On April 1, 2004, the Alabama Water Pollution Control Authority issued \$34,580,000 Series 2004A refunding bonds. The Series 2004A were issued for the purpose of refunding the outstanding Series 1993 and 1994 bonds. The refunding resulted in an accounting loss of \$917,000. Although the refunding resulted in an accounting loss, the Authority reduced its aggregate debt service of the 1993 and 1994 Series Bonds by approximately \$5.3 million over the next 13 years. The Authority has economic gain of \$2,000,000.

On October 30, 2003, the University of Alabama – Birmingham issued \$25,450,000 Series 2003B General Revenue Bonds which bear interest at 2.0% to 3.0%. The proceeds of the Series 2003B were used to advance refund the outstanding Series 1993C General Revenue Bonds. This current refunding resulted in an accounting loss of \$612,000. The University has economic gain of \$1,514,000.

In April, 2004, the University of Alabama – Birmingham issued \$46,220,000 Series 2004A Hospital Revenue Bonds which bear interest at 2.0% to 5.0%. The Series 2004A net proceeds were used to advance refund the outstanding Series 1993 Hospital Revenue Bonds. This current refunding resulted in an accounting loss of \$1,893,000. The University has economic gain of \$1,820,000.

During the year ended September 30, 2004, the Alabama Housing Finance Authority called approximately \$194,215,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$159,000 and is primarily comprised of the premium paid to retire the bonds.

Defeased Bonds:

Component Units

Auburn University	\$9,360,000
University of Alabama in Tuscaloosa	110,775,000
University of South Alabama	9,115,000

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, 2004, were as follows:

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$1,019,922
Drinking Water Finance Authority	21,972
Alabama Higher Education Loan Corp.	8,964,208
Housing Finance Authority	19,180,000

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

6. Bonds Authorized But Not Issued

Bonds Authorized But Not Issued
(Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds			
State of Alabama	\$ 350,000	\$ 139,955	\$ 210,045
Federal Aid Highway Finance Authority	Unlimited (based on what we receive in federal funds)		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,695	3,305
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Total Primary Government	606,000	241,650	364,350
<u>Component Units</u>			
State Industrial Development Authority †	100,000	38,390	61,610
Mental Health Finance Authority	35,735	20,000	15,735
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments		
Alabama Incentives Financing Authority	175,000	165,220	9,780
Total Component Units	310,735	223,610	87,125
Total Reporting Entity	\$ 916,735	\$ 465,260	\$ 451,475

† 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 9/30/04, \$19,030,000 was outstanding.

7. Forward Delivery Agreements

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

8. Interest Swap Agreement

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

Bonds, Series 1999-A, Capital Improvement Bonds, Series 1999-C, and Capital Improvement Pool Bonds, Series 1999-D (collectively, the “Bonds”). The Authority received a lump sum payment from JPMorgan Chase Bank in return for an option to swap transactions on the Bonds, whereby the Authority will make a fixed rate payment to JPMorgan equal to the fixed rate payments on the Bonds and JPMorgan Chase will make corresponding variable rate payments to the Authority determined by the nationally recognized index, LIBOR. The swap agreement is based on a notional amount of \$710,215,000 and expires on September 1, 2029. The agreement was amended on January 16, 2003 to change the variable rate payments to the Authority from 70% to 67% of the nationally recognized index, LIBOR rate. The option is exercisable in the years 2008 through 2011. As of September 30, 2004, the swap had a negative fair value of approximately \$40,910,423. This valuation was calculated by using proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions. In calculations of the present value of all future cash flows, estimates about future market conditions were performed using reasonable estimates. The Authority received lump sum payments of \$12,587,000.

In December 2002, The Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority’s callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. The counterparty has the option to exercise the agreement on July 18, 2006. If the option is exercised, the interest rate swap will commence on October 1, 2006 with the Authority paying a fixed interest rate of 5.38% and the Authority receiving a variable interest rate of 67% of the one-month LIBOR. The swap agreement is based on a notional amount of \$60,455,000 and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority anticipates issuing variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 bonds. If the option is exercised, and the refunding bonds are not issued, the 1996 Series Bonds will not be refunded and the Authority will make net swap payments as required by the terms of the contract as stated above. The Authority does not anticipate any potential problems with being able to issue the refunding bonds at the future date. As of September 30, 2004, the swap had a negative fair value of approximately \$8,877,000. The swaption is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swaption. In consideration for writing the option the Authority received a premium payment of \$5,025,000.

9. Resolutions Authorizing Issuance of General Obligation Bonds

As security for the State’s obligation for certain commitments made to Hyundai Motor Manufacturing Alabama, LLC (HMMA), the State authorized the issuance of two general obligation bonds payable to HMMA, each in the principal amount of \$27,400,000, which were dated January 1, 2004 and April 1, 2004, respectively. The bonds were held in escrow by a trustee with irrevocable instructions that if the State deposits into the Training Equipment Fund (a State account) the sum \$27,400,000 during the last quarter of 2003 and an additional \$27,400,000 during the first quarter of 2004, the general obligation bonds payable to HMMA would terminate and the bonds would be destroyed without delivery. The State made the two required deposits of \$27,400,000 each, for a total of \$54,800,000, during fiscal year 2004 and the general obligation bonds were terminated and destroyed.

On January 16, 2003, the Amendment 666 Bond Commission, by resolution, authorized the issuance of four bonds, each in the principal amount of \$20 million payable to the Alabama Port Authority, which were being held in escrow. Bond number one was dated January 1, 2004, and matured on July 1, 2004. Bond number two is dated January 1, 2005, and matures on July 1, 2005. Bond number three is dated January 1, 2006, and matures on July 1, 2006. Bond number four is dated January 1, 2007, and matures on July 1, 2007. If the State had made a payment of \$20 million to the Port Authority on or before December 31, 2003, the obligations evidenced by bond number one would have terminated. The State failed to make this payment and the bond dated January 1, 2005 was delivered to the Alabama Port Authority. The remaining three bonds are still being held in escrow. If the State makes a payment of \$20 million on or before December 31, 2004, the obligations evidenced by bond number two shall terminate. If the State makes a payment of \$20 million on or before December 31, 2005, the obligations evidenced by bond number three shall terminate. If the State makes a payment of \$20 million on or before December 31, 2006, the obligations evidenced by bond number four shall terminate.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

10. Notes, Mortgages, and Capital Leases

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Component Units</u>
<u>Maturity</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
2005	\$ 6,270,958	\$ 5,944,265	\$ 17,220,482
2006	6,092,031	1,772,007	12,816,271
2007	5,752,734	1,588,147	11,899,590
2008	5,270,792	1,328,427	4,749,458
2009	3,600,000	1,915,416	3,201,292
2010-2014	8,917,274	4,771,668	6,904,309
2015-2019	2,964,180	570,759	5,684,966
2020-2024	642,479	27,314	6,506,378
2025-2029	224,974	-	7,820,093
2030-2034	-	-	2,384,353
Total	39,735,422	17,918,003	79,187,192
Interest	(1,365,557)	-	(711,373)
Net	<u>\$ 38,369,865</u>	<u>\$ 17,918,003</u>	<u>\$ 78,475,819</u>

During the fiscal year ended September 30, 2004, a capital lease was changed as a result of a refunding by the lessor of tax-exempt debt. Other debt proceeds for the Public Welfare Trust Fund includes \$600,000 as a result of this refunding. The economic gain is \$267,739 and debt service payments are reduced by \$401,702.

11. Changes in Long-Term Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 490,085	\$ 3,202	\$ (48,076)	\$ 445,211	\$ 50,130
Revenue Bonds	369,327	-	(21,898)	347,429	26,505
Capital Leases/Notes/Mortgages	45,724	1,152	(8,506)	38,370	6,271
Forward Delivery Agreement	2,721	-	(907)	1,814	907
Claims & Judgments	53,612	-	(7,330)	46,282	6,897
Compensated Absences †	228,153	18,644	(18,647)	228,150	1,754
Total Governmental Activities	1,189,622	22,998	(105,364)	1,107,256	92,464
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	308,061	42,950	(13,720)	337,291	14,687
Capital Leases/Notes/Mortgages	14,948	4,339	(1,369)	17,918	5,944
Compensated Absences †	20,547	516	(1,523)	19,540	1,755
Other Long-Term Liabilities ‡	3,875	1,988	(3,875)	1,988	-
Total Business-Type Activities	347,431	49,793	(20,487)	376,737	22,386
Total Primary Government	\$ 1,537,053	\$ 72,791	\$ (125,851)	\$ 1,483,993	\$ 114,850
Component Units:					
Revenue Bonds	5,006,974	1,056,364	(895,317)	5,168,021	308,389
Arbitrage	34,597	1,318	(6,730)	29,185	-
Capital Leases/Notes/Mortgages	63,954	22,934	(8,412)	78,476	17,220
Compensated Absences †	91,285	1,835	(894)	92,226	21,896
Other Long-Term Liabilities §	34,398	24,697	(34,397)	24,698	-
Total Component Units	\$ 5,231,208	\$ 1,107,148	\$ (945,750)	\$ 5,392,606	\$ 347,505

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

‡ Other Long-term liabilities are payable by the State Port Authority.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$14,432,000, Auburn University, \$7,502,000,

Troy State University, \$2,370,000, and University of Alabama-Huntsville, \$392,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

NOTE 5 - INTERFUND ACTIVITY**A. Interfund Balances**

Interfund balances as of September 30, 2004 consisted of (amounts in thousands):

DUE TO	DUE FROM											Total
	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Unemployment Compensation	Alcoholic Beverage Control Board	Fiduciary Fund	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,160	\$ -	\$ 1,223	\$ 83	\$ 30	\$ 8,496
Education Trust	1	-	-	-	-	-	212	-	54	1	-	268
Medicaid	35	-	-	-	958	-	-	-	2,902	-	-	3,895
Public Road & Bridge Fund	9	-	-	-	-	-	9	-	104	138	3	263
Public Welfare Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-
Alcoholic Beverage Control Board	-	-	3,314	-	-	-	5,803	-	1,541	13	3	10,674
Public Education Employee Health Insur	-	33	-	-	-	-	-	-	-	-	-	33
Fiduciary	-	-	-	-	-	-	-	62	2	3	-	67
Nonmajor Governmental	2,264	6,971	14,877	1,325	1,187	113	270	-	8,397	1,456	514	37,374
Internal Service	1,850	218	331	577	4,205	-	173	5	14,461	1,075	105	23,000
Nonmajor Enterprise	7	-	-	1	-	-	-	-	14	144	94	260
Totals	\$ 4,166	\$ 7,222	\$ 18,522	\$ 1,903	\$ 6,350	\$ 113	\$ 13,627	\$ 67	\$ 28,699	\$ 2,915	\$ 770	\$ 84,354

The Nonmajor Governmental funds have the most interfund payables, \$28,699,000 in total. A large portion of that amount, \$14,461,000 is owed to Internal Service Funds. The Medicaid Fund has the second most interfund payables, \$18,522,000 in total. Most of that amount, \$14,877,000, is owed to Nonmajor Governmental funds. Of that amount, \$7,454,000 is due to Senior Services and \$3,745,000 to Public Health. The Alcoholic Beverage Control Board (ABC) has the third most interfund payables, totaling \$13,627,000. The Board owed \$7,160,000 to the General Fund and \$5,803,000 to the Public Welfare Trust Fund. The Board is required by law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Internal Service Funds hold \$23,000,000 in interfund receivables. 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 second in receivables, at \$10,674,000. In addition to the amount mentioned above that is owed to Public Welfare by ABC, Medicaid owes \$3,314,000.

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

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

B. Balances with Component Units

Balances owed by State funds to component units at September 30, 2004, consisted of (amounts in thousands):

PAYABLE BY	RECEIVABLE BY					Total
	Mental Health	Super-computer	Component Unit	Misc Funds	Fiduciary	
General Fund	\$ 219	\$ 1	\$ -	\$ -	\$ -	\$ 220
Education Trust	59	-	-	-	-	59
Medicaid	43,607	-	-	-	-	43,607
Public Welfare Trust Fund	55	-	-	-	-	55
Nonmajor Governmental	813	100	2	25	-	940
Internal Service	76	-	-	12	-	88
Alcoholic Beverage Control	4,402	-	-	-	-	4,402
Nonmajor Enterprise	-	-	-	1	-	1
Totals	\$ 49,231	\$ 101	\$ 2	\$ 38	\$ -	\$ 49,372

The largest payable was \$43,607,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. The second largest amount is \$4,402,000 owed by Alcoholic Beverage control Board to Mental Health. The Board is required by law to distribute profits and certain taxes collected to other State funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

Balances owed to State funds by component units at September 30, 2004 consisted of (amounts in thousands):

DUE TO	PAYABLE FROM										Total
	Water Pollution	Mental Health	Drinking Water	Historical Commission	Super-computer	Incentives Financing Auth	State Industrial Develop Auth	Misc Component Unit	Fiduciary Funds		
Public Welfare Trust Fund	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89
Alcoholic Beverage Control Bd	-	50	-	-	-	-	-	-	-	-	50
Medicaid	-	16,816	-	-	-	-	-	-	-	-	16,816
Nonmajor Governmental	129	88	3	7	-	-	-	1	1	-	229
Internal Service	-	547	-	25	1	34,390	60	5	83	-	35,111
Nonmajor Enterprise	-	3	-	-	-	-	-	-	-	-	3
Totals	\$ 129	\$ 17,593	\$ 3	\$ 32	\$ 1	\$ 34,390	\$ 60	\$ 6	\$ 84	\$ -	\$ 52,298

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

The component units of the State owe \$52,298,000 to various funds of the State. The largest portion, \$34,390,000 is owed by the Alabama Incentives Finance Authority to the Risk Management Internal Service Fund. The second largest, \$16,816,000 is owed to Medicaid by Mental Health to match federal dollars.

C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2004 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN												Total
	General Fund	Education Trust Fund	Ala Trust Fund	Medicaid	Public Road & Bridge Fund	Public Welfare Trust Fund	Alabama College System	Alcoholic Beverage Control Board	Fiduciary	Nonmajor Governmental	Internal Service Funds	Non-major Enterprise	
General Fund	-	-	-	15,067	-	78,594	-	-	-	72,159	2,180	444	168,444
Education Trust Fund	2,493	-	36,000	-	-	6,622	264,211	-	-	11,277	6,835	-	327,438
Alabama Trust	88,287	-	-	-	-	-	-	-	-	146,731	-	-	235,018
Medicaid	-	-	-	-	-	3,285	-	-	-	127,626	-	-	130,911
Public Road & Bridge Fund	-	-	-	-	-	-	-	-	-	36,987	-	-	36,987
Public Welfare Trust Fund	-	-	-	38,100	108	-	-	-	-	26,413	-	-	64,621
Unemployment Compensation	-	-	-	-	-	-	-	-	-	8,830	-	-	8,830
Port Authority	-	-	-	-	-	-	-	-	-	17	-	-	17
Alcoholic Beverage Control Board	19,152	-	-	-	-	846	-	-	-	111	-	-	20,109
Public Education Employee Health Insur	-	-	-	-	-	-	-	-	-	2	-	-	2
Fiduciary	-	-	-	-	-	-	-	-	-	221	-	-	221
Nonmajor Governmental	27,364	1,237	1,568	49,877	87,272	3,434	-	509	-	98,809	5,621	-	275,691
Internal Service	-	-	-	-	-	-	-	-	600	86	5,929	-	6,615
Nonmajor Enterprise	22	-	-	-	38	-	-	-	-	5,034	2,000	-	7,094
Totals	137,318	1,237	37,568	103,044	87,418	92,781	264,211	509	600	534,303	22,565	444	1,281,998

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 \$168,444,000 transferred to other funds by the General Fund, \$146,464,000 was transferred in compliance with the appropriation acts. Of that amount, \$78,594,000 was transferred to the Public Welfare Trust Fund and \$67,870,000 was transferred to various Nonmajor Governmental Funds. The remainder of the General Fund transfers was made in small amounts to comply with a variety of statutes.

The appropriation acts required the Education Trust Fund to transfer \$319,138,000 to other funds. Of that amount, \$264,211,000 was transferred to subsidize the operations the Alabama College System. The appropriation acts also mandated that the Public Welfare Trust Fund receive transfers of \$6,622,000, the Internal Service Funds \$6,835,000 to fund telephone and computer services, several departments operating from the General Fund received \$2,493,000, the Alabama Trust Fund received \$36,000,000 to partially replenish the Education Rainy Day Account, and \$779,000 was transferred to various Nonmajor Governmental Funds. The remainder of the Education Trust Fund transfers was made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred \$19,152,000 to the General Fund which represents the General Fund's statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with Amendments to the Constitution, is required to transfer to other funds a substantial portion of its investment earnings as well as a portion of new income from offshore oil and gas rights. In compliance with these amendments, the General Fund received \$88,287,000, the Forever Wild Trust Fund, a Nonmajor Governmental Fund, received \$13,149,000, the County and Municipal Improvement Trust Funds, which are Nonmajor Governmental Funds, received \$50,732,000, and the Alabama Capital Improvement Fund, a Nonmajor Governmental Fund received \$82,700,000. The remaining \$150,000 was transferred from the Forever Wild Stewardship Account to the Forever Wild Trust Fund as authorized by the Constitution for maintenance of lands.

D. Interfund Eliminations

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

NOTE 6 - RISK MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

A. The State Insurance Fund

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

The SIF has a \$7,500,000 annual deductible and a \$3,500,000 deductible per occurrence on claims. Excess insurance covers claims exceeding \$7,500,000 with a \$750,000,000 limit. Settlements in fiscal year 2004 and fiscal year 2003 exceeded the SIF's deductibles by \$3,877,401 and \$281,670, respectively.

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

	Sept.30, <u>2004</u>	Sept.30, <u>2003</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$8,407,349	\$7,854,165
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	7,434,787	9,242,184
Increase (Decrease) in provision for insured events of prior years	<u>6,460,144</u>	<u>5,684,351</u>
Total incurred claims and adjustment expenses	13,894,931	14,926,535
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(3,115,328)	(7,664,895)
Claims and adjustment expenses attributable to insured events of prior years	<u>(7,454,205)</u>	<u>(6,708,456)</u>
Total payments	(10,569,533)	(14,373,351)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$11,732,747</u>	<u>\$8,407,349</u>

B. General Liability Trust Fund

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

The GLTF had a \$3,300,000 deductible on claims. Excess insurance coverage was not renewed in April 2002 so they are currently without excess coverage. Settlements in fiscal year 2004 and fiscal year 2003 exceeded the deductibles by \$1,254,458 and \$7,560, respectively.

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

	Sept. 30, <u>2004</u>	Sept. 30, <u>2003</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$27,192,583	\$20,588,778
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	664,463	2,664,826
Increase (Decrease) in provision for insured events of prior years	<u>6,322,093</u>	<u>7,979,487</u>
Total incurred claims and adjustment expenses	6,986,556	10,644,313
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,275,075)	(1,006,310)
Claims and adjustment expenses attributable to insured events of prior years	<u>(5,929,460)</u>	<u>(3,034,198)</u>
Total payments	(7,204,535)	(4,040,508)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$26,974,604</u>	<u>\$27,192,583</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

C. State Employee Injury Compensation Trust Fund

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

The SEICTF has a deductible per occurrence. Settlements in fiscal year 2004 exceeded the deductibles by \$66,589.77. Settlements did not exceed the deductible amounts in fiscal year 2003.

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

	Sept. 30, <u>2004</u>	Sept. 30, <u>2003</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$10,160,800	\$8,123,889
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	1,028,280	2,096,995
Increase (Decrease) in provision for insured events of prior years	<u>578,584</u>	<u>1,877,240</u>
Total incurred claims and adjustment expenses	1,606,864	3,974,235
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(354,997)	(600,570)
Claims and adjustment expenses attributable to insured events of prior years	<u>(1,419,986)</u>	<u>(1,336,754)</u>
Total payments	(1,774,983)	(1,937,324)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$9,992,681</u>	<u>\$10,160,800</u>

D. State Employees' Insurance Plan

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

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

	Sept. 30, <u>2004</u>	Sept. 30, <u>2003</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$33,111,850	\$31,281,302
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	374,416,265	344,788,059
Adjustment to estimated claims incurred but not reported at end of year	<u>4,160,458</u>	<u>5,653,574</u>
Total incurred claims and adjustment expenses	378,576,723	350,441,633
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(345,763,046)	(322,888,177)
Claims and adjustment expenses attributable to insured claims of prior years	<u>(26,642,931)</u>	<u>(25,722,908)</u>
Total payments	(372,405,977)	(348,611,085)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$39,282,596</u>	<u>\$33,111,850</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 \$479 per participant for 2004 and \$433 per participant for 2003. 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 2004 and 2003:

	Sept. 30, <u>2004</u>	Sept. 30, <u>2003</u>
Unpaid claims and claim adjustment expense at beginning of year	\$72,961,693	\$63,966,008
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	743,386,649	669,577,643
Increase (Decrease) in provision for insured events of prior years	<u>(7,980,085)</u>	<u>(3,001,573)</u>
Total incurred claims and adjustment expenses	735,406,564	666,576,070
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(652,929,160)	(596,615,950)
Claims and adjustment expenses attributable to insured events of prior years	<u>(64,981,608)</u>	<u>(60,964,435)</u>
Total payments	(717,910,768)	(657,580,385)
Total unpaid claims and adjustment expenses at end of year	<u>\$90,457,489</u>	<u>\$72,961,693</u>

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

F. Alabama Health Insurance Plan

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

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$9,058,103 and \$9,736,765 in 2004 and 2003, 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, 2004 and 2003:

	Sept. 30, 2004	Sept. 30, 2003
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$4,074,116	\$4,776,916
Incurred claims:		
Provision for insured events of the current year	26,366,544	23,990,661
Increase (Decrease) in provision for insured events of prior years	0	0
Total incurred claims and adjustment expenses	26,366,544	23,990,661
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(25,059,294)	(22,530,151)
Claims and adjustment expenses attributable to insured events of prior years	(2,028,177)	(2,163,310)
Total payments	(27,087,471)	(24,693,461)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$3,353,189</u>	<u>\$4,074,116</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 \$300,000 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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$1,163,519	\$874,209
Provision for claims	434,809	737,870
Total payments	<u>(348,557)</u>	<u>(448,560)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$1,249,771</u>	<u>\$1,163,519</u>

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

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

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

1. Plan Descriptions

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

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

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

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by state law. The retirement benefit provisions are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

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

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

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

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, 2004. Copies may be obtained by writing to:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

At September 30, 2004, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	262
Counties	-	64
Other Public Entities	-	466
Universities	13	-
Post-Secondary Institutions	28	-
City & County Boards of Education	128	-
State Agencies & Other	33	-
Total	<u>202</u>	<u>792</u>

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Investments

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

As of September 30, 2004, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represent approximately 7.7 percent and 10.7 percent respectively, of the net assets held in trust for pension benefits.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuation (June 30, 2003 for TRS and September 30, 2003 for the ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations are prepared using the entry age method for TRS and ERS, and projected unit credit method for JRF. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the TRS, ERS, and JRF funding policies provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that are sufficient to accumulate 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 June 30, 2003 actuarial valuation for TRS and the September 30, 2003 actuarial valuation for ERS. The remaining amortization period for TRS, ERS-state employees, and ERS-state policemen is 20 years, 20 years, and 20 years, respectively.

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 18 years and the period is open.

The required contribution rate of active plan members for TRS and ERS (excluding state police and certified law enforcement, correctional officers and firemen) is 5 percent of earnable compensation. State police members of the ERS are required to contribute 10 percent. JRF members and certified law enforcement, correctional officers, and firemen members of the TRS and ERS are required to contribute 6 percent of earnable compensation.

For fiscal year 2005, the required contribution rate of the employer for ERS (state employees) is 5.57 percent and the rate for TRS is 7.03 percent. The employer contribution rate for ERS state policemen and JRF is 18.03 percent and 21.93 percent, respectively.

a. TRS and JRF

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

	Fiscal Year	Annual Required	Percentage
	<u>Ended</u>	<u>Contribution *</u>	<u>Contributed</u>
TRS	2002	265,670	100%
	2003	235,786	100
	2004	312,474	100
JRF	2002	8,222	100
	2003	8,637	100
	2004	8,994	100

* Amounts in Thousands

b. State Employer Segment of ERS

Contributions in 2004 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2001.

Actuarial Methods and Assumptions for ERS:

Valuation Date: September 30, 2001
 Actuarial Cost Method: Entry Age
 Asset Valuation Method: 5 Yr Smoothed Market
 Amortization Method: Level Percent Open
 Remaining Amort Period: State Employees 13 years, State Policemen 10 years
 Period Closed/Open: Open
 Actuarial Assumptions:
 Investment Rate of Return: 8% *
 Projected Salary Increases: 4.61%-7.75% *
 Cost of Living Increases: None

*Includes inflation at 4.5%

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

Three-Year Trend Information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	46,161,155	100	0
2003	48,703,521	100	0
2004	52,213,176	100	0

B. Other Pension Plans

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

NOTE 8 - DEFERRED COMPENSATION

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

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

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2004, net assets of the plan totaled \$807,643,021.

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

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

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

The cost of teachers' retiree health care benefits is recognized as expenditures to PEEHIP as claims are paid. The cost of the benefits is paid from the regular appropriations made to individual education entities. Total active enrolled members were 98,491 and total retired members were 51,152 in fiscal year 2004. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$121,642,440 was on behalf of retired members of PEEHIP for fiscal year 2004. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$78.00 per month for the coverage. Optionally, the retirees may use this insurance allocation to purchase two plans of supplemental insurance offered by PEEHIP with no out-of-pocket cost. Total premiums paid to PEEHIP by retirees for Hospital/Medical coverage was \$13,682,662 for the year. The retirees must pay additional premiums to cover their dependents.

The State provides health care benefits for retired state employees through SEHIP. The cost of benefits is recognized as an expense in the month in which it is incurred. The State pays 100 percent (\$110 per month) of the premium for a retiree who is over 65 and eligible for Medicare for a total cost to the State in 2004 of \$12,897,610. The State pays a portion of the premium for a retiree who is under 65 at a total cost to the State in 2004 of \$6,439,730. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. Average enrollment in 2004 was 9,771 for retirees over 65 and 4,879 for retirees under 65. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums.

NOTE 10 - RELATED ORGANIZATIONS

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

NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided \$52,522 and \$98,321 to the Authority for fiscal year 2004 and fiscal year 2003, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	<u>2004</u>	<u>2003</u>
Current Assets	\$ 202	\$ 286
Capital Assets	<u>33</u>	<u>33</u>
Total Assets	235	319
Liabilities	-	-
Fund Balance	235	319
Revenues	193	319
Expenditures	277	304

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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 \$255,491 in revenues in 2004, \$40,574 of which was received from the State's General Fund. The remainder was from other revenue sources and the State of Georgia.

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, the colleges and universities are not financially accountable for them; therefore, 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 UAH Eminent Scholar Foundation, the Alabama A & M Foundation, the North Alabama Center for Educational Excellence, the Alabama A&M Research Institute, the Alabama State University Foundation, the Jacksonville State University Foundation, the University of Alabama Birmingham Educational Foundation (UABEF), the University of Alabama Birmingham Research Foundation (UABRF), the University of Alabama Health Services Foundation, P.C. (HSF), the Valley Foundation (VF), and the Troy State University Foundation, Inc.

The University of Alabama Birmingham Educational Foundation made contributions to the University of Alabama at Birmingham of \$6,673,000 during the 2004 fiscal year, and the University generated \$27,809,000 in unrestricted current revenues from transactions with HSF.

The University of Alabama at Birmingham (UAB) and HSF have entered into an agreement dated October 7, 1996 which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$4,982,000 during 2004 to the UAB Health System Board.

NOTE 13 - CONTINGENCIES

A. Grants

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

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

B. Tobacco Settlement

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

C. Litigation

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

Lee v. Macon is a group of cases arising from the desegregation cases filed in the 1960s. The State Board of Education was brought back into these cases in 1997 and is assisting local school districts in negotiating consent decrees with the Justice Department, NAACP Legal Defense, and plaintiffs' attorneys. The goal is the creation of unitary school districts, in which the vestiges of segregation have been removed from all aspects of the operation of public schools. State attorneys continue to work on statewide issues and with local districts for unitary status decrees. A statewide consent decree has been negotiated for special education and is being negotiated for facilities. In February 2005, this matter was referred for mediation and mediation was conducted, with progress being made on a statewide facilities consent decree.

Two ongoing lawsuits, Johnny Reynolds, et al. v. Alabama Department of Transportation, et al., and Eugene Crum, Jr., et al. v. State of Alabama, et al., involve employment discrimination. The Reynolds case is a class action lawsuit alleging that the State of Alabama Department of Transportation engaged in illegal discriminatory practices in the hiring and promoting of employees. The parties in the Reynolds case entered into a court-approved settlement (consent decree) effective in April 1994; however, numerous issues have been raised before the Court regarding the implementation of the settlement. In December 2004, the Federal District Court found the Department of Transportation in complete compliance with seven articles and portions of three articles of the consent decree. The court reduced the requirement of paying fines by fifty percent. In January 2005, the court suspended payment of the remainder of the fines. Numerous motions requesting findings of compliance have been filed. Virtually all of the job classifications used by the Department of Transportation have new examinations and registers for use in hiring. The remaining articles of the consent decree are set to expire December, 2006. The total cost of the Reynolds case has exceeded \$200,000,000. The Crum case is a proposed class action filed in 1994 against all state agencies except the Department of Transportation. The Crum case alleges discrimination in all aspects of employment. The Crum case has cost the State of Alabama over \$4,000,000 in expert costs and attorney fees to prepare a defense to this proposed class action lawsuit, although no class certification hearing has been held. The potential cost of the Crum case is currently undeterminable.

The State of Alabama has been involved in several lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for refunds of the unconstitutional tax, with an estimated total refund or settlement liability of \$150,000,000. Most of the corporations have settled for significantly lesser amounts. The State Legislature enacted laws to remedy the significant loss of revenue.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

The State of Alabama Department of Revenue is also involved in additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. These cases have a combined potential refund liability or loss of revenue of approximately \$20,000,000. Adverse rulings in these cases could also reduce future revenues.

The Department of Human Resources is involved in many lawsuits that occur in the normal course of its operations, the most significant of which is the *R. C. v. Fuller* case concerning the care and custody of emotionally disturbed children and children with behavioral disorders. The Department of Human Resources had until October 1, 2002 to comply, at significant cost, with a consent decree approved by the Court whereby a new child welfare system, known as the "System of Care" will be fully implemented. Currently, all 67 counties are in compliance with the consent decree. The Department of Human Resources has filed a motion to dismiss the case; however, the plaintiffs have filed an objection to the motion to dismiss. These are being reviewed by the court.

The Department of Mental Health and Mental Retardation has numerous lawsuits that have occurred in the normal course of its operations related to treatment, injuries, and deaths of patients or recipients of mental health services. These cases have a combined potential liability of more than \$60,000,000.

The Department of Corrections has been ordered by the courts to take steps to relieve the overcrowding and other conditions at its facilities. In addition, the Department of Corrections has been ordered by the courts to relieve the overcrowding of county jails with state inmates awaiting transfer to a state facility. The Department also has lawsuits that have occurred in the normal course of its operations related to treatment, injuries, and deaths of prisoners and victims of prisoners.

In addition to the Reynolds case described above, the Department of Transportation is involved in another significant case. In *Harbert International Inc. v. Alabama Department of Transportation*, the plaintiff is claiming approximately \$13,000,000 for work performed on the Cochrane Bridge in Mobile.

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, 2004 was \$46,647,024.

NOTE 15 - SUBSEQUENT EVENTS

On December 1, 2004, Drinking Water Finance Authority issued Series 2004-A bonds in the amount of \$24,880,000. The interest rates on the bonds range from 4 percent to 4.625 percent to be paid semiannually on each February 15 and August 15, beginning February 15, 2005. The maturity date of the bonds is August 15, 2028.

On February 1, 2005, the Alabama Public School and College Authority issued Series 2005 bonds in the amount of \$84,980,000. The interest rates on the bonds range from 3 percent to 4.5 percent to be paid semiannually on each February 1 and August 1, beginning August 1, 2005. The maturity date of the bonds is August 1, 2025.

From October 1, 2004 through December 6, 2004, the Alabama Housing Finance Authority called approximately \$54,380,000 of bonds prior to their scheduled maturities in the single family bond program.

During October 2003, the Alabama State Port Authority approved a \$38,000,000 land option with Exxon Mobil Corp that allows Exxon Mobil to begin seeking permits for construction of a liquefied natural gas terminal at the Middle Bay Port facility. The agreement, with an effective date of October 31, 2003, gives Exxon Mobil three separate one-year option periods during which Exxon Mobil can decide to buy the facility. For each year covered by the option, Exxon Mobil must make a payment of \$1.5 million to the Authority. In consideration for providing the option, the Authority received an initial signing payment of \$250,000, and the initial option payment of \$1.5 million. On October 31, 2004, the Authority was notified that ExxonMobil has cancelled its plans for construction of the liquefied natural gas terminal at the Middle Bay Port facility and will not renew the option for future periods. As of September 30, 2004, these amounts are classified within the current liability section as Other Liabilities. The amounts will be recognized as income to the Authority during fiscal 2005. The Middle Bay Port facility has a net book value of approximately \$15,159,331 at September 30, 2004.

On February 1, 2005, the State of Alabama issued Series 2005-A General Obligation Bonds in the amount of \$103,920,000. The interest rates on the bonds range from 3 percent to 5 percent to be paid semiannually on each February 1 and August 1, beginning August 1, 2005. The maturity date of the bonds is August 1, 2025.

In regard to the resolution to issue bonds to the Alabama Port Authority in the principal amount of \$20,000,000 dated January 1, 2004 and \$20,000,000 dated January 1, 2005, the State failed to make a payment of \$20,000,000 to the Port Authority before December 31, 2003 and December 31, 2004. In January, 2004 and January, 2005, the Bank of New York delivered the two bonds, being held in escrow, to the Port Authority. No principal or interest has been paid on these bonds. On February 9, 2005, the Amendment 666 Bond Commission adopted a resolution authorizing the escrow agent to release the two remaining \$20,000,000 bonds dated January 1, 2006 and January 1, 2007 from the escrow agent to the State. The bonds returned to the State shall be destroyed.

From October 1, 2004 to March 31, 2005, the Alabama College System issued \$68,055,000 in new revenue bonds.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 849,502	\$ 873,219	\$ 896,433	\$ 23,214
Licenses, Permits and Fees	121,411	124,801	128,119	3,318
Fines and Forfeits	18,180	18,688	19,185	497
Investment Income	16,772	17,240	17,698	458
Federal Grants and Reimbursements	71,654	73,654	75,612	1,958
Other Revenues	880	905	929	24
Total Revenues	1,078,399	1,108,507	1,137,976	29,469
EXPENDITURES				
Administrative Office of Courts	115,298	121,068	121,066	2
Agriculture and Industries	10,135	10,151	10,151	-
Attorney General	8,905	8,905	8,905	-
Auditor	784	784	749	35
Commission on Higher Education	-	-	-	-
Corrections	250,108	266,609	266,434	175
Economic and Community Affairs	11,468	11,468	10,056	1,412
Education	-	-	-	-
Emergency Management	8,634	8,634	4,408	4,226
Examiners of Public Accounts	10,117	10,117	10,117	-
Finance	7,702	7,701	7,559	142
Governor	3,980	4,167	3,437	730
Human Resources	-	-	-	-
Industrial Relations	535	535	528	7
Legislature	28,917	22,012	16,226	5,786
Medicaid	220,263	260,063	260,055	8
Mental Health and Retardation	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	45,934	45,934	45,919	15
Public Safety	52,497	54,395	54,355	40
Public Service Commission	-	-	-	-
Rehabilitation Services	1,726	1,726	1,726	-
Revenue	189	189	69	120
Secretary of State	2,036	2,028	1,735	293
Transportation	-	-	-	-
Treasurer	2,385	2,385	2,143	242
Youth Services	16,493	16,493	16,493	-
Colleges and Universities	-	-	-	-
Other	167,969	161,400	153,365	8,035
Total Expenditures	966,075	1,016,764	995,496	21,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	112,324	91,743	142,480	50,737
OTHER FINANCING SOURCES (USES)				
Transfers In	132,497	136,195	139,815	3,620
Transfers Out	(244,821)	(247,610)	(247,516)	94
Bond Proceeds	-	-	-	-
Other Debt Proceeds	-	19,672	19,672	-
Total Other Financing Sources (Uses)	(112,324)	(91,743)	(88,029)	3,714
Net Change in Fund Balances	\$ 0	\$ 0	54,451	\$ 54,451

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 4,226,257	\$ 4,271,918	\$ 4,453,454	\$ 181,536	\$ 774,247	\$ 803,483	\$ 715,830	\$ (87,653)
488	493	514	21	292,681	303,733	270,598	(33,135)
-	-	-	-	17,338	17,993	16,030	(1,963)
-	-	-	-	66,582	69,096	61,558	(7,538)
-	-	-	-	5,138,892	5,332,942	4,751,164	(581,778)
421	426	444	18	874,611	907,637	808,622	(99,015)
4,227,166	4,272,837	4,454,412	181,575	7,164,351	7,434,884	6,623,802	(811,082)
-	-	-	-	21,069	33,182	27,089	6,093
-	-	-	-	15,343	17,102	15,494	1,608
-	-	-	-	6,533	6,981	5,619	1,362
-	-	-	-	-	-	-	-
9,278	9,278	8,854	424	3,971	3,971	2,181	1,790
-	-	-	-	52,463	53,070	32,885	20,185
-	-	-	-	256,078	256,500	188,402	68,098
2,857,474	2,857,562	2,854,951	2,611	1,081,324	1,086,287	857,960	228,327
-	-	-	-	69,833	87,833	51,455	36,378
2,765	2,765	2,765	-	2,536	2,536	1,532	1,004
-	-	-	-	96,629	102,879	76,670	26,209
-	-	-	-	-	-	-	-
-	-	-	-	1,155,134	1,171,036	1,112,490	58,546
-	-	-	-	86,677	88,227	74,681	13,546
-	-	-	-	-	-	-	-
-	-	-	-	3,369,055	3,562,004	3,544,046	17,958
-	-	-	-	567,377	588,045	548,207	39,838
274,302	274,302	274,264	38	14,870	18,746	16,085	2,661
9,533	9,533	9,349	184	452,055	456,055	428,201	27,854
-	-	-	-	71,399	79,262	42,777	36,485
-	-	-	-	15,491	15,512	12,723	2,789
28,018	28,018	28,010	8	107,892	108,116	97,594	10,522
-	-	-	-	100,416	101,072	97,717	3,355
-	-	-	-	16,043	16,030	1,245	14,785
-	-	-	-	277,313	376,296	294,771	81,525
-	-	-	-	6,390	6,390	4,629	1,761
43,874	43,874	43,690	184	16,851	16,951	13,036	3,915
881,284	881,284	881,284	-	-	46	46	-
77,978	80,823	80,178	645	735,649	777,363	612,867	164,496
4,184,506	4,187,439	4,183,345	4,094	8,598,391	9,031,492	8,160,402	871,090
42,660	85,398	271,067	185,669	(1,434,040)	(1,596,608)	(1,536,600)	60,008
1,519	1,535	1,600	65	1,434,040	1,488,192	1,325,843	(162,349)
(44,179)	(86,933)	(86,933)	-	-	-	-	-
-	-	-	-	-	108,416	108,416	-
-	-	-	-	-	-	-	-
(42,660)	(85,398)	(85,333)	65	1,434,040	1,596,608	1,434,259	(162,349)
\$ 0	\$ 0	185,734	\$ 185,734	\$ 0	\$ 0	(102,341)	\$ (102,341)

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust
Net Change in Fund Balance	54,451	185,734	(102,341)	
Reconciliation to GAAP Basis:				
<i>Perspective Differences:</i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	102,341	1,419
<i>Basis Differences:</i>				
Accruals of revenues and other revenue adjustments	20,567	(49,443)		6
Accruals of expenditures, expenses and other non-budgeted items	(2,575)	(69)		-
To remove asset purchases treated as budgetary expenditures	11	-		-
To remove encumbrances recognized as expenditures	1,143	3,266		12
Differences between budgetary estimated accounts payable and GAAP accounts payable	(1,122)	(4,826)		-
<i>Entity Differences:</i>				
Add net operating results for funds not budgeted	(16,362)	-		193,046
Net Change in Fund Balances/Net Assets - GAAP Basis	56,113	134,662	0	194,483
Fund Balances/Net Assets, October 1, 2003, as Restated	179,806	408,450		2,265,359
Increase (Decrease) in Inventory	810	-		-
Fund Balances/Net Assets, September 30, 2004	\$ 236,729	\$ 543,112		\$ 2,459,842

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
(2,230)	(233,772)	10,638	72,653	(44,808)	(11,586)	(6,464)	93,319	18,490
18,606	241,131	828	56,649	1,069	17,762	(196)	(3,142)	211,346
(13,480)	(404)	(18,352)	(46,303)	43,414	(13,150)	6,566	(38,583)	(138,757)
-	-	-	253	1,307	13,413	551	-	823
727	25,177	3,062	24,765	659	140	95	441	2,186
1,228	(9,418)	288	(144,473)	1,293	7,299	(18)	(350)	(122,905)
460	(19,933)	2,104	(4,317)	41,908	(934)	1,825,497	161,750	334,156
5,311	2,781	(1,432)	(40,773)	44,842	12,944	1,826,031	213,435	305,339
(57,540)	507,256	26,354	1,099,494	973,453	146,474	23,957,665	684,063	3,704,297
-	(2,364)	-	-	-	-	-	-	-
\$ (52,229)	\$ 507,673	\$ 24,922	\$ 1,058,721	\$1,018,295	\$ 159,418	\$ 25,783,696	\$ 897,498	\$ 4,009,636

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2004

A. Budgetary Process

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

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are mentioned in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget. During 2004 approximately \$40 million of supplemental appropriations and \$27 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. Emergency appropriations cannot exceed two percent of the total amount appropriated. There were approximately \$9 million of emergency appropriations in fiscal year 2004. The Medicaid Agency, Department of Corrections, and Administrative Office of Courts budgets increased by approximately \$40 million, \$16 million, and \$6 million, respectively. Approximately \$3 million of supplemental appropriations and \$43 million of conditional appropriations were distributed from the Education Trust Fund. \$36 million was transferred to the Alabama Trust Fund for repayment of the Rainy Day Account and \$6 million transferred to the Department of Finance for repayment of information services.

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

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the grant. This includes Federal funds which are included in the Earmarked Funds. Most of the \$433 million increase in the Earmarked Funds are increased Federal funds.

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

B. Budgetary Control

The legal level of control is the agency and program specified in the Appropriation Acts. For example, "Lab Analysis and Disease Control" and "Agricultural Inspection Services" are two programs within the agency 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

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2004

quarterly based on the plans of operations submitted by the agencies. Beyond these additional policy constraints, agencies have full authority for administering their appropriations.

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

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

Both the *Alabama Constitution* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2004.

C. Encumbrance Accounting

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

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

D. Lapsing of Appropriations

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

E. Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No.

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2004

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 Supplemental Schedules Section of the CAFR. This schedule provides detail information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Employees' Retirement System

For the Fiscal Year Ended September 30, 2004

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
9/30/1998	4,255,403	4,010,976	(244,427)	106.1	979,071	(25.0)
9/30/1999	4,456,536	4,119,270	(337,266)	108.2	998,007	(33.8)
9/30/2000	4,689,429	4,369,226	(320,203)	107.3	1,023,022	(31.3)
9/30/2001	4,800,280	4,687,351	(112,929)	102.4	1,091,775	(10.3)
9/30/2002	4,787,994	4,923,618	135,624	97.2	1,163,845	11.7
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2004

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity, an improvement in the efficiency, or a replacement of a portion of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2004 include approximately 10,846 miles of state maintained highways and 5,652 of state maintained bridges and culverts.

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

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

A. Roads**Measurement Scale**

The Alabama Department of Transportation (ALDOT) uses a Distress Rating to measure and monitor pavement conditions. The Distress Rating is a zero to one hundred score assigned to 50-meter segments of pavement and then averaged for each roadway route using an algorithm developed by the ALDOT Material and Testing Bureau. The algorithm uses the distress categories of roughness, alligator cracking, block cracking, rutting, patching, raveling, transverse cracking, and longitudinal cracking. The 100 point scale is as follows:

Rating	Condition	Description
Less than 55	Marginal	Significant Maintenance Required (Resurfacing or Reconstruction)
55 - 70	Satisfactory	Routine Maintenance Required (Patching and/or Sealing)
Greater than 70	Good	Negligible Maintenance Required

Established Condition Level

The weighted average rating of all State maintained roadways shall be "Satisfactory" or better.

Assessed Conditions

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

Category	As of 09/30/2004		As of 09/30/2003		As of 09/30/2002, as restated	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,201	75.00	7,201	77.32	7,201	78.68
Non-Interstate National Highway System	2,739	77.95	2,739	80.59	2,739	80.78
Interstate System	906	83.73	906	86.50	906	84.35
Summary Total and Weighted Average Rating	10,846	76.48	10,846	78.91	10,846	79.70

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2004

B. Bridges**Measurement Scale**

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

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

Established Condition Level

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

Assessed Conditions

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

Category	As of 09/30/2004		As of 09/30/2003		As of 09/30/2002, as restated	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National Highway System	2,920	6.82	2,904	6.81	2,904	6.78
Non-Interstate National Highway System	1,577	7.18	1,526	6.77	1,526	6.79
Interstate System	1,155	6.23	1,153	6.28	1,153	6.35
Summary Total and Weighted Average Rating	5,652	6.79	5,583	6.69	5,583	6.69

C. Estimated and Actual Costs

In fiscal years 2004, 2003 and 2002, the State estimated it would need to spend \$205,000,000, each of these fiscal years, to preserve and maintain all roadway and bridge assets at or above the "Established Condition Levels" presented above. In fiscal years 2004, 2003 and 2002, the State spent \$162,823,215, \$124,388,121 and \$186,391,931, respectively, for maintenance and preservation of the roadway and bridge assets. Even though actual spending on maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels," as supported by the most recent condition assessment.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2004

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 729,811	\$ 4,417	\$ 389,610	\$ 4,290	\$ 1,128,128
Investments	111,253	3,800	-	27,189	142,242
Accounts Receivable	1,790	-	-	-	1,790
Due from Other Funds	37,362	-	-	12	37,374
Due from Component Units	229	-	-	-	229
Due from Other Governments	92,674	-	-	-	92,674
Taxes Receivable	114,559	-	-	-	114,559
Interest and Dividends Receivable	18	3	-	121	142
Mortgages, Notes, and Loans Receivable	-	-	-	35	35
Securities Lending Collateral	-	-	-	565	565
Inventory	668	-	-	-	668
Restricted Assets	1,313	-	-	-	1,313
TOTAL ASSETS	\$ 1,089,677	\$ 8,220	\$ 389,610	\$ 32,212	\$ 1,519,719
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 18,879	\$ -	\$ 3,262	\$ -	\$ 22,141
Accounts Payable	87,680	12	1,516	-	89,208
Salaries Payable	33,413	-	-	-	33,413
Due to Other Funds	27,651	-	1,016	32	28,699
Due to Component Units	940	-	-	-	940
Due to Other Governments	168,260	-	-	-	168,260
Securities Lending Obligation	-	-	-	565	565
Deferred Revenue	86,138	-	-	-	86,138
Amounts Held in Custody for Others	31,164	-	-	-	31,164
Compensated Absences	470	-	-	-	470
Total Liabilities	454,595	12	5,794	597	460,998
Fund Balances					
Reserved for:					
Encumbrances	26,654	-	2,237	-	28,891
Inventory	668	-	-	-	668
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	37,844	-	-	27,077	64,921
Unreserved, Designated for Capital Projects	-	-	381,579	-	381,579
Unreserved, Designated for Debt Service	-	8,208	-	-	8,208
Unreserved, Undesignated	562,007	-	-	4,538	566,545
Total Fund Balances	635,082	8,208	383,816	31,615	1,058,721
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,089,677	\$ 8,220	\$ 389,610	\$ 32,212	\$ 1,519,719

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, 2004

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 648,579	\$ -	\$ -	\$ -	\$ 648,579
Licenses, Permits, and Fees	259,882	-	-	908	260,790
Fines, Forfeits, and Court Settlements	17,990	-	-	-	17,990
Investment Income	5,702	33	4,000	(1,066)	8,669
Federal Grants and Reimbursements	1,512,919	-	-	-	1,512,919
Other Revenues	251,110	4,035	95	40	255,280
Total Revenues	2,696,182	4,068	4,095	(118)	2,704,227
EXPENDITURES					
Current:					
Economic Development and Regulation	53,305	-	-	-	53,305
Education and Cultural Resources	882,745	-	70	15	882,830
Natural Resources and Recreation	107,732	-	8,650	-	116,382
Health - Physical and Mental	510,792	-	-	-	510,792
Social Services	344,433	-	-	2	344,435
Protection of Persons and Property	279,654	-	-	-	279,654
Transportation	23,806	-	-	-	23,806
General Government	261,169	-	-	-	261,169
Distributions to Local Governments	405,184	-	-	-	405,184
Capital Outlay	8,356	-	47,477	-	55,833
Debt Service - Principal Retirement	1,709	37,906	-	-	39,615
Debt Service - Interest and Other Charges	1,200	30,482	14	-	31,696
Total Expenditures	2,880,085	68,388	56,211	17	3,004,701
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(183,903)	(64,320)	(52,116)	(135)	(300,474)
OTHER FINANCING SOURCES (USES)					
Transfers In	386,655	64,457	82,700	491	534,303
Transfers Out	(161,387)	(908)	(113,389)	(7)	(275,691)
Capital Lease Proceeds	1,089	-	-	-	1,089
Total Other Financing Sources (Uses)	226,357	63,549	(30,689)	484	259,701
Net Change in Fund Balances	42,454	(771)	(82,805)	349	(40,773)
Fund Balances, October 1, 2003, as Restated	592,628	8,979	466,621	31,266	1,099,494
Fund Balances, September 30, 2004	\$ 635,082	\$ 8,208	\$ 383,816	\$ 31,615	\$ 1,058,721



Nonmajor Special Revenue Funds

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

Public Health Department

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

Education Department

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

Economic and Community Affairs

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

Revenues Allocated to Local Governments

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

Other Medicaid Funds

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

Rehabilitation Services

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

Public School Fund

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

Children First Trust

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

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

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

Conservation and Natural Resources

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

Other Nonmajor Special Revenue Funds

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2004

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 51,748	\$ 29,730	\$ 17,650	\$ 78,512	\$ 2,711
Investments	-	-	-	-	-
Accounts Receivable	-	134	261	2	-
Due from Other Funds	9,833	6,321	563	308	-
Due from Component Units	81	-	-	-	-
Due from Other Governments	13,081	62,897	12,351	-	-
Taxes Receivable	-	-	-	19,755	-
Interest and Dividends Receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 74,743	\$ 99,082	\$ 30,825	\$ 98,577	\$ 2,711
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,296	\$ 3,556	\$ 1,393	\$ 1,025	\$ -
Accounts Payable	18,668	17,365	7,955	97	-
Salaries Payable	8,320	2,088	626	-	-
Due to Other Funds	6,687	459	104	916	-
Due to Component Units	-	100	-	-	-
Due to Other Governments	336	58,284	3,383	96,539	-
Deferred Revenue	-	-	-	-	-
Amounts Held in Custody for Others	17	1	-	-	-
Compensated Absences	52	9	-	-	-
Total Liabilities	35,376	81,862	13,461	98,577	0
Fund Balances					
Reserved for:					
Encumbrances	5,866	3,611	119	-	-
Inventory	-	-	-	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Undesignated	33,501	13,609	9,369	-	2,711
Total Fund Balances	39,367	17,220	17,364	0	2,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 74,743	\$ 99,082	\$ 30,825	\$ 98,577	\$ 2,711

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 23,527	\$ 18,447	\$ 57,090	\$ 9,278	\$ 14,733	\$ 53,758	\$ 372,627	\$ 729,811
-	-	-	-	-	13	111,240	111,253
34	-	203	-	150	790	216	1,790
2,375	-	1,052	25	338	1,397	15,150	37,362
5	-	-	-	1	3	139	229
-	-	-	-	250	-	4,095	92,674
-	89,751	-	274	-	2,048	2,731	114,559
-	-	-	-	-	-	18	18
144	-	-	-	-	384	140	668
-	-	-	-	-	-	1,313	1,313
\$ 26,085	\$ 108,198	\$ 58,345	\$ 9,577	\$ 15,472	\$ 58,393	\$ 507,669	\$ 1,089,677
\$ 675	\$ -	\$ 297	\$ 393	\$ 167	\$ 2,507	\$ 7,570	\$ 18,879
11,098	-	2,280	1,800	1,867	2,376	24,174	87,680
1,767	-	77	4,241	3,439	2,733	10,122	33,413
860	-	1,778	1,297	572	507	14,471	27,651
799	-	10	-	-	-	31	940
233	-	686	4	20	178	8,597	168,260
-	78,583	-	-	86	793	6,676	86,138
-	-	-	2	3	40	31,101	31,164
-	-	-	21	119	101	168	470
15,432	78,583	5,128	7,758	6,273	9,235	102,910	454,595
1,349	-	76	1,624	249	2,260	11,500	26,654
144	-	-	-	-	384	140	668
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
-	-	-	-	-	-	37,844	37,844
9,160	29,615	53,141	195	8,950	46,514	355,242	562,007
10,653	29,615	53,217	1,819	9,199	49,158	404,759	635,082
\$ 26,085	\$ 108,198	\$ 58,345	\$ 9,577	\$ 15,472	\$ 58,393	\$ 507,669	\$ 1,089,677

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ -	\$ 2,352	\$ -	\$ 342,566	\$ 43,250
Licenses, Permits, and Fees	21,696	1,233	-	28,372	-
Fines, Forfeits, and Court Settlements	-	-	1,359	1	-
Investment Income	17	-	145	-	-
Federal Grants and Reimbursements	270,320	728,279	176,219	2,256	-
Other Revenues	40,293	8,552	511	-	34,165
Total Revenues	332,326	740,416	178,234	373,195	77,415
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	711,337	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	399,669	-	-	-	43,105
Social Services	-	35,903	58,768	-	-
Protection of Persons and Property	-	-	25,891	-	-
Transportation	-	-	-	-	-
General Government	-	-	78,131	-	-
Distributions to Local Governments	-	-	-	403,684	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-
Debt Service - Interest and Other Charges	-	-	-	-	-
Total Expenditures	399,669	747,240	162,790	403,684	43,105
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(67,343)	(6,824)	15,444	(30,489)	34,310
OTHER FINANCING SOURCES (USES)					
Transfers In	94,061	3,629	8,750	30,489	2
Transfers Out	(25,517)	(2,944)	(24,881)	-	(32,585)
Capital Lease Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	68,544	685	(16,131)	30,489	(32,583)
Net Change in Fund Balances	1,201	(6,139)	(687)	0	1,727
Fund Balances, October 1, 2003, as Restated	38,166	23,359	18,051	-	984
Fund Balances, September 30, 2004	\$ 39,367	\$ 17,220	\$ 17,364	\$ 0	\$ 2,711

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ -	\$ 116,885	\$ -	\$ 90,591	\$ 4,382	\$ 9,957	\$ 38,596	\$ 648,579
-	-	-	1,587	112	18,858	188,024	259,882
1,351	12	-	54	21	1,160	14,032	17,990
-	-	-	-	60	421	5,059	5,702
67,525	-	-	-	52,139	16,386	199,795	1,512,919
2,945	395	52,182	1,580	2,590	29,165	78,732	251,110
71,821	117,292	52,182	93,812	59,304	75,947	524,238	2,696,182
-	-	-	-	-	-	53,305	53,305
5,019	110,000	19,624	-	-	-	36,765	882,745
-	-	-	-	-	84,048	23,684	107,732
-	-	6,281	-	-	-	61,737	510,792
81,748	-	22,510	-	67,061	-	78,443	344,433
-	-	11,426	-	7,645	-	234,692	279,654
-	-	-	-	-	-	23,806	23,806
-	-	8,982	94,802	-	-	79,254	261,169
-	-	-	-	-	-	1,500	405,184
-	-	-	-	-	-	8,356	8,356
-	-	-	19	-	213	1,477	1,709
-	-	-	4	28	25	1,143	1,200
86,767	110,000	68,823	94,825	74,734	84,286	604,162	2,880,085
(14,946)	7,292	(16,641)	(1,013)	(15,430)	(8,339)	(79,924)	(183,903)
25,107	550	-	6,109	14,896	10,986	192,076	386,655
(5,913)	-	(2,970)	(4,212)	(231)	(8,157)	(53,977)	(161,387)
-	-	-	462	-	-	627	1,089
19,194	550	(2,970)	2,359	14,665	2,829	138,726	226,357
4,248	7,842	(19,611)	1,346	(765)	(5,510)	58,802	42,454
6,405	21,773	72,828	473	9,964	54,668	345,957	592,628
\$ 10,653	\$ 29,615	\$ 53,217	\$ 1,819	\$ 9,199	\$ 49,158	\$ 404,759	\$ 635,082

STATE OF ALABAMA

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2004

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
ASSETS					
Cash and Cash Equivalents	\$ 3,813	\$ 12,992	\$ 1,695	\$ 35,587	\$ 2,201
Investments	136	491	-	6,665	-
Accounts Receivable	23	-	-	74	-
Due from Other Funds	1,418	1,000	9,138	47	116
Due from Component Units	-	132	-	-	-
Due from Other Governments	-	-	2,507	-	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 5,390	\$ 14,615	\$ 13,340	\$ 42,373	\$ 2,317
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 10	\$ 486	\$ 246	\$ 269	\$ 524
Accounts Payable	180	2,948	4,048	917	257
Salaries Payable	169	1,866	54	665	85
Due to Other Funds	27	10,863	1,180	297	5
Due to Component Units	-	2	-	-	-
Due to Other Governments	-	186	5,619	10	95
Deferred Revenue	-	-	-	6,368	-
Amounts Held in Custody for Others	-	2	-	959	-
Compensated Absences	-	16	-	10	17
Total Liabilities	386	16,369	11,147	9,495	983
Fund Balances					
Reserved for:					
Encumbrances	114	5	-	440	836
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Undesignated	4,890	(1,759)	2,193	32,438	498
Total Fund Balances	5,004	(1,754)	2,193	32,878	1,334
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,390	\$ 14,615	\$ 13,340	\$ 42,373	\$ 2,317

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Miscellaneous Special Revenue Funds	Totals
\$ 1,196	\$ 76	\$ 16,622	\$ 5,566	\$ 292,879	\$ 372,627
2,364	-	-	-	101,584	111,240
74	-	-	-	45	216
-	-	-	-	3,431	15,150
-	-	-	-	7	139
-	419	-	-	1,169	4,095
-	-	-	-	2,731	2,731
-	-	18	-	-	18
-	-	-	-	140	140
1,313	-	-	-	-	1,313
\$ 4,947	\$ 495	\$ 16,640	\$ 5,566	\$ 401,986	\$ 507,669
\$ -	\$ -	\$ 13	\$ -	\$ 6,022	\$ 7,570
753	359	-	-	14,712	24,174
-	-	-	-	7,283	10,122
-	-	-	-	2,099	14,471
-	-	-	-	29	31
-	-	-	-	2,687	8,597
-	-	-	-	308	6,676
-	-	-	-	30,140	31,101
-	-	-	-	125	168
753	359	13	0	63,405	102,910
-	-	-	-	10,105	11,500
-	-	-	-	140	140
-	-	-	-	33	33
-	-	-	-	37,844	37,844
4,194	136	16,627	5,566	290,459	355,242
4,194	136	16,627	5,566	338,581	404,759
\$ 4,947	\$ 495	\$ 16,640	\$ 5,566	\$ 401,986	\$ 507,669

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, 2004

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
REVENUES					
Taxes	\$ -	\$ 100	\$ -	\$ 1	\$ -
Licenses, Permits, and Fees	1,951	33,576	-	28,738	-
Fines, Forfeits, and Court Settlements	1,530	486	-	2,585	-
Investment Income	6	387	-	347	-
Federal Grants and Reimbursements	178	19,011	22,443	93	50,027
Other Revenues	17,459	1,135	1	1,049	960
Total Revenues	21,124	54,695	22,444	32,813	50,987
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	1,628	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	-	56,769	-	-	-
Social Services	-	-	54,239	-	-
Protection of Persons and Property	23,400	-	-	29,343	48,835
Transportation	-	-	-	-	-
General Government	-	-	-	35	-
Distributions to Local Governments	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	544	-	-	7	-
Debt Service - Interest and Other Charges	270	776	-	1	-
Total Expenditures	24,214	57,545	54,239	31,014	48,835
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(3,090)	(2,850)	(31,795)	1,799	2,152
OTHER FINANCING SOURCES (USES)					
Transfers In	8,472	5,636	37,304	100	724
Transfers Out	(6,760)	(2,307)	(6,169)	(413)	(1,962)
Capital Lease Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	1,712	3,329	31,135	(313)	(1,238)
Net Change in Fund Balances	(1,378)	479	(660)	1,486	914
Fund Balances, October 1, 2003, as Restated	6,382	(2,233)	2,853	31,392	420
Fund Balances, September 30, 2004	\$ 5,004	\$ (1,754)	\$ 2,193	\$ 32,878	\$ 1,334

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Miscellaneous Special Revenue Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ 38,495	\$ 38,596
-	-	135	-	123,624	188,024
-	-	-	-	9,431	14,032
191	8	195	58	3,867	5,059
-	-	1,966	-	106,077	199,795
4,955	-	-	-	53,173	78,732
5,146	8	2,296	58	334,667	524,238
-	-	-	-	51,677	53,305
4,791	-	-	-	31,974	36,765
-	-	14,390	-	9,294	23,684
-	4,486	-	-	482	61,737
-	-	-	-	24,204	78,443
-	-	-	-	133,114	234,692
-	-	-	-	23,806	23,806
-	-	-	-	79,219	79,254
-	-	-	-	1,500	1,500
-	-	-	-	8,356	8,356
-	-	-	-	926	1,477
-	13	-	-	83	1,143
4,791	4,499	14,390	0	364,635	604,162
355	(4,491)	(12,094)	58	(29,968)	(79,924)
-	4,568	13,249	-	122,023	192,076
-	-	(1,693)	-	(34,673)	(53,977)
-	-	-	-	627	627
0	4,568	11,556	0	87,977	138,726
355	77	(538)	58	58,009	58,802
3,839	59	17,165	5,508	280,572	345,957
\$ 4,194	\$ 136	\$ 16,627	\$ 5,566	\$ 338,581	\$ 404,759



Nonmajor Debt Service Funds

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

Industrial Access Road & Bridge Authority

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

Corrections Institution Finance Authority

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

Judicial Building Authority

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

Public Health Care Authority

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

General Obligation Bond

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

Federal Aid Highway Finance Authority

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2004

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 612	\$ 3,793	\$ 12	\$ -
Investments	-	-	-	3,800	-
Interest and Dividends Receivable	-	-	-	3	-
TOTAL ASSETS	\$ 0	\$ 612	\$ 3,793	\$ 3,815	\$ 0
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ 12	\$ -
Total Liabilities	0	0	0	12	0
Fund Balances					
Unreserved, Designated for Debt Service	-	612	3,793	3,803	-
Total Fund Balances	0	612	3,793	3,803	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 612	\$ 3,793	\$ 3,815	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ -	\$ 4,417
-	3,800
-	3
<u>\$ 0</u>	<u>\$ 8,220</u>

\$ -	\$ 12
<u>0</u>	<u>12</u>

-	8,208
<u>0</u>	<u>8,208</u>

<u>\$ 0</u>	<u>\$ 8,220</u>
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STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
REVENUES					
Investment Income	\$ -	\$ -	\$ 17	\$ 16	\$ -
Other Revenues	-	-	4,026	9	-
Total Revenues	0	0	4,043	25	0
EXPENDITURES					
Debt Service - Principal Retirement	2,420	5,435	1,439	1,861	16,781
Debt Service - Interest and Other Charges	188	1,426	2,532	1,895	15,458
Total Expenditures	2,608	6,861	3,971	3,756	32,239
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(2,608)	(6,861)	72	(3,731)	(32,239)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,608	6,760	-	3,897	32,239
Transfers Out	-	-	-	(908)	-
Total Other Financing Sources (Uses)	2,608	6,760	0	2,989	32,239
Net Change in Fund Balances	0	(101)	72	(742)	0
Fund Balances, October 1, 2003, as Restated	-	713	3,721	4,545	-
Fund Balances, September 30, 2004	\$ 0	\$ 612	\$ 3,793	\$ 3,803	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ -	\$ 33
-	4,035
0	4,068
9,970	37,906
8,983	30,482
18,953	68,388
(18,953)	(64,320)
18,953	64,457
-	(908)
18,953	63,549
0	(771)
-	8,979
\$ 0	\$ 8,208



Nonmajor Capital Projects Funds

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

General Obligation Bond Projects

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

State Parks Improvement Corporation

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

Federal Aid Highway Finance Authority

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

Other Capital Projects

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2004

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 167,645	\$ 96,368	\$ 121,362	\$ 4,235	\$ 389,610
TOTAL ASSETS	\$ 167,645	\$ 96,368	\$ 121,362	\$ 4,235	\$ 389,610
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 3,261	\$ 1	\$ -	\$ -	\$ 3,262
Accounts Payable	-	1,516	-	-	1,516
Due to Other Funds	-	1,016	-	-	1,016
Total Liabilities	3,261	2,533	0	0	5,794
Fund Balances					
Reserved for:					
Encumbrances	-	2,237	-	-	2,237
Unreserved, Designated for Capital Projects	164,384	91,598	121,362	4,235	381,579
Total Fund Balances	164,384	93,835	121,362	4,235	383,816
TOTAL LIABILITIES AND FUND BALANCES	\$ 167,645	\$ 96,368	\$ 121,362	\$ 4,235	\$ 389,610

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
REVENUES					
Investment Income	\$ 1,000	\$ 1,023	\$ 1,942	\$ 35	\$ 4,000
Other Revenues	-	-	-	95	95
Total Revenues	1,000	1,023	1,942	130	4,095
EXPENDITURES					
Current:					
Education and Cultural Resources	-	-	-	70	70
Natural Resources and Recreation	-	8,650	-	-	8,650
Capital Outlay	47,477	-	-	-	47,477
Debt Service - Interest and Other Charges	-	-	-	14	14
Total Expenditures	47,477	8,650	0	84	56,211
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(46,477)	(7,627)	1,942	46	(52,116)
OTHER FINANCING SOURCES (USES)					
Transfers In	82,700	-	-	-	82,700
Transfers Out	(26,312)	-	(87,077)	-	(113,389)
Total Other Financing Sources (Uses)	56,388	0	(87,077)	0	(30,689)
Net Change in Fund Balances	9,911	(7,627)	(85,135)	46	(82,805)
Fund Balances, October 1, 2003, as Restated	154,473	101,462	206,497	4,189	466,621
Fund Balances, September 30, 2004	\$ 164,384	\$ 93,835	\$ 121,362	\$ 4,235	\$ 383,816



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.

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, 2004

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Other Permanent Funds	Totals
ASSETS				
Cash and Cash Equivalents	\$ 121	\$ 4	\$ 4,165	\$ 4,290
Investments	10,844	12,663	3,682	27,189
Due from Other Funds	11	1	-	12
Interest and Dividends Receivable	-	121	-	121
Mortgages, Notes, and Loans Receivable	-	-	35	35
Securities Lending Collateral	-	-	565	565
TOTAL ASSETS	\$ 10,976	\$ 12,789	\$ 8,447	\$ 32,212
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 32	\$ -	\$ -	\$ 32
Securities Lending Obligation	-	-	565	565
Total Liabilities	32	0	565	597
Fund Balances				
Reserved for:				
Permanent Trust Principal	10,944	11,500	4,633	27,077
Unreserved, Undesignated	-	1,289	3,249	4,538
Total Fund Balances	10,944	12,789	7,882	31,615
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,976	\$ 12,789	\$ 8,447	\$ 32,212

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Other Permanent Funds	Totals
REVENUES				
Licenses, Permits, and Fees	\$ 692	\$ -	\$ 216	\$ 908
Investment Income	(1,509)	341	102	(1,066)
Other Revenues	-	15	25	40
Total Revenues	(817)	356	343	(118)
EXPENDITURES				
Current:				
Education and Cultural Resources	-	15	-	15
Social Services	-	-	2	2
Total Expenditures	0	15	2	17
Excess (Deficiency) of Revenues Over (Under) Expenditures	(817)	341	341	(135)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	491	491
Transfers Out	-	(7)	-	(7)
Total Other Financing Sources (Uses)	0	(7)	491	484
Net Change in Fund Balances	(817)	334	832	349
Fund Balances, October 1, 2003, as Restated	11,761	12,455	7,050	31,266
Fund Balances, September 30, 2004	\$ 10,944	\$ 12,789	\$ 7,882	\$ 31,615



Nonmajor Enterprise Funds

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

Alabama Health Insurance Plan

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

Local Government Employees' Health Insurance

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

Surplus Property

Accounts for the disposition of surplus State equipment as well as the distribution of federal surplus property.

Other Enterprise Funds

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2004

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Surplus Property	Other Enterprise Funds	Totals
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 9,710	\$ 5,431	\$ 829	\$ 4,699	\$ 20,669
Investments, Short-term	-	13,334	-	-	13,334
Accounts Receivable	1	601	-	113	715
Interest and Dividends Receivable	-	168	-	-	168
Due from Other Funds	-	-	105	155	260
Due from Component Units	-	-	3	-	3
Inventory	-	-	10,878	2,395	13,273
Other Current Assets	281	197	-	-	478
Total Current Assets	9,992	19,731	11,815	7,362	48,900
Noncurrent Assets					
Investments, Long-term	-	9,258	-	-	9,258
Capital Assets, Net of Accumulated Depreciation	-	-	19	3,646	3,665
Capital Assets Not Depreciated	-	-	-	2,630	2,630
Total Noncurrent Assets	0	9,258	19	6,276	15,553
TOTAL ASSETS	9,992	28,989	11,834	13,638	64,453
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	72	39	111
Accounts Payable	80	151	63	370	664
Salaries Payable	-	-	32	72	104
Due to Other Funds	80	9	250	431	770
Due to Component Units	-	1	-	-	1
Due to Other Governments	-	-	-	9	9
Deferred Revenue	568	4,330	-	-	4,898
Funds Held in Escrow	-	-	10,307	-	10,307
Compensated Absences	-	-	-	1	1
Claims Payable	3,353	11,473	-	-	14,826
Notes Payable	-	-	-	90	90
Total Current Liabilities	4,081	15,964	10,724	1,012	31,781
Long-term Liabilities					
Compensated Absences	-	-	89	217	306
Notes Payable	-	-	-	1,558	1,558
Total Long-term Liabilities	0	0	89	1,775	1,864
Total Liabilities	4,081	15,964	10,813	2,787	33,645
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	19	5,098	5,117
Restricted for:					
Other Purposes	-	-	77	-	77
Unrestricted	5,911	13,025	925	5,753	25,614
TOTAL NET ASSETS	\$ 5,911	\$ 13,025	\$ 1,021	\$ 10,851	\$ 30,808

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Surplus Property	Other Enterprise Funds	Totals
OPERATING REVENUES					
Charges for Goods and Services	\$ -	\$ -	\$ 2,875	\$ 21,393	\$ 24,268
Investment Earnings	-	1,037	-	12	1,049
Premiums and Contributions	18,146	101,913	-	-	120,059
Rents and Leases	-	-	-	490	490
Total Operating Revenues	18,146	102,950	2,875	21,895	145,866
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	892	1,611	2,503
Utilities and Communications	-	-	43	193	236
Professional Services	17	623	72	321	1,033
Supplies, Materials, and Operating Expenses	307	-	1,703	14,429	16,439
Depreciation	-	-	37	379	416
Claims and Benefits	26,367	96,738	-	-	123,105
Other	-	-	339	578	917
Total Operating Expenses	26,691	97,361	3,086	17,511	144,649
Operating Income (Loss)	(8,545)	5,589	(211)	4,384	1,217
NONOPERATING REVENUES (EXPENSES)					
Taxes	9,058	-	-	-	9,058
Grants	-	-	-	66	66
Investment Income	239	-	-	2	241
Other Nonoperating Revenues	-	-	12	141	153
Interest Expense	-	-	-	(65)	(65)
Total Nonoperating Revenues (Expenses)	9,297	0	12	144	9,453
Income (Loss) Before Contributions and Transfers	752	5,589	(199)	4,528	10,670
Capital Contributions	-	-	-	30	30
Transfers In	-	-	408	36	444
Transfers Out	-	(2,000)	(116)	(4,978)	(7,094)
Increase (Decrease) in Net Assets	752	3,589	93	(384)	4,050
Total Net Assets, October 1, 2003, as Restated	5,159	9,436	928	11,235	26,758
Total Net Assets, September 30, 2004	\$ 5,911	\$ 13,025	\$ 1,021	\$ 10,851	\$ 30,808

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Surplus Property	Other Enterprise Funds	Totals
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	18,407	103,139	2,247	21,764	145,557
Receipts from Interfund Services	-	-	789	68	857
Receipts from Other Operating Activities	79	19	1,096	227	1,421
Payments for Goods Held for Resale	(292)	-	(1,924)	(15,075)	(17,291)
Payments for Other Goods & Services	(27,438)	(909)	(512)	(1,918)	(30,777)
Payments for Employees Services	-	-	(845)	(1,659)	(2,504)
Payments for Interfund Services	-	(4)	(247)	(183)	(434)
Payments for Other Operating Activities	-	-	(1,326)	(1)	(1,327)
Payments for Claims	-	(95,262)	-	-	(95,262)
Net Cash Provided by (Used In) Operating Activities	(9,244)	6,983	(722)	3,223	240
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	9,059	-	408	36	9,503
Transfers to Other Funds for Noncapital Financing	-	(2,000)	(116)	(4,890)	(7,006)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	9,059	(2,000)	292	(4,854)	2,497
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	276	276
Receipts from Sale of Capital Assets & Insurance Proceeds	-	-	7	-	7
Payments to Acquire, Construct, & Improve Capital Assets	-	-	-	(978)	(978)
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	-	(92)	(92)
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	-	(65)	(65)
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	0	7	(859)	(852)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	87,329	-	-	87,329
Receipts from Interest & Dividends on Investments & Loans	239	281	-	2	522
Purchase of Investments	-	(91,894)	-	-	(91,894)
Net Cash Provided By (Used In) Investing Activities	239	(4,284)	0	2	(4,043)
Net Increase (Decrease) In Cash and Cash Equivalents	54	699	(423)	(2,488)	(2,158)
Cash Balance, October 1, 2003	9,656	4,732	1,180	4,650	20,218
Restatements	-	-	-	2,498	2,498
Cash Balance, September 30, 2004	9,710	5,431	757	4,660	20,558
Add: Warrants Payable	-	-	72	39	111
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 9,710	\$ 5,431	\$ 829	\$ 4,699	\$ 20,669

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Alabama Health Insurance Plan	Local Government Employees' Health Insur	Surplus Property	Other Enterprise Funds	Totals
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	(8,545)	5,589	(211)	4,384	1,217
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	159	347	-	74	580
Due from Other Funds	-	-	243	(151)	92
Inventory	-	-	(343)	(1,802)	(2,145)
Other Assets	(281)	-	-	-	(281)
Accounts Payable	(689)	(228)	16	163	(738)
Salaries Payable	-	-	16	(2)	14
Due to Other Funds	9	(3)	(769)	(10)	(773)
Due to Other Governments	-	-	-	11	11
Claims Payable	-	2,296	-	-	2,296
Amounts Held Pending Distribution	-	-	250	-	250
Deferred Revenue	103	-	-	-	103
Compensated Absences	-	-	28	(50)	(22)
Investment Income	-	(1,037)	-	-	(1,037)
Depreciation	-	-	37	379	416
Nonoperating Revenues	-	19	11	227	257
Total Adjustments	(699)	1,394	(511)	(1,161)	(977)
Net Cash Provided (Used) by Operating Activities	\$ (9,244)	\$ 6,983	\$ (722)	\$ 3,223	\$ 240

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers, Donations, and Other Additions to Capital Assets	-	-	-	123	123
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	(8)	(137)	(145)
Interest Accruals and Other Adjustments	-	(473)	-	-	(473)
Unrealized Gains (Losses) in Investment Fair Value	-	(283)	-	-	(283)
Investment Accruals and Other Adjustments	-	656	-	-	656
Transfers In (Out)	-	-	-	38	38



Internal Service Funds

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

Information Services Fund

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

Telecommunications Fund

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

Service Division

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

Printing & Publications

Provides printing services to State agencies.

State Employees' Health Insurance

Provides health insurance coverage for State employees.

Correctional Industries

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

Building Renovation Finance Authority

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

Risk Management

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

Other Internal Service Funds

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Internal Service Funds

September 30, 2004

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 21,706	\$ 8,692	\$ 3,669	\$ 543	\$ 845
Investments, Short-term	-	-	-	-	58,960
Accounts Receivable	-	2	2	-	1,479
Interest and Dividends Receivable	-	-	-	-	198
Due from Other Funds	5,307	2,726	1,427	398	1,240
Due from Component Units	74	97	95	29	61
Inventory	-	-	1,791	181	-
Other Current Assets	-	-	-	-	-
Total Current Assets	27,087	11,517	6,984	1,151	62,783
Noncurrent Assets					
Investments, Long-term	-	-	-	-	12,749
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	1,868	4,958	1,867	461	179
Capital Assets Not Depreciated	-	-	-	-	-
Total Noncurrent Assets	1,868	4,958	1,867	461	12,928
TOTAL ASSETS	28,955	16,475	8,851	1,612	75,711
LIABILITIES					
Current Liabilities					
Warrants Payable	499	1,336	358	139	7
Accounts Payable	874	5,301	89	187	637
Salaries Payable	461	187	56	115	123
Due to Other Funds	39	1,081	23	6	205
Due to Component Units	-	5	-	-	33
Due to Other Governments	3,373	-	-	-	-
Deferred Revenue	-	-	-	246	24,726
Compensated Absences	-	-	-	19	-
Claims Payable	-	-	-	-	27,809
Revenue Bonds Payable	-	-	-	-	-
Capital Leases	-	341	78	77	-
Total Current Liabilities	5,246	8,251	604	789	53,540
Long-term Liabilities					
Compensated Absences	1,249	510	68	347	312
Revenue Bonds Payable	-	-	-	-	-
Capital Leases Payable	-	-	245	143	-
Total Long-term Liabilities	1,249	510	313	490	312
Total Liabilities	6,495	8,761	917	1,279	53,852
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,653	4,617	1,545	242	179
Unrestricted	20,807	3,097	6,389	91	21,680
TOTAL NET ASSETS	\$ 22,460	\$ 7,714	\$ 7,934	\$ 333	\$ 21,859

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
\$ 8,727	\$ 16,648	\$ 10,035	\$ 575	\$ 71,440
-	-	11,194	-	70,154
1	1	185	-	1,670
-	-	789	-	987
884	559	725	-	13,266
2	-	303	60	721
2,168	-	-	-	4,140
-	-	4,607	-	4,607
11,782	17,208	27,838	635	166,985
-	-	77,313	-	90,062
-	-	9,734	-	9,734
-	-	34,390	-	34,390
-	750	-	-	750
1,499	36,425	97	19	47,373
545	13,950	-	-	14,495
2,044	51,125	121,534	19	196,804
13,826	68,333	149,372	654	363,789
43	530	1,170	24	4,106
486	695	626	11	8,906
278	139	129	91	1,579
215	27	1,295	24	2,915
-	-	50	-	88
1	24	-	-	3,398
-	-	-	-	24,972
-	1	-	-	20
-	-	48,700	-	76,509
-	4,730	-	-	4,730
-	-	-	-	496
1,023	6,146	51,970	150	127,719
748	309	232	255	4,030
-	72,234	-	-	72,234
-	-	-	-	388
748	72,543	232	255	76,652
1,771	78,689	52,202	405	204,371
2,044	(26,588)	97	19	(16,192)
10,011	16,232	97,073	230	175,610
\$ 12,055	\$ (10,356)	\$ 97,170	\$ 249	\$ 159,418

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
OPERATING REVENUES					
Charges for Goods and Services	\$ 20,368	\$ 19,772	\$ 9,434	\$ 3,785	\$ -
Investment Earnings	-	-	-	-	1,677
Premiums and Contributions	-	-	-	-	276,890
Rents and Leases	-	-	-	-	-
Total Operating Revenues	20,368	19,772	9,434	3,785	278,567
OPERATING EXPENSES					
Salaries, Wages, and Benefits	7,114	2,969	925	2,046	1,709
Utilities and Communications	182	10,548	25	137	143
Professional Services	2,418	995	109	78	2,429
Supplies, Materials, and Operating Expenses	2,157	268	6,815	1,346	172
Interest	-	-	-	-	-
Depreciation	758	2,593	521	395	52
Claims and Benefits	-	-	-	-	282,375
Other	6,063	1,256	541	546	435
Total Operating Expenses	18,692	18,629	8,936	4,548	287,315
Operating Income (Loss)	1,676	1,143	498	(763)	(8,748)
NONOPERATING REVENUES (EXPENSES)					
Grants	-	-	-	-	-
Investment Income	-	-	-	-	-
Other Nonoperating Revenues	1	1,194	-	131	2
Interest Expense	(5)	(139)	(26)	(12)	-
Other Nonoperating Expenses	-	-	(38)	-	-
Total Nonoperating Revenues (Expenses)	(4)	1,055	(64)	119	2
Income (Loss) Before Contributions and Transfers	1,672	2,198	434	(644)	(8,746)
Capital Contributions	-	-	-	-	-
Transfers In	6,692	1,161	-	-	2,000
Transfers Out	(266)	(113)	(43)	(98)	(605)
Increase (Decrease) in Net Assets	8,098	3,246	391	(742)	(7,351)
Total Net Assets, October 1, 2003, as Restated	14,362	4,468	7,543	1,075	29,210
Total Net Assets, September 30, 2004	\$ 22,460	\$ 7,714	\$ 7,934	\$ 333	\$ 21,859

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
\$ 11,789	\$ -	\$ 1,490	\$ 1,060	\$ 67,698
-	-	7,005	-	8,682
-	-	31,352	-	308,242
-	11,539	-	-	11,539
11,789	11,539	39,847	1,060	396,161
4,512	2,334	2,025	1,746	25,380
460	2,613	125	15	14,248
329	874	7,413	409	15,054
5,595	259	13,212	22	29,846
-	4,012	-	-	4,012
308	3,564	42	8	8,241
-	-	15,250	-	297,625
997	899	1,292	91	12,120
12,201	14,555	39,359	2,291	406,526
(412)	(3,016)	488	(1,231)	(10,365)
-	-	-	250	250
-	48	-	-	48
108	107	5,670	-	7,213
-	-	-	-	(182)
-	-	-	-	(38)
108	155	5,670	250	7,291
(304)	(2,861)	6,158	(981)	(3,074)
-	63	-	5	68
2,485	9,359	-	868	22,565
(20)	(5,293)	(141)	(36)	(6,615)
2,161	1,268	6,017	(144)	12,944
9,894	(11,624)	91,153	393	146,474
\$ 12,055	\$ (10,356)	\$ 97,170	\$ 249	\$ 159,418

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	32	2,437	161	63	-
Receipts from Interfund Services	22,215	18,794	9,806	4,006	278,849
Receipts from Other Operating Activities	15	6,564	1	372	4
Payments for Goods Held for Resale	(538)	-	(6,791)	(1,095)	-
Payments for Other Goods & Services	(9,476)	(13,077)	(491)	(791)	(2,994)
Payments for Employees Services	(6,918)	(2,951)	(923)	(2,088)	(1,696)
Payments for Taxes, Fines, Penalties, & Similar Fees	(2,606)	-	-	-	-
Payments for Interfund Services	(647)	(725)	(226)	(149)	(508)
Payments for Other Operating Activities	(8)	(6,905)	(3)	(3)	(24)
Payments for Claims	-	-	-	-	(278,316)
Net Cash Provided by (Used In) Operating Activities	2,069	4,137	1,534	315	(4,685)
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	6,692	1,143	-	-	2,000
Transfers to Other Funds for Noncapital Financing	(249)	(113)	(43)	(98)	(605)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	6,443	1,030	(43)	(98)	1,395
Cash Flows From Capital & Related Financing Activities:					
Receipts from Sale of Capital Assets & Insurance Proceeds	1	1	162	-	-
Payments to Acquire, Construct, & Improve Capital Assets	(1,245)	(368)	(550)	(2)	(18)
Principal Paid on Revenue Bonds & Other Capital Debt	(1,067)	(1,944)	(90)	(113)	-
Interest Paid on Revenue Bonds & Other Capital Debt	(5)	(125)	(26)	(12)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(2,316)	(2,436)	(504)	(127)	(18)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	335,935
Receipts from Interest & Dividends on Investments & Loans	-	1	-	-	343
Purchase of Investments	-	-	-	-	(341,533)
Net Cash Provided By (Used In) Investing Activities	0	1	0	0	(5,255)
Net Increase (Decrease) In Cash and Cash Equivalents	6,196	2,732	987	90	(8,563)
Cash Balance, October 1, 2003	15,011	4,624	2,324	314	9,401
Restatements	-	-	-	-	-
Cash Balance, September 30, 2004	21,207	7,356	3,311	404	838
Add: Warrants Payable	499	1,336	358	139	7
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 21,706	\$ 8,692	\$ 3,669	\$ 543	\$ 845

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
5,035	22	12,721	1	20,472
7,061	11,147	20,230	1,300	373,408
3	97	5,743	313	13,112
(4,979)	-	-	-	(13,403)
(1,836)	(4,309)	(17,275)	(237)	(50,486)
(4,479)	(2,340)	(1,987)	(1,704)	(25,086)
-	-	-	-	(2,606)
(439)	(420)	(1,808)	(307)	(5,229)
(99)	(1)	(2,142)	(10)	(9,195)
-	-	(12,405)	-	(290,721)
267	4,196	3,077	(644)	10,266
2,485	4,180	-	869	17,369
(20)	(115)	(141)	(36)	(1,420)
2,465	4,065	(141)	833	15,949
13	1	-	-	178
(151)	(6,050)	(98)	(12)	(8,494)
-	(935)	-	-	(4,149)
-	(4,974)	-	-	(5,142)
(138)	(11,958)	(98)	(12)	(17,607)
-	-	333,499	-	669,434
-	48	4,903	-	5,295
-	-	(336,314)	-	(677,847)
0	48	2,088	0	(3,118)
2,594	(3,649)	4,926	177	5,490
6,090	19,775	3,939	374	61,852
-	(8)	-	-	(8)
8,684	16,118	8,865	551	67,334
43	530	1,170	24	4,106
\$ 8,727	\$ 16,648	\$ 10,035	\$ 575	\$ 71,440

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, 2004

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	1,676	1,143	498	(763)	(8,748)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	-	1,531	(2)	-	(363)
Due from Other Funds	3,196	(53)	715	155	(267)
Inventory	-	-	(16)	156	-
Other Assets	-	-	-	-	-
Accounts Payable	204	(748)	(151)	59	2,143
Salaries Payable	82	19	5	(17)	15
Due to Other Funds	(40)	(1,547)	(35)	(15)	(22)
Due to Other Governments	(2,606)	-	-	-	-
Claims Payable	-	-	-	-	2,270
Amounts Held Pending Distribution	-	3	-	-	-
Deferred Revenue	(1,324)	-	-	239	1,915
Amounts Held in Custody for Others	-	(1)	-	-	-
Compensated Absences	115	-	(2)	(24)	-
Investment Income	-	-	-	-	(1,677)
Operating Interest Expense	-	-	-	-	-
Depreciation	758	2,593	521	395	52
Nonoperating Revenues	8	1,197	1	130	(3)
Total Adjustments	393	2,994	1,036	1,078	4,063
Net Cash Provided (Used) by Operating Activities	\$ 2,069	\$ 4,137	\$ 1,534	\$ 315	\$ (4,685)

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers, Donations, and Other Additions to Capital Assets	14	4,497	412	1	216
Disposals, Write-offs, and Other Reductions to Capital Asset	(2,281)	(3,502)	(706)	(320)	(215)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	-	1	-	-	(833)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(501)
Investment Accruals and Other Adjustments	-	-	-	-	1,344
Transfers In (Out)	250	87	38	90	-

Correctional Industries	Building Renovation Finance Authority	Risk Management	Other Internal Service Funds	Totals
(412)	(3,016)	488	(1,231)	(10,365)
-	(1)	185	-	1,350
69	(370)	(286)	(60)	3,099
137	-	-	-	277
-	-	885	-	885
(124)	(7)	(50)	(9)	1,317
29	12	22	35	202
253	(77)	376	244	(863)
-	-	-	-	(2,606)
-	-	2,939	-	5,209
-	-	-	-	3
-	-	(21)	-	809
-	-	-	-	(1)
7	(17)	16	64	159
-	-	(7,005)	-	(8,682)
-	4,012	-	-	4,012
308	3,564	42	8	8,241
-	96	5,486	305	7,220
679	7,212	2,589	587	20,631
<u>\$ 267</u>	<u>\$ 4,196</u>	<u>\$ 3,077</u>	<u>\$ (644)</u>	<u>\$ 10,266</u>

19	8,918	6	36	14,119
(151)	(8,559)	(82)	(25)	(15,841)
-	22	-	-	22
-	-	(156)	-	(988)
-	-	(1,672)	-	(2,173)
-	-	(42,514)	-	(41,170)
-	101	134	33	733



Pension (and Other Employee Benefit) Trust Funds

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

Employees' Retirement System

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

Teachers' Retirement System

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

Judicial Retirement Fund

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

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

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

State Port Authority Railway Plan

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

Clerks And Registers Supernumerary

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

Flexible Employee's Benefit Board

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

Employee Savings Plans

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

STATE OF ALABAMA

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

September 30, 2004

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 16,194	\$ 35,207	\$ 1,130	\$ 280	\$ -
Investments					
U.S. Treasury Securities	122,622	253,674	8,765	2,649	571
U.S. Agency Securities	311,913	655,333	17,912	1,667	974
Mortgage Backed Securities	38,953	100,885	759	3,532	-
Corporate Stocks	3,636,637	7,743,769	126,199	133	1,064
Corporate Bonds	1,843,583	3,970,685	45,601	4,271	1,921
Real Estate	512,355	1,060,523	2,429	-	-
Commercial Paper	120,171	302,217	652	-	-
International Stocks	817,939	1,908,254	-	-	-
International Bonds	14,967	27,894	-	-	-
Mutual and Money Market Funds	275,895	609,419	17,017	6,330	731
Other	5,287	12,311	-	-	-
Receivables					
Accounts Receivable	-	-	-	1	-
Due from Primary Government	38	-	-	-	-
Employer Contributions Receivable	11,461	26,127	308	-	-
Member Contributions Receivable	9,269	19,840	110	-	-
Interest and Dividends Receivable	69,537	147,542	1,377	144	-
Securities Lending Collateral	526,821	1,098,881	14,783	-	816
Capital Assets, Net of Accumulated Depreciation	1,523	1,940	-	1	-
Capital Assets Not Depreciated	499	691	-	-	-
TOTAL ASSETS	8,335,664	17,975,192	237,042	19,008	6,077
LIABILITIES					
Warrants Payable	\$ 11,483	\$ 20,097	\$ 435	\$ 163	\$ -
Accounts Payable	263	255	8	12	-
Salaries Payable	380	515	21	15	-
Due to Other Funds	-	-	-	2	-
Due to Primary Government	6	78	-	-	-
Securities Lending Obligation	526,821	1,098,881	14,783	-	816
Deferred Revenue	414	1,139	-	-	-
Compensated Absences	805	1,359	102	55	-
TOTAL LIABILITIES	540,172	1,122,324	15,349	247	816
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	7,795,492	16,852,868	221,693	18,761	5,261
TOTAL NET ASSETS	\$ 7,795,492	\$ 16,852,868	\$ 221,693	\$ 18,761	\$ 5,261

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$ -	\$ 12	\$ 653	\$ 523	\$ 53,999
53	728	-	113,750	502,812
91	1,509	-	174,403	1,163,802
-	-	-	2,829	146,958
99	-	-	96,675	11,604,576
178	3,453	-	397,883	6,267,575
-	-	-	-	1,575,307
-	-	-	16,580	439,620
-	-	-	-	2,726,193
-	-	-	-	42,861
68	1,044	-	67,447	977,951
-	-	-	-	17,598
-	-	159	-	160
-	-	-	-	38
-	-	-	-	37,896
-	-	-	-	29,219
-	-	-	12,828	231,428
-	1,034	-	151,659	1,793,994
-	-	-	-	3,464
-	-	-	-	1,190
489	7,780	812	1,034,577	27,616,641
\$ -	\$ 13	\$ -	\$ 523	\$ 32,714
-	-	808	-	1,346
-	-	-	-	931
-	-	-	-	2
-	-	-	-	84
-	1,034	-	151,659	1,793,994
-	-	-	-	1,553
-	-	-	-	2,321
0	1,047	808	152,182	1,832,945
489	6,733	4	882,395	25,783,696
\$ 489	\$ 6,733	\$ 4	\$ 882,395	\$ 25,783,696

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, 2004

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Employee	\$ 166,973	\$ 251,713	\$ 2,369	\$ 793	\$ -
Employer	170,735	312,474	8,994	-	305
Total Contributions	337,708	564,187	11,363	793	305
Investment Earnings					
Investment Interest and Dividends	268,876	579,999	7,217	708	128
Net Increase (Decrease) in Fair Value of Investments	457,981	1,055,527	14,736	463	53
Securities Lending Income	4,892	10,704	109	-	2
Total Investment Earnings	731,749	1,646,230	22,062	1,171	183
Less:					
Investment Expense	(2,390)	(4,079)	(12)	(60)	-
Securities Lending Interest and Fees	(3,601)	(7,835)	(87)	-	(1)
Net Investment Income	725,758	1,634,316	21,963	1,111	182
Other Additions					
Licenses and Fees	-	-	-	2,500	-
Miscellaneous	1,594	2,146	64	5	-
Transfers In	-	-	-	-	-
Total Other Additions	1,594	2,146	64	2,505	0
Total Additions	1,065,060	2,200,649	33,390	4,409	487
DEDUCTIONS					
Benefit Payments	483,863	1,023,748	18,005	3,858	-
Return of Contributions	-	-	-	86	-
Administrative Expense	8,401	9,413	346	296	-
Transfers Out	-	-	-	1	-
Total Deductions	492,264	1,033,161	18,351	4,241	0
Changes in Net Assets	572,796	1,167,488	15,039	168	487
Net Assets Held in Trust for Pension and Other					
Employee Benefits, October 1, 2003, as Restated	7,222,696	15,685,380	206,654	18,593	4,774
Net Assets Held in Trust for Pension and Other					
Employee Benefits, September 30, 2004	\$ 7,795,492	\$ 16,852,868	\$ 221,693	\$ 18,761	\$ 5,261

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$ -	\$ 295	\$ 1,985	\$ 46,684	\$ 470,812
-	-	-	-	492,508
0	295	1,985	46,684	963,320
13	246	-	42,594	899,781
8	(77)	-	10,927	1,539,618
-	2	-	374	16,083
21	171	0	53,895	2,455,482
-	-	-	-	(6,541)
-	(2)	-	(319)	(11,845)
21	169	0	53,576	2,437,096
-	-	-	-	2,500
-	-	-	-	3,809
-	-	600	-	600
0	0	600	0	6,909
21	464	2,585	100,260	3,407,325
-	276	2,028	30,416	1,562,194
-	-	-	-	86
-	-	557	-	19,013
-	-	-	-	1
0	276	2,585	30,416	1,581,294
21	188	0	69,844	1,826,031
468	6,545	4	812,551	23,957,665
\$ 489	\$ 6,733	\$ 4	\$ 882,395	\$ 25,783,696



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.

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.

Alabama College Education Savings Plan

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

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

September 30, 2004

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation For Local Schools	Alabama College Education Savings Plan	Totals
ASSETS					
Cash and Cash Equivalents	\$ 20,055	\$ 366	\$ 1	\$ 530	\$ 20,952
Investments					
Time Deposits	-	132	-	-	132
U.S. Treasury Securities	20,393	-	56	-	20,449
U.S. Agency Securities	27,395	-	136	-	27,531
State and Local Government Securities	1,046	-	-	-	1,046
Mortgage Backed Securities	54,705	-	-	-	54,705
Corporate Stocks	339,010	3,739	-	-	342,749
Corporate Bonds	64,459	1,880	258	-	66,597
Real Estate	-	840	-	-	840
International Stocks	95,150	-	-	-	95,150
Mutual and Money Market Funds	-	236	115	268,450	268,801
Receivables					
Accounts Receivable	64	-	-	708	772
Due from Other Funds	62	-	-	-	62
Interest and Dividends Receivable	1,927	38	-	-	1,965
Securities Lending Collateral	-	542	89	-	631
TOTAL ASSETS	624,266	7,773	655	269,688	902,382
LIABILITIES					
Warrants Payable	718	-	-	-	718
Accounts Payable	2,838	-	-	554	3,392
Salaries Payable	19	-	-	4	23
Due to Other Funds	65	-	-	-	65
Securities Lending Obligation	-	542	89	-	631
Compensated Absences	55	-	-	-	55
TOTAL LIABILITIES	3,695	542	89	558	4,884
NET ASSETS					
Held in Trust for Beneficiaries	620,571	7,231	566	269,130	897,498
TOTAL NET ASSETS	\$ 620,571	\$ 7,231	\$ 566	\$ 269,130	\$ 897,498

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation For Local Schools	Alabama College Education Savings Plan	Totals
ADDITIONS					
Contributions:					
Participants	\$ 35,571	\$ -	\$ -	\$ 200,348	\$ 235,919
Other Contributions	-	-	4	-	4
Total Contributions	35,571	0	4	200,348	235,923
Investment Earnings					
Investment Interest and Dividends	16,866	209	14	3,339	20,428
Net Increase (Decrease) in Fair Value of Investments	40,136	452	(8)	9,082	49,662
Securities Lending Income	-	3	-	-	3
Total Investment Earnings	57,002	664	6	12,421	70,093
Less:					
Securities Lending Interest and Fees	-	(3)	-	-	(3)
Net Investment Income	57,002	661	6	12,421	70,090
Other Additions					
Miscellaneous	969	7	15	-	991
Total Other Additions	969	7	15	0	991
Total Additions	93,542	668	25	212,769	307,004
DEDUCTIONS					
Benefit Payments	38,462	-	-	49,924	88,386
Administrative Expense	3,533	-	-	1,430	4,963
Transfers Out	-	220	-	-	220
Total Deductions	41,995	220	0	51,354	93,569
Changes in Net Assets	51,547	448	25	161,415	213,435
Net Assets Held in Trust					
for Beneficiaries, October 1, 2003, as Restated	569,024	6,783	541	107,715	684,063
Net Assets Held in Trust					
for Beneficiaries, September 30, 2004	\$ 620,571	\$ 7,231	\$ 566	\$ 269,130	\$ 897,498



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, 2004

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected For Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 205,985	\$ 7,955	\$ 6,895	\$ 15,854	\$ 236,689
Investments	-	-	-	47,982	47,982
Accounts Receivable	8	-	-	2	10
Due from Other Funds	1	-	4	-	5
TOTAL ASSETS	\$ 205,994	\$ 7,955	\$ 6,899	\$ 63,838	\$ 284,686
LIABILITIES					
Warrants Payable	\$ 14,510	\$ 317	\$ 2,846	\$ 6,866	\$ 24,539
Accounts Payable	80	-	-	21	101
Due to Other Governments	640	6,341	-	80	7,061
Amounts Held in Custody for Others	190,764	1,297	4,053	56,871	252,985
TOTAL LIABILITIES	\$ 205,994	\$ 7,955	\$ 6,899	\$ 63,838	\$ 284,686



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	159,685	12,038,382	11,992,082	205,985
Accounts Receivable	4	49	45	8
Due from Other Funds	264	3,909	4,172	1
Taxes Receivable	-	783,635	783,635	-
TOTAL ASSETS	\$ 159,953	\$ 12,825,975	\$ 12,779,934	\$ 205,994
LIABILITIES				
Warrants Payable	7,817	564,278	557,585	14,510
Accounts Payable	177	77,800	77,897	80
Due to Other Funds	-	3,387	3,387	-
Due to Other Governments	452	12,003	11,815	640
Amounts Held Pending Distribution	-	14,001,019	14,001,019	-
Deferred Revenue	-	2,136	2,136	-
Amounts Held in Custody for Others	151,507	464,571	425,314	190,764
TOTAL LIABILITIES	\$ 159,953	\$ 15,125,194	\$ 15,079,153	\$ 205,994
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	15,480	198,033	205,558	7,955
Due from Other Funds	-	5	5	-
TOTAL ASSETS	\$ 15,480	\$ 198,038	\$ 205,563	\$ 7,955
LIABILITIES				
Warrants Payable	248	199,720	199,651	317
Accounts Payable	65	11,503	11,568	-
Due to Other Funds	-	34	34	-
Due to Other Governments	13,903	250,607	258,169	6,341
Amounts Held Pending Distribution	-	674	674	-
Amounts Held in Custody for Others	1,264	1,297	1,264	1,297
TOTAL LIABILITIES	\$ 15,480	\$ 463,835	\$ 471,360	\$ 7,955
PAYROLL				
ASSETS				
Cash and Cash Equivalents	3,081	1,850,743	1,846,929	6,895
Due from Other Funds	5	52	53	4
TOTAL ASSETS	\$ 3,086	\$ 1,850,795	\$ 1,846,982	\$ 6,899
LIABILITIES				
Warrants Payable	2,682	1,403,333	1,403,169	2,846
Accounts Payable	104	489,837	489,941	-
Due to Other Funds	-	273	273	-
Due to Component Units	2	-	2	-
Amounts Held Pending Distribution	-	412,122	412,122	-
Amounts Held in Custody for Others	298	525,260	521,505	4,053
TOTAL LIABILITIES	\$ 3,086	\$ 2,830,825	\$ 2,827,012	\$ 6,899

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	14,374	596,563	595,083	15,854
Investments	43,964	6,055	2,037	47,982
Accounts Receivable	-	2	-	2
TOTAL ASSETS	\$ 58,338	\$ 602,620	\$ 597,120	\$ 63,838
LIABILITIES				
Warrants Payable	5,098	271,557	269,789	6,866
Accounts Payable	30	15,289	15,298	21
Due to Other Governments	73	661	654	80
Amounts Held Pending Distribution	-	285,892	285,892	-
Deferred Revenue	-	100	100	-
Amounts Held in Custody for Others	53,137	310,256	306,522	56,871
TOTAL LIABILITIES	\$ 58,338	\$ 883,755	\$ 878,255	\$ 63,838
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	192,620	14,683,721	14,639,652	236,689
Investments	43,964	6,055	2,037	47,982
Accounts Receivable	4	51	45	10
Due from Other Funds	269	3,966	4,230	5
Taxes Receivable	-	783,635	783,635	-
TOTAL ASSETS	\$ 236,857	\$ 15,477,428	\$ 15,429,599	\$ 284,686
LIABILITIES				
Warrants Payable	15,845	2,438,888	2,430,194	24,539
Accounts Payable	376	594,429	594,704	101
Due to Other Funds	-	3,694	3,694	-
Due to Component Units	2	-	2	-
Due to Other Governments	14,428	263,271	270,638	7,061
Amounts Held Pending Distribution	-	14,699,707	14,699,707	-
Deferred Revenue	-	2,236	2,236	-
Amounts Held in Custody for Others	206,206	1,301,384	1,254,605	252,985
TOTAL LIABILITIES	\$ 236,857	\$ 19,303,609	\$ 19,255,780	\$ 284,686



Nonmajor Component Units

Higher Education Loan Corporation

Provides Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the Federal Guaranteed Student Loan Program.

Drinking Water Finance Authority

Issues revolving loan bonds and lends the bond proceeds to local governments at below market rates for the construction of drinking water treatment and distribution facilities.

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy State University

Reports the operations and balances of the University.

Space Science Exhibit Commission

Operates the U.S. Space and Rocket Center and the U.S. Space Camp.

Historical Commission

Preserves and maintains buildings, objects, and sites of historical significance.

Incentives Finance Authority

Issues bonded debt for the purpose of making incentive grants to major industries locating or expanding within the State.

Twenty-first Century Authority

Finances economic development and industrial recruitment incentives primarily with debt secured by tobacco settlement revenues.

Other Nonmajor Component Units

Combined totals of other nonmajor component units, which are reported in more detail later in this report.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Component Units

September 30, 2004

(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	\$ 15,446	\$ 27,064	\$ 8,229	\$ 17,992	\$ 34,691
Investments	33,720	62,994	8,427	65,726	6,954
Accounts Receivable	-	60	19,141	6,106	6,528
Due from Primary Government	-	-	-	-	-
Due from Other Governments	-	152,039	-	2,382	-
Interest and Dividends Receivable	117	834	-	181	-
Mortgages, Notes, and Loans Receivable	13,116	-	-	2,640	1,977
Securities Lending Collateral	-	-	-	-	-
Inventory	-	-	165	870	-
Other Assets	365	3,640	12,888	4,601	581
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	47	101,975	58,149	38,521
Capital Assets Not Depreciated	-	-	9,598	13,278	19,020
TOTAL ASSETS	62,764	246,678	160,423	171,925	108,272
LIABILITIES					
Warrants Payable	-	-	-	-	-
Accounts Payable	136	14	109	3,983	3,738
Salaries Payable	-	-	-	-	2,073
Interest Payable	124	852	714	-	-
Due to Primary Government	-	3	-	-	-
Due to Other Governments	-	34,355	-	-	187
Claims Payable	-	-	-	-	-
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	-	-	22,144	10,694	12,763
Amounts Held in Custody for Others	-	-	302	-	791
Compensated Absences	-	-	1,228	1,733	1,332
Other Liabilities	8,964	22	-	-	-
Notes and Mortgages Payable	-	-	-	-	-
Revenue Bonds Payable	43,400	136,668	59,415	60,803	25,935
Capital Lease Obligations	-	-	4,755	3	-
TOTAL LIABILITIES	52,624	171,914	88,667	77,216	46,819
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	47	48,443	48,863	33,596
Restricted for:					
Permanent Trust - Expendable	1,797	-	9,122	8,765	5,693
Permanent Trust - Non-expendable	-	-	-	26,110	619
Debt Service	-	74,717	-	2,387	-
Other Purposes	-	-	-	-	-
Unrestricted	8,343	-	14,191	8,584	21,545
TOTAL NET ASSETS	\$ 10,140	\$ 74,764	\$ 71,756	\$ 94,709	\$ 61,453

University of North Alabama	Troy State University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 28,282	\$ 58,289	\$ 137	\$ 788	\$ 34,982	\$ 72,714	\$ 50,759	\$ 349,373
9,583	6,351	-	7,695	-	-	32,705	234,155
5,258	26,088	575	10	-	-	10,913	74,679
-	-	-	-	-	-	103	103
-	-	-	-	-	-	-	154,421
-	-	-	-	-	-	48	1,180
1,738	2,279	-	-	-	-	565	22,315
-	-	-	4,396	-	-	-	4,396
30	1,514	314	74	-	-	1,205	4,172
2,056	3,972	330	-	-	-	9,274	37,707
-	-	3,078	-	-	-	1,576	4,654
48,055	90,810	26,439	434	9,497	405	81,123	455,455
4,195	13,143	8,619	70,705	596	-	6,183	145,337
99,197	202,446	39,492	84,102	45,075	73,119	194,454	1,487,947
-	-	-	66	-	4,484	685	5,235
1,176	4,102	977	170	-	-	6,220	20,625
505	-	-	294	-	-	101	2,973
518	-	137	-	3,215	3,018	227	8,805
-	-	-	32	34,390	-	67	34,492
-	-	-	36	-	-	622	35,200
-	-	432	-	-	-	1,211	1,643
-	-	-	4,396	-	-	-	4,396
8,119	25,390	1,073	-	-	-	9,780	89,963
444	3,045	-	-	-	-	1,022	5,604
702	1,460	-	539	-	-	3,052	10,046
-	2,370	-	-	-	-	-	11,356
707	286	4,544	-	-	-	3,945	9,482
24,931	53,695	14,890	-	128,665	147,959	48,543	744,904
519	207	-	-	-	-	1,354	6,838
37,621	90,555	22,053	5,533	166,270	155,461	76,829	991,562
29,341	50,598	19,131	71,139	10,093	405	67,772	379,428
3,317	3,640	-	-	-	-	8,785	41,119
2,087	1,500	-	9,980	-	-	11,970	52,266
2,199	-	-	-	-	-	-	79,303
-	-	3,446	-	-	-	-	3,446
24,632	56,153	(5,138)	(2,550)	(131,288)	(82,747)	29,098	(59,177)
\$ 61,576	\$ 111,891	\$ 17,439	\$ 78,569	\$ (121,195)	\$ (82,342)	\$ 117,625	\$ 496,385

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 3,477	\$ 1,396	\$ 111,055	\$ 95,588	\$ 78,999
Program Revenues					
Charges for Services	1,150	3,967	39,187	37,770	32,454
Operating Grants and Contributions	-	6,238	38,323	32,134	16,581
Capital Grants and Contributions	-	-	7,099	171	110
Total Program Revenues	1,150	10,205	84,609	70,075	49,145
Net (Expense) Revenue	(2,327)	8,809	(26,446)	(25,513)	(29,854)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	1,561	3,210	12	2,301	989
Miscellaneous	-	783	5,325	9	-
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Payments from State of Alabama	-	-	32,291	29,901	29,140
Total General Revenues, Special Items, and Transfers	1,561	3,993	37,628	32,211	30,129
Change in Net Assets	(766)	12,802	11,182	6,698	275
Net Assets, October 1, 2003, as Restated	10,906	61,962	60,574	88,011	61,178
Net Assets, September 30, 2004	\$ 10,140	\$ 74,764	\$ 71,756	\$ 94,709	\$ 61,453

University of North Alabama	Troy State University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 52,827	\$ 149,618	\$ 22,588	\$ 6,427	\$ 11,936	\$ 135,414	\$ 154,043	\$ 823,368
24,768	97,271	21,346	936	7	102,610	55,038	416,504
8,448	28,039	-	851	-	-	36,873	167,487
544	-	1,841	-	70	23	914	10,772
33,760	125,310	23,187	1,787	77	102,633	92,825	594,763
(19,067)	(24,308)	599	(4,640)	(11,859)	(32,781)	(61,218)	(228,605)
-	-	-	-	-	-	1,218	1,218
-	-	-	-	-	-	25	25
906	933	7	768	255	708	2,093	13,743
-	130	-	171	15,666	-	5,872	27,956
19	-	-	-	-	-	-	19
21,626	35,808	305	3,565	3,800	-	68,644	225,080
22,551	36,871	312	4,504	19,721	708	77,852	268,041
3,484	12,563	911	(136)	7,862	(32,073)	16,634	39,436
58,092	99,328	16,528	78,705	(129,057)	(50,269)	100,991	456,949
\$ 61,576	\$ 111,891	\$ 17,439	\$ 78,569	\$ (121,195)	\$ (82,342)	\$ 117,625	\$ 496,385

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2004

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
ASSETS					
Cash and Cash Equivalents	\$ 1,981	\$ 1,331	\$ 471	\$ 4,148	\$ 14,833
Investments	-	596	-	975	23,166
Accounts Receivable	-	-	-	3,063	3,414
Due from Primary Government	101	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	48
Mortgages, Notes, and Loans Receivable	-	-	-	-	565
Inventory	-	230	20	636	-
Other Assets	218	24	-	1,335	1,645
Restricted Assets	-	-	-	-	1,576
Capital Assets, Net of Accumulated Depreciation	1,667	13,728	2,030	10,163	29,783
Capital Assets Not Depreciated	174	255	832	493	1,137
TOTAL ASSETS	4,141	16,164	3,353	20,813	76,167
LIABILITIES					
Warrants Payable	685	-	-	-	-
Accounts Payable	38	77	42	5	3,141
Salaries Payable	-	-	20	-	-
Interest Payable	-	6	-	-	-
Due to Primary Government	1	-	-	-	-
Due to Other Governments	5	8	-	-	609
Claims Payable	-	-	-	-	-
Deferred Revenue	-	-	-	3,025	6,439
Amounts Held in Custody for Others	-	-	-	539	410
Compensated Absences	124	146	-	722	465
Notes and Mortgages Payable	-	1,800	227	-	-
Revenue Bonds Payable	-	-	-	3,440	14,019
Capital Lease Obligations	-	-	-	-	274
TOTAL LIABILITIES	853	2,037	289	7,731	25,357
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,841	13,983	2,862	7,216	17,826
Restricted for:					
Permanent Trust - Expendable	-	-	-	-	7,322
Permanent Trust - Non-expendable	-	-	-	412	11,553
Unrestricted	1,447	144	202	5,454	14,109
TOTAL NET ASSETS	\$ 3,288	\$ 14,127	\$ 3,064	\$ 13,082	\$ 50,810

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Tennessee Valley Exhibit Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Music Hall of Fame	Miscellaneous Component Units	Totals
\$ 15,618	\$ 946	\$ 504	\$ 6,521	\$ -	\$ 60	\$ 4,346	\$ 50,759
618	-	-	-	-	-	7,350	32,705
3,446	990	-	-	-	-	-	10,913
-	-	-	-	-	-	2	103
-	-	-	-	-	-	-	48
-	-	-	-	-	-	-	565
132	156	-	-	-	31	-	1,205
6,036	-	16	-	-	-	-	9,274
-	-	-	-	-	-	-	1,576
16,639	5,582	-	-	-	906	625	81,123
2,472	659	-	-	-	161	-	6,183
44,961	8,333	520	6,521	0	1,158	12,323	194,454
-	-	-	-	-	-	-	685
2,898	4	-	-	-	2	13	6,220
-	-	-	-	-	-	81	101
-	-	-	147	74	-	-	227
-	-	-	60	-	-	6	67
-	-	-	-	-	-	-	622
-	-	-	-	-	-	1,211	1,211
316	-	-	-	-	-	-	9,780
-	73	-	-	-	-	-	1,022
1,086	262	-	-	-	27	220	3,052
1,837	-	-	-	-	81	-	3,945
-	-	2,069	18,135	10,880	-	-	48,543
-	1,080	-	-	-	-	-	1,354
6,137	1,419	2,069	18,342	10,954	110	1,531	76,829
17,274	5,160	-	-	-	985	625	67,772
758	705	-	-	-	-	-	8,785
5	-	-	-	-	-	-	11,970
20,787	1,049	(1,549)	(11,821)	(10,954)	63	10,167	29,098
\$ 38,824	\$ 6,914	\$ (1,549)	\$ (11,821)	\$ (10,954)	\$ 1,048	\$ 10,792	\$ 117,625

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 5,036	\$ 3,753	\$ 1,483	\$ 28,383	\$ 35,898
Program Revenues					
Charges for Services	1,913	3,631	1,371	3,361	16,852
Operating Grants and Contributions	1,535	275	182	15,093	6,422
Capital Grants and Contributions	-	500	-	365	49
Total Program Revenues	3,448	4,406	1,553	18,819	23,323
Net (Expense) Revenue	(1,588)	653	70	(9,564)	(12,575)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	19	3	14	1,515
Miscellaneous	-	-	-	132	3
Payments from State of Alabama	4,111	-	50	9,507	15,275
Total General Revenues, Special Items, and Transfers	4,111	19	53	9,653	16,793
Change in Net Assets	2,523	672	123	89	4,218
Net Assets, October 1, 2003, as Restated	765	13,455	2,941	12,993	46,592
Net Assets, September 30, 2004	\$ 3,288	\$ 14,127	\$ 3,064	\$ 13,082	\$ 50,810

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Tennessee Valley Exhibit Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Music Hall of Fame	Miscellaneous Component Units	Totals
\$ 64,675	\$ 7,171	\$ 66	\$ 940	\$ 901	\$ 493	\$ 5,244	\$ 154,043
21,897	1,760	-	64	-	107	4,082	55,038
8,269	2,507	-	-	-	168	2,422	36,873
-	-	-	-	-	-	-	914
30,166	4,267	0	64	0	275	6,504	92,825
(34,509)	(2,904)	(66)	(876)	(901)	(218)	1,260	(61,218)
-	-	-	-	1,218	-	-	1,218
-	-	-	-	-	-	25	25
131	17	-	-	-	-	394	2,093
-	-	503	5,225	-	-	9	5,872
36,550	2,896	-	-	-	103	152	68,644
36,681	2,913	503	5,225	1,218	103	580	77,852
2,172	9	437	4,349	317	(115)	1,840	16,634
36,652	6,905	(1,986)	(16,170)	(11,271)	1,163	8,952	100,991
\$ 38,824	\$ 6,914	\$ (1,549)	\$ (11,821)	\$ (10,954)	\$ 1,048	\$ 10,792	\$ 117,625



Capital Assets Used in Governmental Fund Operations

Capital Assets Used in Governmental Fund Operations accounts for capital assets used in the operation of governmental funds.

STATE OF ALABAMA

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS By Function and Activity, Excluding Internal Service Funds

September 30, 2004

(Amounts in Thousands)

	Land	Buildings	Equipment	Historical Exhibits	Construction In Progress
Economic Development and Regulation					
Agricultural	\$ 422	\$ 7,733	\$ 1,294	\$ -	\$ -
Forestry Commission	1,679	9,666	26,162	-	199
Geological	-	1,573	1,847	-	-
Other	-	-	3,308	-	-
Total Economic Development and Regulation	2,101	18,972	32,611	0	199
Education and Cultural Resources					
Department of Education	-	-	2,936	-	-
Educational Television Commission	330	1,203	23,567	-	-
Public Library Service	138	1,695	7,811	-	-
Sports Hall of Fame	-	-	262	2,254	-
Youth Services	614	2,715	158	-	-
Other	1,319	60	1,556	-	-
Total Education and Cultural Resources	2,401	5,673	36,290	2,254	0
Natural Resources and Recreation					
Conservation and Natural Resources	41,968	49,526	30,782	-	1,861
Other	62	1,007	177	-	4,480
Total Natural Resources and Recreation	42,030	50,533	30,959	0	6,341
Health - Physical and Mental					
Environmental Management	-	11,105	9,080	-	-
Medicaid Agency	-	-	2,647	-	-
Public Health	3,274	39,914	14,400	-	-
Other	-	-	97	-	-
Total Health - Physical and Mental	3,274	51,019	26,224	0	0
Social Services					
Human Resources	-	41,645	8,644	-	-
Industrial Relations	1,129	7,789	8,254	-	233
Rehabilitation Services	66	640	4,104	-	-
Veterans Affairs	670	26,467	551	-	-
Other	-	-	865	-	-
Total Social Services	1,865	76,541	22,418	0	233
Protection of Persons and Property					
Agriculture and Industries	-	9,169	6,249	-	-
Corrections	5,611	220,237	15,964	-	3,366
Emergency Management	45	2,855	1,691	-	-
Forensic Sciences	76	10,683	9,947	-	-
Judicial	3,264	39,877	170	-	-
Military	5,095	182,102	704	-	2,257
Professional and Occupational Boards	310	1,035	2,148	-	827
Public Safety	-	11,514	36,433	-	-
Youth Services	5,464	24,158	1,404	-	-
Other	1,038	977	6,588	-	29
Total Protection of Persons and Property	20,903	502,607	81,298	0	6,479
Transportation					
Transportation Department	3,734	88,969	183,767	-	3,909
Total Transportation	3,734	88,969	183,767	0	3,909
General Government					
Executive	64,450	3,462	8,354	-	-
Judicial	-	-	10,252	403	-
Legislative	-	-	1,733	-	-
Total General Government	64,450	3,462	20,339	403	0
Total Governmental Capital Assets	\$ 140,758	\$ 797,776	\$ 433,906	\$ 2,657	\$ 17,161

Construction In Progress - Infrastructure	Infrastructure	Totals
\$ -	\$ -	\$ 9,449
-	-	37,706
-	-	3,420
-	-	3,308
0	0	53,883
-	-	2,936
-	-	25,100
-	-	9,644
-	-	2,516
-	-	3,487
-	-	2,935
0	0	46,618
-	-	124,137
-	-	5,726
0	0	129,863
-	-	20,185
-	-	2,647
-	-	57,588
-	-	97
0	0	80,517
-	-	50,289
-	-	17,405
-	-	4,810
-	-	27,688
-	-	865
0	0	101,057
-	-	15,418
-	-	245,178
-	-	4,591
-	-	20,706
-	-	43,311
-	-	190,158
-	-	4,320
-	-	47,947
-	-	31,026
-	-	8,632
0	0	611,287
3,414,240	11,444,614	15,139,233
3,414,240	11,444,614	15,139,233
-	-	76,266
-	-	10,655
-	-	1,733
0	0	88,654
\$ 3,414,240	\$ 11,444,614	\$ 16,251,112



Supplemental Statements and Schedules

Supplemental Statements and Schedules This section presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.

STATE OF ALABAMA

SCHEDULE OF FEDERAL REVENUES BY AGENCY All Funds and Component Units Except Higher Education

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 392
Agriculture and Industries	3,032
Attorney General	1,065
Battleship Commission	500
Child Abuse and Neglect Prevention	317
Children's Affairs	264
Commission On Higher Education	1,541
Conservation and Natural Resources	16,386
Corrections	236
Council on the Arts	623
Crime Victims Compensation Commission	2,422
Criminal Justice Information Center	790
Drinking Water Finance Authority	6,238
Economic and Community Affairs	176,219
Education	728,280
Emergency Management	50,027
Environmental Management	19,011
Farmers' Market Authority	1,261
Finance Special Funds	77,868
Forensic Sciences	2,267
Forestry Commission	2,148
Forever Wild Land Trust	1,966
Geological Survey	458
Historical Commission	792
Human Resources	824,651
Industrial Relations	93,680
Labor	142
Manufactured Housing Commission	93
Medicaid	2,716,834
Mental Health and Retardation	39,770
Military	21,976
Office of Homeland Security	1,888
Office of National and Community Service	1,506
Pardons and Paroles	42
Postsecondary Education	10,872
Public Health	270,320
Public Library Service	2,371
Public Safety	6,544
Public Service Commission	442
Rehabilitation Services	67,525
School of Fine Arts	1,348
Secretary of State	12,835
Senior Services	22,443
Soil and Water Conservation Commission	375
State Port Authority	1,695
Supercomputer Authority	1,535
Surface Mining Commission	945
Transportation	567,900
Veterans Affairs	8,545
Water Pollution Control Authority	12,659
Youth Services	125
Total Federal Revenues	\$ 5,783,164



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, 2004

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	1,703,205	12.1%
General Use Tax	200,634	1.4%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	2,465,008	17.5%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	34,035	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	219,057	1.6%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	406,025	2.9%
Utilities Tax (6% telephone, 4% other)	347,012	2.5%
Insurance Premium Tax (1% to 6%)	240,334	1.7%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	73,276	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	92,927	0.7%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	52,105	0.4%
State Beer Tax (5¢ per 12 oz.)	52,183	0.4%
Public Utilities (2.2%)	95,102	0.7%
Motor Fuel Tax (diesel 17¢ per gallon)	127,058	0.9%
Tennessee Valley Authority (payments in-lieu of all state taxes)	80,844	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	60,520	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	101,140	0.7%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	37,097	0.3%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	70,365	0.5%
Coal Severance Tax (33.5¢ per ton)	6,881	0.0%
Forestry Severance Tax	5,576	0.0%
Inheritance Tax (amount of federal credit)	24,744	0.2%
Contractors Gross Receipts Tax (5% of gross receipts)	28,306	0.2%
Lodgings Tax (4% or 5% of charge)	33,795	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	9	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,916	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	3,229	0.0%
Court Cost Taxes	27,066	0.2%
Medicaid Taxes	43,353	0.3%
Cellular Telephones (6%)	75,895	0.5%
Miscellaneous Taxes	6,249	0.0%
TOTAL TAXES	6,714,946	47.6%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	19,585	0.1%
Drivers Licenses and Fees	48,110	0.3%
Petroleum Products Inspection Fees (.025¢ to 15¢ per gallon)	73,161	0.5%
Agricultural Licenses and Fees	7,229	0.1%
Wholesale Oil Company License	3,176	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	119,176	0.8%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	64,270	0.5%
Court Fees	55,101	0.4%
Alcoholic Beverage Licenses	2,419	0.0%
Insurance Corporation Licenses and Fees	1,220	0.0%
Miscellaneous License and Fees	97,043	0.7%
TOTAL LICENSES AND FEES	490,490	3.5%

FINES AND FORFEITS

Court Fines and Forfeits	26,491	0.2%
Tobacco Settlement	102,630	0.7%
Miscellaneous Fines and Forfeits	13,370	0.1%
TOTAL FINES AND FORFEITS	142,491	1.0%

INVESTMENT INCOME

135,408	1.0%
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FEDERAL REVENUES

5,573,542	39.5%
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OTHER REVENUES

Rents and Royalties	278,774	2.0%
Reimbursements	42,445	0.3%
Sales of Property or Services	39,444	0.3%
Contributions	8,706	0.1%
Intragovernmental Services	62,891	0.4%
Local Revenues	25,314	0.2%
Other Revenues	599,375	4.1%
TOTAL OTHER REVENUES	1,056,949	7.4%

TOTAL REVENUES

\$14,113,826	100.0%
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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, 2004

(Amounts in Thousands)

	Total Revenues	Administrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 1,703,205	\$ 33,876	\$ 1,669,329	\$ 26,029	\$ 103,643	\$ -	\$ 1,422,717	\$ -
General Use Tax	200,634	2,938	197,696	500	2,658	-	193,529	-
Income Tax	2,465,008	31,890	2,433,118	-	-	-	2,433,118	-
Property Tax Relief	34,035	-	34,035	5,027	13,928	15,080	-	-
General Property Tax	219,057	1,053	218,004	32,785	82,504	102,715	-	-
Gasoline Taxes	406,025	11,041	394,984	-	-	-	-	-
Utilities Tax	347,012	6,568	340,444	-	-	-	325,844	-
Insurance Premium Tax	240,334	-	240,334	-	203,751	-	30,993	-
Liquor & Wine Tax	73,276	-	73,276	26,284	36,026	-	-	-
Tobacco & Cigarette Taxes	92,927	81	92,846	3,484	72,683	-	-	-
Corporation Taxes	52,105	-	52,105	16	16,534	-	-	-
State Beer Tax	52,183	-	52,183	10,437	15,655	-	20,873	-
Public Utilities	95,102	-	95,102	-	14,265	-	-	-
Motor Fuel Tax	127,058	2,251	124,807	-	-	-	-	-
Tennessee Valley Authority	80,844	-	80,844	-	-	-	-	-
Leasing/Renting Personal Property	60,520	-	60,520	-	60,520	-	-	-
Production Privilege Tax	101,140	-	101,140	-	79,411	-	-	-
Financial Institutions Excise Tax	37,097	512	36,585	-	12,464	-	-	-
Documentary Filing Taxes	70,365	-	70,365	-	70,365	-	-	-
Coal Severance Tax	6,881	-	6,881	-	1	-	-	-
Forestry Severance Tax	5,576	189	5,387	-	-	-	-	-
Inheritance Tax	24,744	-	24,744	-	24,744	-	-	-
Contractors Gross Receipts Tax	28,306	67	28,239	4,195	-	-	-	-
Lodgings Tax	33,795	13	33,782	-	24,395	-	-	-
Hydroelectric Companies	9	5	4	-	-	-	2	-
Lubricating Oil Tax	1,916	7	1,909	-	673	-	-	-
Pari-mutuel Betting	3,229	-	3,229	-	3,228	-	-	-
Court Cost Taxes	27,066	-	27,066	-	8,359	-	-	-
Medicaid Provider Taxes	43,353	104	43,249	-	-	-	-	-
Cellular Telephone Tax	75,895	-	75,895	-	48,287	-	26,390	-
Miscellaneous Taxes	6,249	-	6,249	39	2,633	116	-	-
TOTAL TAXES	6,714,946	90,595	6,624,351	108,796	896,727	117,911	4,453,466	0
LICENSES AND FEES								
Conservation Licenses	19,585	-	19,585	-	-	-	-	-
Drivers Licenses and Fees	48,110	-	48,110	-	32,671	-	-	-
Petroleum Products Inspection Fees	73,161	-	73,161	-	-	-	-	-
Agricultural License and Fees	7,229	-	7,229	-	-	-	-	-
Wholesale Oil Company License	3,176	-	3,176	-	3,176	-	-	-
Motor Vehicle License	119,176	352	118,824	-	38,868	-	-	-
Privilege License	64,270	1,106	63,164	-	8,689	-	514	-
Court Fees	55,101	-	55,101	-	37,082	-	-	-
Alcoholic Beverage Licenses	2,419	-	2,419	-	2,419	-	-	-
Insurance Corp Licenses and Fees	1,220	-	1,220	-	587	-	-	-
Miscellaneous License and Fees	97,043	143	96,900	293	4,419	-	-	-
TOTAL LICENSES AND FEES	490,490	1,601	488,889	293	127,911	0	514	0
FINES AND FORFEITS								
Court Fines and Forfeits	26,491	-	26,491	-	18,340	-	-	-
Tobacco Settlement	102,630	-	102,630	-	20	-	-	-
Miscellaneous Fines and Forfeits	13,370	54	13,316	-	825	12	-	-
TOTAL FINES AND FORFEITS	142,491	54	142,437	0	19,185	12	0	0
INVESTMENT INCOME	135,408	-	135,408	27	18,598	-	-	102,299
FEDERAL REVENUES	5,573,542	-	5,573,542	820,599	75,997	-	-	-
Other Revenues	1,056,949	1,361	1,055,588	119,486	968	395	445	260,836
TOTAL REVENUES	\$ 14,113,826	\$ 93,611	\$ 14,020,215	\$ 1,049,201	\$ 1,139,386	\$ 118,318	\$ 4,454,425	\$ 363,135

Distributed To Local Governments	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 3,616	\$ 108,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,009	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
175,861	-	-	214,887	-	-	-	4,236	Conservation 3.6M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,065	Insurance Dept
-	612	-	-	10,354	-	-	-	-
1,000	12,195	-	-	-	-	-	3,484	State Parks
35,054	-	-	-	-	-	-	501	Secretary of State
5,218	-	-	-	-	-	-	-	-
-	-	-	-	80,837	-	-	-	-
-	-	-	124,807	-	-	-	-	-
64,675	16,169	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
21,729	-	-	-	-	-	-	-	-
24,121	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,099	-	-	-	-	-	-	2,781	State Port Authority
-	-	-	-	-	-	-	5,387	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	24,044	-	-	-	-
1,255	-	-	-	-	-	-	8,132	Tourism & Travel
-	-	-	-	2	-	-	-	-
680	-	-	556	-	-	-	-	-
-	-	-	-	-	-	-	1	-
-	-	-	-	-	2,364	-	16,343	Fair Trial Fd 14.2M
-	-	43,249	-	-	-	-	-	-
-	1,218	-	-	-	-	-	-	-
38	-	-	64	-	-	-	3,359	Industrial Relations 3.2M
337,346	138,518	43,249	340,314	134,362	2,364	0	51,298	
-	-	-	-	-	-	-	19,585	Conservation 19.5M
-	-	-	-	-	-	-	15,439	Public Safety
11,210	-	-	59,851	-	-	-	2,100	Agriculture
-	-	-	-	-	-	-	7,229	Agriculture
-	-	-	-	-	-	-	-	-
12,641	-	-	65,988	-	-	-	1,327	ADEM 0.8M
-	-	-	2,902	2,383	1,259	-	47,417	Prof & Occup Bds 20 M
-	-	-	-	131	-	-	17,888	AOC 7.1M; DPS 5.7M
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	633	Insurance Dept
-	-	-	1,509	20,008	-	-	70,671	ADEM 28.5M; PSC 13.2M
23,851	0	0	130,250	22,522	1,259	0	182,289	
-	-	-	-	-	-	1,365	6,786	21st Century Fund
-	-	-	-	-	-	-	102,610	-
1	-	3,076	-	-	-	-	9,402	-
1	0	3,076	0	0	0	1,365	118,798	
-	693	35	1,387	25	-	145	12,199	Rehab 67.5; EMA 50; DIR 55.3M
2,256	-	2,714,023	436,972	308,085	701,037	176,322	338,251	-
-	4,026	465,043	38,758	66,040	8,464	519	90,608	-
\$ 363,454	\$ 143,237	\$ 3,225,426	\$ 947,681	\$ 531,034	\$ 713,124	\$ 178,351	\$ 793,443	

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	4,055	4,054	1
Alabama Sentencing Commission	171	171	-
Court Equipment/Security	796	796	-
Court Operations	108,789	108,788	1
DUI Court Referral	58	58	-
Judicial Building Operations	4,034	4,034	-
Juvenile Probation Officer Services	3,165	3,165	-
TOTAL Administrative Office of Courts	121,068	121,066	2
<u>Agriculture and Industries</u>			
Administrative Services	2,197	2,197	-
Agricultural Development Services	736	736	-
Agricultural Inspection Services	4,698	4,698	-
Lab Analysis and Disease Control	2,520	2,520	-
TOTAL Agriculture and Industries	10,151	10,151	-
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	678	678	-
Legal Advice and Legal Service: Attorney General - Operations	7,993	7,993	-
Legal Advice and Legal Service: Consumer Utility Fund	234	234	-
TOTAL Attorney General	8,905	8,905	-
<u>Auditor</u>			
Fiscal Management	784	749	35
TOTAL Auditor	784	749	35
<u>Commission on Higher Education</u>			
Alabama Guaranteed Student Loan	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	-	-	-
<u>Corrections</u>			
Administration Service and Logistical Supply	12,043	12,028	15
Correctional Industries	-	-	-
Institutional Service Corrections	254,566	254,406	160
TOTAL Corrections	266,609	266,434	175

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	5,977	3,804	2,173	10,032	7,858	2,174
-	-	-	-	-	-	171	171	-
-	-	-	-	-	-	796	796	-
-	-	-	12,759	9,833	2,926	121,548	118,621	2,927
-	-	-	-	-	-	58	58	-
-	-	-	-	-	-	4,034	4,034	-
-	-	-	14,446	13,452	994	17,611	16,617	994
-	-	-	33,182	27,089	6,093	154,250	148,155	6,095
-	-	-	2,657	2,417	240	4,854	4,614	240
-	-	-	1,173	1,052	121	1,909	1,788	121
-	-	-	9,286	8,448	838	13,984	13,146	838
-	-	-	3,986	3,577	409	6,506	6,097	409
-	-	-	17,102	15,494	1,608	27,253	25,645	1,608
-	-	-	-	-	-	678	678	-
-	-	-	6,981	5,619	1,362	14,974	13,612	1,362
-	-	-	-	-	-	234	234	-
-	-	-	6,981	5,619	1,362	15,886	14,524	1,362
-	-	-	-	-	-	784	749	35
-	-	-	-	-	-	784	749	35
-	-	-	731	338	393	731	338	393
2,317	2,133	184	-	-	-	2,317	2,133	184
3,368	3,131	237	1,356	533	823	4,724	3,664	1,060
1,968	1,966	2	1,884	1,310	574	3,852	3,276	576
1,625	1,624	1	-	-	-	1,625	1,624	1
9,278	8,854	424	3,971	2,181	1,790	13,249	11,035	2,214
-	-	-	-	-	-	12,043	12,028	15
-	-	-	23,783	15,320	8,463	23,783	15,320	8,463
-	-	-	29,287	17,565	11,722	283,853	271,971	11,882
-	-	-	53,070	32,885	20,185	319,679	299,319	20,360

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Economic and Community Affairs</u>			
Administrative Support Service	50	48	2
Energy Management	697	466	231
Law Enforcement Planning and Development	515	513	2
PALS/Adopt-A-Mile	34	34	-
Planning	5,414	4,783	631
Skills Enhancement/Employment Opportunities	2,554	2,115	439
Surplus Property	416	413	3
Water Resources	1,788	1,684	104
TOTAL Economic and Community Affairs	11,468	10,056	1,412
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Education Specialist for Literacy	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Non-State Special Education Schools	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Support - Other Educational Activities	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	1,160	1,074	86
Readiness and Recovery-FEMA	7,474	3,334	4,140
TOTAL Emergency Management Agency	8,634	4,408	4,226
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	10,117	10,117	-
TOTAL Examiners of Public Accounts	10,117	10,117	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	8,478	7,282	1,196	8,528	7,330	1,198
-	-	-	2,499	1,654	845	3,196	2,120	1,076
-	-	-	48,655	35,416	13,239	49,170	35,929	13,241
-	-	-	-	-	-	34	34	-
-	-	-	109,057	69,192	39,865	114,471	73,975	40,496
-	-	-	83,323	72,058	11,265	85,877	74,173	11,704
-	-	-	1,105	983	122	1,521	1,396	125
-	-	-	3,383	1,817	1,566	5,171	3,501	1,670
-	-	-	256,500	188,402	68,098	267,968	198,458	69,510
41,630	40,999	631	184,200	63,653	120,547	225,830	104,652	121,178
-	-	-	3,273	2,137	1,136	3,273	2,137	1,136
28,169	27,752	417	-	-	-	28,169	27,752	417
563	477	86	-	-	-	563	477	86
-	-	-	64,133	35,855	28,278	64,133	35,855	28,278
105	95	10	-	-	-	105	95	10
-	-	-	533	-	533	533	-	533
15,274	13,869	1,405	724,148	646,315	77,833	739,422	660,184	79,238
2,544,756	2,544,722	34	110,000	110,000	-	2,654,756	2,654,722	34
88	83	5	-	-	-	88	83	5
17,633	17,633	-	-	-	-	17,633	17,633	-
5,657	5,657	-	-	-	-	5,657	5,657	-
704	681	23	-	-	-	704	681	23
202,983	202,983	-	-	-	-	202,983	202,983	-
2,857,562	2,854,951	2,611	1,086,287	857,960	228,327	3,943,849	3,712,911	230,938
-	-	-	52,603	29,736	22,867	53,763	30,810	22,953
-	-	-	35,230	21,719	13,511	42,704	25,053	17,651
-	-	-	87,833	51,455	36,378	96,467	55,863	40,604
2,765	2,765	-	2,536	1,532	1,004	15,418	14,414	1,004
2,765	2,765	-	2,536	1,532	1,004	15,418	14,414	1,004

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capital Complex M and R	-	-	-
Administrative Support Service: Capitol Police	925	925	-
Administrative Support Service: Legal Division	57	57	-
Administrative Support Service: Personnel/Space Management	37	36	1
Administrative Support Service: Purchasing	1,162	1,099	63
Administrative Support Service: Service Division	535	518	17
Fiscal Management	-	-	-
Fiscal Management: Budget Office	920	918	2
Fiscal Management: Comptroller's Office	3,597	3,578	19
Fiscal Management: Director's Office	468	428	40
TOTAL Finance	7,701	7,559	142
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	132	5	127
Executive Direction: Governor's Contingency Fund	319	319	-
Executive Direction: Governor's Mansion	327	327	-
Executive Direction: Governor's Office	2,397	2,397	-
Executive Direction: Governor's Proclamation Expense	800	204	596
Executive Direction: National Governors' Conference	192	185	7
TOTAL Governor	4,167	3,437	730
<u>Human Resources</u>			
Human Services	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	535	528	7
Regulation Workers Compensation	-	-	-
TOTAL Industrial Relations	535	528	7
<u>Legislature</u>			
Legislative Operations and Support	22,012	16,226	5,786
TOTAL Legislature	22,012	16,226	5,786
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid	260,063	260,055	8
TOTAL Medicaid Agency	260,063	260,055	8
<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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	86,207	63,147	23,060	86,207	63,147	23,060
-	-	-	8,942	7,432	1,510	8,942	7,432	1,510
-	-	-	5,159	4,200	959	5,159	4,200	959
-	-	-	-	-	-	925	925	-
-	-	-	-	-	-	57	57	-
-	-	-	-	-	-	37	36	1
-	-	-	-	-	-	1,162	1,099	63
-	-	-	-	-	-	535	518	17
-	-	-	2,571	1,891	680	2,571	1,891	680
-	-	-	-	-	-	920	918	2
-	-	-	-	-	-	3,597	3,578	19
-	-	-	-	-	-	468	428	40
-	-	-	102,879	76,670	26,209	110,580	84,229	26,351
-	-	-	-	-	-	132	5	127
-	-	-	-	-	-	319	319	-
-	-	-	-	-	-	327	327	-
-	-	-	-	-	-	2,397	2,397	-
-	-	-	-	-	-	800	204	596
-	-	-	-	-	-	192	185	7
-	-	-	-	-	-	4,167	3,437	730
-	-	-	1,171,036	1,112,490	58,546	1,171,036	1,112,490	58,546
-	-	-	1,171,036	1,112,490	58,546	1,171,036	1,112,490	58,546
-	-	-	22,383	18,534	3,849	22,383	18,534	3,849
-	-	-	55,117	48,483	6,634	55,117	48,483	6,634
-	-	-	5,484	3,492	1,992	6,019	4,020	1,999
-	-	-	5,243	4,172	1,071	5,243	4,172	1,071
-	-	-	88,227	74,681	13,546	88,762	75,209	13,553
-	-	-	-	-	-	22,012	16,226	5,786
-	-	-	-	-	-	22,012	16,226	5,786
-	-	-	3,562,004	3,544,046	17,958	3,822,067	3,804,101	17,966
-	-	-	3,562,004	3,544,046	17,958	3,822,067	3,804,101	17,966
-	-	-	22,614	17,600	5,014	22,614	17,600	5,014
-	-	-	269,175	258,521	10,654	269,175	258,521	10,654
-	-	-	258,455	242,904	15,551	258,455	242,904	15,551
-	-	-	37,801	29,182	8,619	37,801	29,182	8,619
-	-	-	588,045	548,207	39,838	588,045	548,207	39,838

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Community Educational Programs: CITY Programs	-	-	-
Emergency Medical Service Education: EMS Education	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Junior Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Technical Colleges	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	8,304	8,289	15
Children's Health Insurance	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	37,630	37,630	-
TOTAL Public Health	45,934	45,919	15
<u>Public Safety</u>			
Administrative Services	17,719	17,719	-
Police Services	30,416	30,376	40
Public Safety Support Services	6,060	6,060	-
Readiness and Recovery	200	200	-
TOTAL Public Safety	54,395	54,355	40
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	1,726	1,726	-
TOTAL Rehabilitation Services	1,726	1,726	-
<u>Revenue</u>			
State Revenue Administration	189	69	120
TOTAL Revenue	189	69	120

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	11,309	10,289	1,020	11,309	10,289	1,020
5,790	5,781	9	-	-	-	5,790	5,781	9
4,291	4,291	-	-	-	-	4,291	4,291	-
978	978	-	-	-	-	978	978	-
4,035	4,035	-	-	-	-	4,035	4,035	-
2,936	2,936	-	-	-	-	2,936	2,936	-
3,721	3,721	-	-	-	-	3,721	3,721	-
-	-	-	5,637	4,467	1,170	5,637	4,467	1,170
3,324	3,295	29	-	-	-	3,324	3,295	29
232,102	232,102	-	-	-	-	232,102	232,102	-
8,005	8,005	-	-	-	-	8,005	8,005	-
-	-	-	1,800	1,329	471	1,800	1,329	471
9,120	9,120	-	-	-	-	9,120	9,120	-
274,302	274,264	38	18,746	16,085	2,661	293,048	290,349	2,699
-	-	-	16,377	11,058	5,319	24,681	19,347	5,334
-	-	-	98,752	93,671	5,081	98,752	93,671	5,081
747	655	92	-	-	-	747	655	92
8,786	8,694	92	340,926	323,472	17,454	387,342	369,796	17,546
9,533	9,349	184	456,055	428,201	27,854	511,522	483,469	28,053
-	-	-	12,728	6,439	6,289	30,447	24,158	6,289
-	-	-	51,357	24,275	27,082	81,773	54,651	27,122
-	-	-	15,177	12,063	3,114	21,237	18,123	3,114
-	-	-	-	-	-	200	200	-
-	-	-	79,262	42,777	36,485	133,657	97,132	36,525
-	-	-	15,512	12,723	2,789	15,512	12,723	2,789
-	-	-	15,512	12,723	2,789	15,512	12,723	2,789
28,018	28,010	8	108,116	97,594	10,522	137,860	127,330	10,530
28,018	28,010	8	108,116	97,594	10,522	137,860	127,330	10,530
-	-	-	101,072	97,717	3,355	101,261	97,786	3,475
-	-	-	101,072	97,717	3,355	101,261	97,786	3,475

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	356	356	-
Administrative Support Service: Printing of Acts/Journals	428	188	240
Administrative Support Service: Printing of Codes	117	117	-
Administrative Support Service: Secretary of State	792	766	26
Administrative Support Service: Voter Registration	265	265	-
Special Services: Training Elected Officials	70	43	27
TOTAL Secretary of State	2,028	1,735	293
<u>Transportation</u>			
Airport Development and Aeronautics	-	-	-
Appropriation Transfers	-	-	-
Captive County Health Insurance	-	-	-
Central Administration	-	-	-
Debt Service	-	-	-
Debt Service, General Obligation Bonds	-	-	-
Division and District Supervision	-	-	-
Maintenance	-	-	-
Operations and Support Service	-	-	-
Other Equipment Purchases	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	2,385	2,143	242
TOTAL Treasurer	2,385	2,143	242
<u>Youth Services</u>			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	12,218	12,218	-
Youth Services-Boot Camps	4,275	4,275	-
TOTAL Youth Services	16,493	16,493	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,564	1,239	1,325	2,564	1,239	1,325
-	-	-	13,466	6	13,460	13,466	6	13,460
-	-	-	-	-	-	356	356	-
-	-	-	-	-	-	428	188	240
-	-	-	-	-	-	117	117	-
-	-	-	-	-	-	792	766	26
-	-	-	-	-	-	265	265	-
-	-	-	-	-	-	70	43	27
-	-	-	16,030	1,245	14,785	18,058	2,980	15,078
-	-	-	31,942	23,399	8,543	31,942	23,399	8,543
-	-	-	3,500	3,500	-	3,500	3,500	-
-	-	-	168	82	86	168	82	86
-	-	-	39,791	34,461	5,330	39,791	34,461	5,330
-	-	-	2,608	2,608	-	2,608	2,608	-
-	-	-	18,267	18,267	-	18,267	18,267	-
-	-	-	46,825	43,786	3,039	46,825	43,786	3,039
-	-	-	215,126	153,517	61,609	215,126	153,517	61,609
-	-	-	7,053	5,572	1,481	7,053	5,572	1,481
-	-	-	11,016	9,579	1,437	11,016	9,579	1,437
-	-	-	376,296	294,771	81,525	376,296	294,771	81,525
-	-	-	6,390	4,629	1,761	8,775	6,772	2,003
-	-	-	6,390	4,629	1,761	8,775	6,772	2,003
199	199	-	-	-	-	199	199	-
6,721	6,697	24	758	712	46	7,479	7,409	70
36,954	36,794	160	16,193	12,324	3,869	65,365	61,336	4,029
-	-	-	-	-	-	4,275	4,275	-
43,874	43,690	184	16,951	13,036	3,915	77,318	73,219	4,099

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Colleges and Universities</u>			
Alabama Agricultural and Mechanical University			
Support of State Universities: ACES-System Personnel Costs	-	-	-
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Desegregation Planning	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
Support of State Universities: Urban Affairs and Non-Trade Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
AIDB Adult Programs	-	-	-
AIDB Children and Youth Programs	-	-	-
AIDB Industries for Blind	-	-	-
Southwest Alabama School for the Deaf and Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University - Desegregation Planning	-	-	-
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: ASU-Intercollegiate Partnership	-	-	-
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	-	-	-
Support of State Universities: Auburn/Technology Network	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Support of State Universities: Jacksonville/Senate Special Projects	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Troy State University Southeast Alabama Technology Network	-	-	-
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Support of State Universities: TSU/MacArthur Tech Consortium	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/UAB	-	-	-
Support of State Universities: GF James Cystic Fibrosis Center	-	-	-
Support of State Universities: UAB Brain Tumor Center	-	-	-
Support of State Universities: UAB-Emergency Medical Residency	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
925	925	-	-	-	-	925	925	-
300	300	-	-	-	-	300	300	-
855	855	-	-	-	-	855	855	-
173	173	-	-	-	-	173	173	-
173	173	-	-	-	-	173	173	-
27,082	27,082	-	-	-	-	27,082	27,082	-
570	570	-	-	-	-	570	570	-
2,212	2,212	-	-	-	-	2,212	2,212	-
32,290	32,290	-	-	-	-	32,290	32,290	-
8,109	8,109	-	-	-	-	8,109	8,109	-
22,129	22,129	-	-	-	-	22,129	22,129	-
5,919	5,919	-	-	-	-	5,919	5,919	-
318	318	-	-	-	-	318	318	-
36,475	36,475	-	-	-	-	36,475	36,475	-
185	185	-	-	-	-	185	185	-
28,009	28,009	-	-	-	-	28,009	28,009	-
50	50	-	-	-	-	50	50	-
1,657	1,657	-	-	-	-	1,657	1,657	-
29,901	29,901	-	-	-	-	29,901	29,901	-
136,004	136,004	-	-	-	-	136,004	136,004	-
19,430	19,430	-	-	-	-	19,430	19,430	-
24,897	24,897	-	-	-	-	24,897	24,897	-
27,084	27,084	-	-	-	-	27,084	27,084	-
369	369	-	-	-	-	369	369	-
207,784	207,784	-	-	-	-	207,784	207,784	-
29,109	29,109	-	-	-	-	29,109	29,109	-
32	32	-	-	-	-	32	32	-
29,141	29,141	-	-	-	-	29,141	29,141	-
84	84	-	-	-	-	84	84	-
35,699	35,699	-	-	-	-	35,699	35,699	-
25	25	-	-	-	-	25	25	-
35,808	35,808	-	-	-	-	35,808	35,808	-
-	-	-	46	46	-	46	46	-
4,032	4,032	-	-	-	-	4,032	4,032	-
45	45	-	-	-	-	45	45	-
45	45	-	-	-	-	45	45	-
21	21	-	-	-	-	21	21	-
215,741	215,741	-	-	-	-	215,741	215,741	-
219,884	219,884	-	46	46	-	219,930	219,930	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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: School Fest	-	-	-
Support of State Universities: UA-Alabama Minority Technical Network	-	-	-
Support of State Universities: UA-Alabama Technical Network	-	-	-
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	-	-	-
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
37,255	37,255	-	-	-	-	37,255	37,255	-
37,255	37,255	-	-	-	-	37,255	37,255	-
141	141	-	-	-	-	141	141	-
190	190	-	-	-	-	190	190	-
369	369	-	-	-	-	369	369	-
121,828	121,828	-	-	-	-	121,828	121,828	-
122,528	122,528	-	-	-	-	122,528	122,528	-
15,275	15,275	-	-	-	-	15,275	15,275	-
15,275	15,275	-	-	-	-	15,275	15,275	-
21,626	21,626	-	-	-	-	21,626	21,626	-
21,626	21,626	-	-	-	-	21,626	21,626	-
83,810	83,810	-	-	-	-	83,810	83,810	-
83,810	83,810	-	-	-	-	83,810	83,810	-
9,507	9,507	-	-	-	-	9,507	9,507	-
9,507	9,507	-	-	-	-	9,507	9,507	-
881,284	881,284	-	46	46	-	881,330	881,330	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Other			
Academy of Honor			
Historical Resources Management	1	1	-
Total Academy of Honor	1	1	-
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	-	-	-
Total Agricultural Museum Board	-	-	-
Agriculture and Industries Exhibit Commission			
Agricultural Development Services	8	8	-
Total Agriculture and Industries Exhibit Commission	8	8	-
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	134	129	5
Agricultural Development Services: Livestock Coliseum	244	244	-
Agricultural Development Services: Operations	270	270	-
Total Agriculture Center Board	648	643	5
Alabama Law Institute			
Support - Other Educational Activities	526	526	-
Total Alabama Law Institute	526	526	-
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Trusts			
Alabama Natural Heritage	-	-	-
Fiscal Management	31	30	1
Total Alabama Trusts	31	30	1
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	2,558	2,558	-
Total Archives and History	2,558	2,558	-
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1	1	-
-	-	-	-	-	-	1	1	-
-	-	-	990	718	272	990	718	272
-	-	-	990	718	272	990	718	272
-	-	-	58	58	-	58	58	-
-	-	-	58	58	-	58	58	-
-	-	-	-	-	-	8	8	-
-	-	-	-	-	-	8	8	-
-	-	-	-	-	-	134	129	5
-	-	-	487	357	130	731	601	130
-	-	-	-	-	-	270	270	-
-	-	-	487	357	130	1,135	1,000	135
48	48	-	-	-	-	574	574	-
48	48	-	-	-	-	574	574	-
-	-	-	400	313	87	400	313	87
-	-	-	400	313	87	400	313	87
-	-	-	300	240	60	300	240	60
-	-	-	-	-	-	31	30	1
-	-	-	300	240	60	331	270	61
-	-	-	5,032	4,715	317	5,032	4,715	317
-	-	-	31,163	31,077	86	31,163	31,077	86
-	-	-	9,443	8,636	807	9,443	8,636	807
-	-	-	45,638	44,428	1,210	45,638	44,428	1,210
-	-	-	399	287	112	399	287	112
-	-	-	399	287	112	399	287	112
532	532	-	460	371	89	3,550	3,461	89
532	532	-	460	371	89	3,550	3,461	89
-	-	-	86	82	4	86	82	4
-	-	-	86	82	4	86	82	4
-	-	-	40	-	40	40	-	40
-	-	-	40	-	40	40	-	40

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	-	-	-
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	-	-	-
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	8	6	2
Special Services: Death Claims-Board of Adjustment	779	650	129
Total Board of Adjustment	787	656	131
Board of Control-Public Employee Contribution			
Public Employee Defined Contribution Savings Fund	-	-	-
Total Board of Control-Public Employee Contribution	-	-	-
Board of Prosthetist and Orthostist			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetist and Orthostist	-	-	-
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	166	164	2
Total Building Commission	166	164	2
Child Abuse and Neglect Prevention			
Social Services	-	-	-
Total Child Abuse and Neglect Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	418	362	56
Total Children's Affairs	418	362	56
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	281	275	6
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	281	275	6
Commision on Uniform State Laws			
Special Services	44	42	2
Total Commision on Uniform State Laws	44	42	2

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	45	37	8	45	37	8
-	-	-	45	37	8	45	37	8
-	-	-	165	98	67	165	98	67
-	-	-	165	98	67	165	98	67
-	-	-	13,917	9,800	4,117	13,917	9,800	4,117
-	-	-	13,917	9,800	4,117	13,917	9,800	4,117
-	-	-	-	-	-	8	6	2
-	-	-	-	-	-	779	650	129
-	-	-	-	-	-	787	656	131
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	129	68	61	129	68	61
-	-	-	129	68	61	129	68	61
-	-	-	130	115	15	130	115	15
-	-	-	1,320	1,153	167	1,486	1,317	169
-	-	-	1,450	1,268	182	1,616	1,432	184
-	-	-	7,349	7,083	266	7,349	7,083	266
-	-	-	7,349	7,083	266	7,349	7,083	266
-	-	-	3,258	2,816	442	3,258	2,816	442
-	-	-	3,258	2,816	442	3,258	2,816	442
-	-	-	1,479	557	922	1,479	557	922
3,628	3,558	70	322	252	70	4,368	4,172	196
3,628	3,558	70	1,801	809	992	5,847	4,729	1,118
-	-	-	234	216	18	234	216	18
-	-	-	234	216	18	234	216	18
-	-	-	46	40	6	327	315	12
-	-	-	46	40	6	327	315	12
-	-	-	-	-	-	44	42	2
-	-	-	-	-	-	44	42	2

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(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			
Community Arts and Cultural Program	-	-	-
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	3,182	3,137	45
Total Court of Civil Appeals	3,182	3,137	45
Court of Criminal Appeals			
Court Operations	3,633	3,622	11
Total Court of Criminal Appeals	3,633	3,622	11
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	2,092	2,088	4
Total Criminal Justice Information Center	2,092	2,088	4
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001E Docks/Local Match Bonds	-	-	-
Debt Service: 2002A GO Bonds	-	-	-
Debt Service: General Obligation 1999-A Refunding	5,878	5,878	-
Debt Service: General Obligation 1999-B Refunding	1,787	1,787	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO2001-a Agriculture Dev Bond	-	-	-
Total Debt Service and Reserve	7,665	7,665	-
Development Office			
Industrial Development: Alabama Development Office	3,367	3,360	7
Promotional Development: ADO-Alabama Film Commission	201	201	-
Total Development Office	3,568	3,561	7

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	7,341	6,161	1,180	7,341	6,161	1,180
-	-	-	26,291	23,857	2,434	26,291	23,857	2,434
-	-	-	7,520	6,207	1,313	7,520	6,207	1,313
-	-	-	4,564	4,183	381	4,564	4,183	381
-	-	-	6,339	5,439	900	6,339	5,439	900
-	-	-	12,656	8,122	4,534	12,656	8,122	4,534
-	-	-	64,711	53,969	10,742	64,711	53,969	10,742
-	-	-	1,856	1,281	575	1,856	1,281	575
-	-	-	1,856	1,281	575	1,856	1,281	575
334	334	-	-	-	-	334	334	-
3,164	3,138	26	750	626	124	3,914	3,764	150
3,498	3,472	26	750	626	124	4,248	4,098	150
-	-	-	294	207	87	294	207	87
-	-	-	294	207	87	294	207	87
-	-	-	-	-	-	3,182	3,137	45
-	-	-	-	-	-	3,182	3,137	45
-	-	-	-	-	-	3,633	3,622	11
-	-	-	-	-	-	3,633	3,622	11
-	-	-	1,067	520	547	1,067	520	547
-	-	-	1,067	520	547	1,067	520	547
-	-	-	3,457	1,581	1,876	3,457	1,581	1,876
-	-	-	3,457	1,581	1,876	3,457	1,581	1,876
-	-	-	4,953	3,747	1,206	7,045	5,835	1,210
-	-	-	4,953	3,747	1,206	7,045	5,835	1,210
-	-	-	14,981	14,981	-	14,981	14,981	-
-	-	-	4,770	4,770	-	4,770	4,770	-
-	-	-	4,143	4,143	-	4,143	4,143	-
8,931	8,931	-	8,196	8,196	-	23,005	23,005	-
-	-	-	-	-	-	1,787	1,787	-
-	-	-	1,339	1,339	-	1,339	1,339	-
-	-	-	4,729	4,729	-	4,729	4,729	-
8,931	8,931	-	38,158	38,158	-	54,754	54,754	-
-	-	-	1,369	1,031	338	4,736	4,391	345
-	-	-	-	-	-	201	201	-
-	-	-	1,369	1,031	338	4,937	4,592	345

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	24,409	24,235	174
Total District Attorneys	24,409	24,235	174
Drug Education/Awareness Oversight Council			
Support - Other Educational Activities	-	-	-
Total Drug Education/Awareness Oversight Council	-	-	-
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	-	-	-
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	-	-	-
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Medical Scholarships	-	-	-
Support - Other Educational Activities: Montgomery Internal Medicine Residency	-	-	-
Support - Other Educational Activities: Music Hall of Fame	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Support - Other Educational Activities: Sports Hall of Fame	-	-	-
Total ETF Direct Disbursements	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	125	87	38	125	87	38
-	-	-	125	87	38	125	87	38
-	-	-	-	-	-	24,409	24,235	174
-	-	-	-	-	-	24,409	24,235	174
167	167	-	-	-	-	167	167	-
167	167	-	-	-	-	167	167	-
7,778	7,778	-	1,749	1,024	725	9,527	8,802	725
7,778	7,778	-	1,749	1,024	725	9,527	8,802	725
-	-	-	400	254	146	400	254	146
-	-	-	400	254	146	400	254	146
-	-	-	193	184	9	193	184	9
-	-	-	193	184	9	193	184	9
-	-	-	44,951	40,250	4,701	44,951	40,250	4,701
-	-	-	44,951	40,250	4,701	44,951	40,250	4,701
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
800	351	449	-	-	-	800	351	449
4,178	4,178	-	-	-	-	4,178	4,178	-
113	96	17	-	-	-	113	96	17
305	305	-	-	-	-	305	305	-
46	46	-	-	-	-	46	46	-
2,839	2,839	-	-	-	-	2,839	2,839	-
99	99	-	-	-	-	99	99	-
50	50	-	-	-	-	50	50	-
22	22	-	-	-	-	22	22	-
22	22	-	-	-	-	22	22	-
31	31	-	-	-	-	31	31	-
8,587	8,121	466	-	-	-	8,587	8,121	466

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
ETF Non-State			
Direct Client Services-Handicap: Camp ASCCA	-	-	-
Financial Assistance: DAR School	-	-	-
Human Services: East Alabama Child Development	-	-	-
Personal Health Services: AIDS Task Force	-	-	-
Personal Health Services: Bevill Center - Brewton	-	-	-
Personal Health Services: Epilepsy Foundation	-	-	-
Planning and Coordination Services: Sports Festival	-	-	-
Support - Other Educational Activities: Central Alabama OIC	-	-	-
Support - Other Educational Activities: Children's and Women's Hospital	-	-	-
Support - Other Educational Activities: Children's Hospital	-	-	-
Support - Other Educational Activities: Helen Keller Eye Research	-	-	-
Support - Other Educational Activities: League for Advancement	-	-	-
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Marion Military Institute	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	941	922	19
Total Ethics Commission	941	922	19
Farmers' Market Authority			
Agricultural Development Services	523	523	-
Total Farmers' Market Authority	523	523	-
Finance Special Appropriations			
Administration Service and Logistical Supply: Removal of Prisoners	748	638	110
Criminal Investigation: Arrest of Absconding Felons	58	38	20
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	500	86	414
Institutional Service Corrections: Feeding of Prisoners	6,762	6,762	-
Legal Advice and Legal Service: Automatic Appeal Expense	39	-	39
Legal Advice and Legal Service: Court Assessed Cost not Provided	291	164	127
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	3,745	3,745	-
Special Services: Election Expenses	7,546	4,709	2,837
Special Services: Emergency Fund, Departmental	1,533	143	1,390
Special Services: Freddie Lee Gaines	100	100	-
Special Services: Registration of Voters	2,702	2,429	273
Total Finance Special Appropriations	24,040	18,828	5,212
Finance Special Funds			
Appropriation Transfers	-	-	-
Fiscal Management: ABRFA-Archives	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	9,946	9,801	145
Total Forensic Sciences	9,946	9,801	145

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
123	123	-	-	-	-	123	123	-
15	15	-	-	-	-	15	15	-
263	263	-	-	-	-	263	263	-
67	67	-	-	-	-	67	67	-
9	9	-	-	-	-	9	9	-
13	13	-	-	-	-	13	13	-
18	18	-	-	-	-	18	18	-
28	28	-	-	-	-	28	28	-
152	152	-	-	-	-	152	152	-
212	212	-	-	-	-	212	212	-
80	80	-	-	-	-	80	80	-
19	19	-	-	-	-	19	19	-
97	97	-	-	-	-	97	97	-
207	207	-	-	-	-	207	207	-
243	243	-	-	-	-	243	243	-
2,363	2,363	-	-	-	-	2,363	2,363	-
3,909	3,909	-	-	-	-	3,909	3,909	-
-	-	-	-	-	-	941	922	19
-	-	-	-	-	-	941	922	19
-	-	-	2,059	1,544	515	2,582	2,067	515
-	-	-	2,059	1,544	515	2,582	2,067	515
-	-	-	-	-	-	748	638	110
-	-	-	-	-	-	58	38	20
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	500	86	414
-	-	-	-	-	-	6,762	6,762	-
-	-	-	-	-	-	39	-	39
-	-	-	-	-	-	291	164	127
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	3,745	3,745	-
-	-	-	-	-	-	7,546	4,709	2,837
-	-	-	-	-	-	1,533	143	1,390
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	2,702	2,429	273
-	-	-	-	-	-	24,040	18,828	5,212
-	-	-	141,234	141,234	-	141,234	141,234	-
-	-	-	3,000	3,000	-	3,000	3,000	-
-	-	-	23,624	23,624	-	23,624	23,624	-
-	-	-	222	222	-	222	222	-
-	-	-	168,080	168,080	-	168,080	168,080	-
-	-	-	10,299	7,233	3,066	20,245	17,034	3,211
-	-	-	10,299	7,233	3,066	20,245	17,034	3,211

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - GF Share	1,626	1,626	-
Total Fringe Benefit Accounts	1,626	1,626	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-
General Fund Direct Disbursements			
Fine Arts: Music Hall of Fame	81	81	-
Historical Resources Management: Cahaba Advisory Committee	88	88	-
Historical Resources Management: Gorgas Memorial Board	6	6	-
Historical Resources Management: Historic Chattahoochee Commission	41	41	-
Historical Resources Management: Historic Ironworks Commission	50	50	-
Historical Resources Management: Sports Hall of Fame	73	73	-
Historical Resources Management: St. Stephens Historical Commission	60	60	-
Historical Resources Management: Women's Hall of Fame	3	3	-
Mineral, Energy, and Water Resources: Southern States Energy Board	5	5	-
Special Services: Southern Growth Policies Board	28	28	-
Tourism and Travel Promotion: Historic Blakeley Authority	94	94	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	36	36	-
Water Resource Development: Choccolocco Creek Watershed	20	20	-
Water Resource Development: Elk River Development	5	5	-
Water Resource Development: Tennessee-Tombigbee Waterway	75	75	-
Total General Fund Direct Disbursements	665	665	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	180	85	95	180	85	95
-	-	-	180	85	95	180	85	95
-	-	-	26,743	22,821	3,922	26,743	22,821	3,922
-	-	-	26,743	22,821	3,922	26,743	22,821	3,922
-	-	-	2,226	1,784	442	2,226	1,784	442
-	-	-	2,226	1,784	442	2,226	1,784	442
-	-	-	-	-	-	1,626	1,626	-
-	-	-	-	-	-	1,626	1,626	-
-	-	-	224	195	29	224	195	29
-	-	-	224	195	29	224	195	29
-	-	-	1,801	887	914	1,801	887	914
-	-	-	1,801	887	914	1,801	887	914
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	88	88	-
-	-	-	-	-	-	6	6	-
-	-	-	-	-	-	41	41	-
-	-	-	-	-	-	50	50	-
-	-	-	-	-	-	73	73	-
-	-	-	-	-	-	60	60	-
-	-	-	-	-	-	3	3	-
-	-	-	-	-	-	5	5	-
-	-	-	-	-	-	28	28	-
-	-	-	-	-	-	94	94	-
-	-	-	-	-	-	36	36	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	5	5	-
-	-	-	-	-	-	75	75	-
-	-	-	-	-	-	665	665	-

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
General Fund Non-State			
Non-State: AIDS-Task Force	13	13	-
Non-State: Alabama Travel Council	24	24	-
Non-State: Alabama's Young Woman of the Year	3	3	-
Non-State: America's Young Woman of the Year	14	14	-
Non-State: Autism Society of Alabama	12	12	-
Non-State: Beacon House-Jasper	8	8	-
Non-State: Coalition Against Domestic Violence	504	504	-
Non-State: Coosa-Alabama River Improvement	23	23	-
Non-State: Council on Child Abuse	46	46	-
Non-State: Elyton Recovery Center	15	15	-
Non-State: Kidney Foundation, Inc	90	90	-
Non-State: Lighthouse Counseling Center	7	7	-
Non-State: Montgomery Minority Business Development Center	24	24	-
Non-State: Network of Children's Advocacy Centers	841	841	-
Non-State: Parkinson Association of Alabama	25	25	-
Non-State: Retired Senior Volunteer Program	70	70	-
Non-State: Shoals Entrepreneurial Center	24	24	-
Non-State: Tri-Rivers Waterway Development	15	15	-
Non-State: Warrior-Tombigbee Development	17	17	-
Non-State: WRATT Foundation	19	19	-
Total General Fund Non-State	1,794	1,794	-
Geological Survey			
Mineral, Energy, and Water Resources	1,886	1,870	16
Total Geological Survey	1,886	1,870	16
Governor's Mansion Advisory Board			
Historical Resources Management	-	-	-
Total Governor's Mansion Advisory Board	-	-	-
Governor's Office on Disability			
Executive Direction	169	140	29
Total Governor's Office on Disability	169	140	29
Health Planning and Development			
Health Planning Development and Regulation	292	292	-
Total Health Planning and Development	292	292	-
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating and Air Conditioning Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating and Air Conditioning Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Total Historical Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	13	13	-
-	-	-	-	-	-	24	24	-
-	-	-	-	-	-	3	3	-
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	12	12	-
-	-	-	-	-	-	8	8	-
-	-	-	-	-	-	504	504	-
-	-	-	-	-	-	23	23	-
-	-	-	-	-	-	46	46	-
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	7	7	-
-	-	-	-	-	-	24	24	-
-	-	-	-	-	-	841	841	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	70	70	-
-	-	-	-	-	-	24	24	-
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	17	17	-
-	-	-	-	-	-	19	19	-
-	-	-	-	-	-	1,794	1,794	-
-	-	-	1,348	1,056	292	3,234	2,926	308
-	-	-	1,348	1,056	292	3,234	2,926	308
-	-	-	6	-	6	6	-	6
-	-	-	6	-	6	6	-	6
-	-	-	73	-	73	242	140	102
-	-	-	73	-	73	242	140	102
-	-	-	795	422	373	1,087	714	373
-	-	-	795	422	373	1,087	714	373
-	-	-	54	25	29	54	25	29
-	-	-	54	25	29	54	25	29
-	-	-	813	610	203	813	610	203
-	-	-	813	610	203	813	610	203
5,271	5,266	5	-	-	-	5,271	5,266	5
5,271	5,266	5	-	-	-	5,271	5,266	5
-	-	-	5,803	5,389	414	5,803	5,389	414
-	-	-	790	703	87	790	703	87
-	-	-	221	218	3	221	218	3
-	-	-	6,814	6,310	504	6,814	6,310	504

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-
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	500	477	23
Total Homeland Security Office	500	477	23
Indian Affairs Commission			
Social Services	161	160	1
Total Indian Affairs Commission	161	160	1
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Translitterators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Translitterators	-	-	-
Judicial Inquiry Commission			
Administrative Services	338	323	15
Total Judicial Inquiry Commission	338	323	15
Knight vs. Alabama Financial Obligation			
Support of State Universities: Attorney's Fees	-	-	-
Support of State Universities: Doctoral Prog in Educ-ASU	-	-	-
Support of State Universities: Electrical/Mechanical Engineering Programs-Alabama A&M	-	-	-
Support of State Universities: Employment Practices-White-Def	-	-	-
Support of State Universities: Ext System-Urban/Non Trade Programs-Alabama A&M	-	-	-
Support of State Universities: Health Information Management Program - Alabama State Univ.	-	-	-
Support of State Universities: Master of Accountancy Program - Alabama State University	-	-	-
Support of State Universities: Occupational Therapy Program - Alabama State University	-	-	-
Support of State Universities: Physical Therapy Program-Alabama State University	-	-	-
Support of State Universities: Scholarships to Diversify-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	337	334	3
Total Labor	337	334	3
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,872	1,586	286	1,872	1,586	286
-	-	-	1,872	1,586	286	1,872	1,586	286
-	-	-	62	59	3	62	59	3
-	-	-	62	59	3	62	59	3
-	-	-	83,500	2,170	81,330	84,000	2,647	81,353
-	-	-	83,500	2,170	81,330	84,000	2,647	81,353
-	-	-	55	47	8	216	207	9
-	-	-	55	47	8	216	207	9
-	-	-	9,277	7,216	2,061	9,277	7,216	2,061
-	-	-	9,277	7,216	2,061	9,277	7,216	2,061
-	-	-	38	23	15	38	23	15
-	-	-	38	23	15	38	23	15
-	-	-	17	7	10	17	7	10
-	-	-	17	7	10	17	7	10
-	-	-	-	-	-	338	323	15
-	-	-	-	-	-	338	323	15
147	147	-	-	-	-	147	147	-
2,722	2,722	-	-	-	-	2,722	2,722	-
1,102	1,102	-	-	-	-	1,102	1,102	-
3,000	3,000	-	-	-	-	3,000	3,000	-
638	638	-	-	-	-	638	638	-
438	438	-	-	-	-	438	438	-
115	115	-	-	-	-	115	115	-
448	448	-	-	-	-	448	448	-
907	907	-	-	-	-	907	907	-
329	329	-	-	-	-	329	329	-
587	587	-	-	-	-	587	587	-
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	-
14,433	14,433	-	-	-	-	14,433	14,433	-
-	-	-	1,177	184	993	1,514	518	996
-	-	-	1,177	184	993	1,514	518	996
-	-	-	60	48	12	60	48	12
-	-	-	60	48	12	60	48	12

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Legislative Council			
Legislative Operations and Support	766	487	279
Total Legislative Council	766	487	279
Legislative Fiscal Office			
Legislative Operations and Support	1,700	1,514	186
Total Legislative Fiscal Office	1,700	1,514	186
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	237	205	32
Legislative Operations and Support: Legislative Reference Service	2,422	2,175	247
Total Legislative Reference Service	2,659	2,380	279
Lieutenant Governor			
Legislative Operations and Support	743	386	357
Total Lieutenant Governor	743	386	357
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	-	-	-
Men's Hall of Fame			
Historical Resources Management	5	5	-
Total Men's Hall of Fame	5	5	-
Military			
Military Operations: Active Military Service	3,489	3,180	309
Military Operations: Dropping Allowance	1	-	1
Military Operations: Operations	1,090	1,040	50
Military Operations: Operations and Maintenance	1,614	1,560	54
Military Operations: Quartering Allowance to Headquarters	1,189	1,189	-
Military Operations: State Defense Force	10	9	1
Total Military	7,393	6,978	415
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	-	-	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	766	487	279
-	-	-	-	-	-	766	487	279
-	-	-	-	-	-	1,700	1,514	186
-	-	-	-	-	-	1,700	1,514	186
-	-	-	200	37	163	200	37	163
-	-	-	-	-	-	237	205	32
-	-	-	-	-	-	2,422	2,175	247
-	-	-	200	37	163	2,859	2,417	442
-	-	-	-	-	-	743	386	357
-	-	-	-	-	-	743	386	357
-	-	-	991	764	227	991	764	227
-	-	-	991	764	227	991	764	227
-	-	-	3,550	1,678	1,872	3,550	1,678	1,872
-	-	-	3,550	1,678	1,872	3,550	1,678	1,872
-	-	-	60	43	17	60	43	17
-	-	-	60	43	17	60	43	17
-	-	-	125	110	15	125	110	15
-	-	-	125	110	15	125	110	15
-	-	-	-	-	-	5	5	-
-	-	-	-	-	-	5	5	-
-	-	-	-	-	-	3,489	3,180	309
-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	1,090	1,040	50
-	-	-	18,112	15,109	3,003	19,726	16,669	3,057
-	-	-	-	-	-	1,189	1,189	-
-	-	-	-	-	-	10	9	1
-	-	-	18,112	15,109	3,003	25,505	22,087	3,418
13	12	1	3,720	3,026	694	3,733	3,038	695
13	12	1	3,720	3,026	694	3,733	3,038	695
-	-	-	105	62	43	105	62	43
-	-	-	105	62	43	105	62	43
-	-	-	130	95	35	130	95	35
-	-	-	130	95	35	130	95	35

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Office of National and Community Service			
Executive Direction	70	69	1
Total Office of National and Community Service	70	69	1
Office of Prosecution Services			
Prosecution Training Education and Management	380	380	-
Total Office of Prosecution Services	380	380	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	1,812	1,799	13
Total Oil and Gas Board	1,812	1,799	13
Pardons and Paroles			
Administration of Pardons and Paroles	22,763	22,753	10
Total Pardons and Paroles	22,763	22,753	10
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	1,679	1,479	200
Total President Pro Tempore Senate	1,679	1,479	200
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,412	1,448	964	2,482	1,517	965
-	-	-	2,412	1,448	964	2,482	1,517	965
-	-	-	3,521	2,457	1,064	3,901	2,837	1,064
-	-	-	3,521	2,457	1,064	3,901	2,837	1,064
-	-	-	689	612	77	2,501	2,411	90
-	-	-	689	612	77	2,501	2,411	90
-	-	-	10,042	6,605	3,437	32,805	29,358	3,447
-	-	-	10,042	6,605	3,437	32,805	29,358	3,447
-	-	-	494	389	105	494	389	105
-	-	-	494	389	105	494	389	105
466	466	-	450	300	150	916	766	150
307	306	1	1,000	611	389	1,307	917	390
773	772	1	1,450	911	539	2,223	1,683	540
-	-	-	8,125	6,719	1,406	8,125	6,719	1,406
-	-	-	8,125	6,719	1,406	8,125	6,719	1,406
198	197	1	15	4	11	213	201	12
198	197	1	15	4	11	213	201	12
-	-	-	313	176	137	313	176	137
-	-	-	313	176	137	313	176	137
-	-	-	1,750	1,337	413	1,750	1,337	413
-	-	-	1,750	1,337	413	1,750	1,337	413
-	-	-	25	18	7	25	18	7
-	-	-	25	18	7	25	18	7
-	-	-	-	-	-	1,679	1,479	200
-	-	-	-	-	-	1,679	1,479	200
-	-	-	1,078	842	236	1,078	842	236
-	-	-	1,078	842	236	1,078	842	236
-	-	-	65	63	2	65	63	2
-	-	-	65	63	2	65	63	2
-	-	-	205	107	98	205	107	98
-	-	-	205	107	98	205	107	98

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	-	-	-
Public Library Service			
Public Library Services	-	-	-
Total Public Library Service	-	-	-
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	-	-	-
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	-	-	-
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	-	-	-
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Citizens Hall of Fame			
Historical Resources Management	4	3	1
Total Senior Citizens Hall of Fame	4	3	1
Senior Services			
Elderly Medication Program	1,350	1,350	-
Medicaid Waiver Services	5,744	5,744	-
Non-State	15	15	-
Planning and Advocacy for Elderly	4,153	4,153	-
Total Senior Services	11,262	11,262	-
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	-	-	-
Soil Conservation Program	-	-	-
Water Resource Development	1,579	1,573	6
Total Soil and Water Conservation Commission	1,579	1,573	6
Speaker of the House			
Speaker of House, Office of	564	379	185
Total Speaker of the House	564	379	185
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,643	1,270	373	1,643	1,270	373
-	-	-	1,643	1,270	373	1,643	1,270	373
8,989	8,958	31	2,625	2,503	122	11,614	11,461	153
8,989	8,958	31	2,625	2,503	122	11,614	11,461	153
-	-	-	4	1	3	4	1	3
-	-	-	4	1	3	4	1	3
-	-	-	718	606	112	718	606	112
-	-	-	718	606	112	718	606	112
-	-	-	2,760	1,942	818	2,760	1,942	818
-	-	-	2,760	1,942	818	2,760	1,942	818
-	-	-	29,171	20,554	8,617	29,171	20,554	8,617
-	-	-	29,171	20,554	8,617	29,171	20,554	8,617
-	-	-	6,616	5,285	1,331	6,616	5,285	1,331
-	-	-	6,616	5,285	1,331	6,616	5,285	1,331
-	-	-	-	-	-	4	3	1
-	-	-	-	-	-	4	3	1
-	-	-	-	-	-	1,350	1,350	-
-	-	-	33,219	29,754	3,465	38,963	35,498	3,465
-	-	-	-	-	-	15	15	-
-	-	-	25,321	24,572	749	29,474	28,725	749
-	-	-	58,540	54,326	4,214	69,802	65,588	4,214
944	941	3	-	-	-	944	941	3
944	941	3	-	-	-	944	941	3
-	-	-	241	201	40	241	201	40
-	-	-	241	201	40	241	201	40
-	-	-	5	1	4	5	1	4
3	3	-	-	-	-	3	3	-
-	-	-	1,540	633	907	3,119	2,206	913
3	3	-	1,545	634	911	3,127	2,210	917
-	-	-	-	-	-	564	379	185
-	-	-	-	-	-	564	379	185
-	-	-	204	90	114	204	90	114
-	-	-	204	90	114	204	90	114

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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 Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
State Tenure Commission			
Regulation	-	-	-
Total State Tenure Commission	-	-	-
Supercomputer Authority			
Administrative Support Service	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	7,933	7,850	83
Total Supreme Court	7,933	7,850	83
Supreme Court Law Library			
Court Operations	1,334	1,334	-
Total Supreme Court Law Library	1,334	1,334	-
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism and Travel			
Tourism and Travel Promotion	86	50	36
Total Tourism and Travel	86	50	36
Veterans Affairs			
Administration of Veterans Affairs	5,417	5,341	76
Total Veterans Affairs	5,417	5,341	76
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	16	15	1
Total Women's Commission	16	15	1
TOTAL Other	161,400	153,365	8,035
TOTAL EXPENDITURES	\$ 1,016,764	\$ 995,496	\$ 21,268

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4,345	3,402	943	4,345	3,402	943
-	-	-	4,345	3,402	943	4,345	3,402	943
-	-	-	4,100	2,511	1,589	4,100	2,511	1,589
-	-	-	565	300	265	565	300	265
-	-	-	4,665	2,811	1,854	4,665	2,811	1,854
-	-	-	350	60	290	350	60	290
-	-	-	350	60	290	350	60	290
17	16	1	-	-	-	17	16	1
17	16	1	-	-	-	17	16	1
-	-	-	7,212	6,929	283	7,212	6,929	283
-	-	-	7,212	6,929	283	7,212	6,929	283
-	-	-	-	-	-	7,933	7,850	83
-	-	-	-	-	-	7,933	7,850	83
-	-	-	-	-	-	1,334	1,334	-
-	-	-	-	-	-	1,334	1,334	-
-	-	-	6,706	6,018	688	6,706	6,018	688
-	-	-	6,706	6,018	688	6,706	6,018	688
-	-	-	8,739	7,976	763	8,825	8,026	799
-	-	-	8,739	7,976	763	8,825	8,026	799
13,104	13,064	40	23,844	19,934	3,910	42,365	38,339	4,026
13,104	13,064	40	23,844	19,934	3,910	42,365	38,339	4,026
-	-	-	400	313	87	400	313	87
-	-	-	400	313	87	400	313	87
-	-	-	-	-	-	16	15	1
-	-	-	-	-	-	16	15	1
80,823	80,178	645	777,363	612,867	164,496	1,019,586	846,410	173,176
\$ 4,187,439	\$ 4,183,345	\$ 4,094	\$ 9,031,492	\$ 8,160,402	\$ 871,090	\$ 14,235,695	\$ 13,339,243	\$ 896,452

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, 2004

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Data Center Revolving	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Proration Prevention Fund	-	-	-
Public School Fund Endowment	-	-	-
Special Mental Health Fund	-	-	-
Supercomputer	-	-	-
Veterans Affairs	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-
<u>General Fund Transfers</u>			
ADEM-Hazardous Substance Fund	28	28	-
ADEM-Operations	3,944	3,944	-
Agriculture and Conservation Development Commission	607	607	-
Alabama Agricultural Museum	33	33	-
Alabama Building Renovation Finance Authority	1,180	1,180	-
Child Abuse Board	207	207	-
Child Health Insurance Program	11,552	11,552	-
Children's Policy Council	20	20	-
Conservation - Parks	19	19	-
Department of Transportation	94	-	94
Fair Trial Tax Transfer	27,761	27,761	-
Finance - Telephone Revolving	1,000	1,000	-
Forestry Commission	10,048	10,048	-
Historical Commission	2,983	2,983	-
Human Resources	78,594	78,594	-
Mental Health	98,036	98,036	-
Parks System Improvement Corp	8,588	8,588	-
Penny Trust Fund	246	246	-
Pollution Grant	569	569	-
Public Historical Sites Corp.	475	475	-
Revenue-Ad Valorem Equalization	250	250	-
Secretary of State-HAVA	659	659	-
Surface Mining Commission	470	470	-
Treasurer-Unclaimed Property	247	247	-
TOTAL General Fund Transfers	247,610	247,516	94
TOTAL TRANSFERS OUT	\$ 247,610	\$ 247,516	\$ 94
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,264,374	\$ 1,243,012	\$ 21,362

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
478	478	-	-	-	-	478	478	-
1,853	1,853	-	-	-	-	1,853	1,853	-
2,089	2,089	-	-	-	-	2,089	2,089	-
6,692	6,692	-	-	-	-	6,692	6,692	-
143	143	-	-	-	-	143	143	-
6,622	6,622	-	-	-	-	6,622	6,622	-
17,295	17,295	-	-	-	-	17,295	17,295	-
246	246	-	-	-	-	246	246	-
36,011	36,011	-	-	-	-	36,011	36,011	-
533	533	-	-	-	-	533	533	-
8,367	8,367	-	-	-	-	8,367	8,367	-
4,111	4,111	-	-	-	-	4,111	4,111	-
2,493	2,493	-	-	-	-	2,493	2,493	-
86,933	86,933	-	-	-	-	86,933	86,933	-
-	-	-	-	-	-	28	28	-
-	-	-	-	-	-	3,944	3,944	-
-	-	-	-	-	-	607	607	-
-	-	-	-	-	-	33	33	-
-	-	-	-	-	-	1,180	1,180	-
-	-	-	-	-	-	207	207	-
-	-	-	-	-	-	11,552	11,552	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	19	19	-
-	-	-	-	-	-	94	-	94
-	-	-	-	-	-	27,761	27,761	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	10,048	10,048	-
-	-	-	-	-	-	2,983	2,983	-
-	-	-	-	-	-	78,594	78,594	-
-	-	-	-	-	-	98,036	98,036	-
-	-	-	-	-	-	8,588	8,588	-
-	-	-	-	-	-	246	246	-
-	-	-	-	-	-	569	569	-
-	-	-	-	-	-	475	475	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	659	659	-
-	-	-	-	-	-	470	470	-
-	-	-	-	-	-	247	247	-
-	-	-	-	-	-	247,610	247,516	94
\$ 86,933	\$ 86,933	\$ -	\$ -	\$ -	\$ -	\$ 334,543	\$ 334,449	\$ 94
\$ 4,274,372	\$ 4,270,278	\$ 4,094	\$ 9,031,492	\$ 8,160,402	\$ 871,090	\$ 14,570,238	\$ 13,673,692	\$ 896,546



STATE OF ALABAMA

REVENUES BY SOURCE

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30

(Amounts in Thousands)

	2004	2003	2002	2001	2000
Revenue Source					
Taxes	\$ 6,431,299	\$ 6,267,772	\$ 5,699,382	\$ 5,790,458	\$ 5,940,174
Licenses, Permits, and Fees	532,118	502,493	497,191	460,847	469,176
Fines, Forfeits, and Court Settlements	40,221	64,204	34,593	36,717	34,369
Investment Income	183,922	204,596	100,127	117,297	111,456
Federal Grants and Reimbursements	5,675,945	5,515,520	5,321,974	4,672,417	4,242,012
Other Revenues	1,347,930	1,511,073	1,335,183	1,006,970	980,135
Total Revenues	\$ 14,211,435	\$ 14,065,658	\$ 12,988,450	\$ 12,084,706	\$ 11,777,322

1999	1998	1997	1996	1995
\$ 5,674,169	\$ 5,435,640	\$ 5,150,709	\$ 4,937,625	\$ 4,749,661
424,675	411,697	387,568	397,228	403,497
32,393	31,610	26,047	19,850	19,061
91,649	94,321	95,636	97,376	95,930
3,849,282	3,582,365	3,462,886	3,372,058	3,309,559
896,735	858,601	844,958	773,714	779,200
\$ 10,968,903	\$ 10,414,234	\$ 9,967,804	\$ 9,597,851	\$ 9,356,908

STATE OF ALABAMA

EXPENDITURES BY FUNCTION

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30

(Amounts in Thousands)

	2004	2003	2002	2001	2000
Function of Government					
Current:					
Economic Development and Regulation	\$ 59,263	\$ 64,414	\$ 66,362	\$ 62,842	\$ 59,157
Education and Cultural Resources	4,706,847	4,653,854	4,502,307	3,439,323	3,478,450
Natural Resources and Recreation	118,835	107,471	95,352	55,102	48,886
Health - Physical and Mental	4,294,969	4,215,859	4,150,746	3,548,145	3,252,299
Social Services	1,496,323	1,510,823	1,411,889	1,525,130	1,366,767
Protection of Persons and Property	730,780	680,605	610,113	595,728	558,140
Transportation	1,130,039	1,073,470	1,216,388	1,082,933	962,474
General Government	500,666	522,536	501,996	482,879	442,203
Distributions to Local Governments	410,514	367,462	378,404	320,556	322,978
Capital Outlay	55,833	48,639	38,983	2,474	7,019
Debt Service - Principal Retirement	73,650	81,963	63,716	64,358	42,524
Debt Service - Interest and Other Charges	38,282	40,125	86,902	21,944	24,262
Total Expenditures	\$ 13,616,001	\$ 13,367,221	\$ 13,123,158	\$ 11,201,414	\$ 10,565,159

1999	1998	1997	1996	1995
\$ 55,385	\$ 53,932	\$ 103,056	\$ 87,706	\$ 94,261
3,236,580	3,130,193	2,976,872	2,776,491	2,759,043
54,976	45,377	48,136	42,182	38,511
2,975,530	2,821,147	2,713,012	2,497,339	2,372,774
1,343,668	1,308,549	1,307,381	1,362,749	1,383,012
553,516	507,681	464,578	458,312	398,493
814,683	720,898	730,024	768,181	726,059
407,904	388,039	369,885	355,676	362,413
315,404	306,005	293,389	295,854	288,623
14,065	31,223	23,088	12,059	22,175
69,468	68,709	95,699	111,712	67,825
15,320	18,231	42,390	31,671	29,647
\$ 9,856,499	\$ 9,399,984	\$ 9,167,510	\$ 8,799,932	\$ 8,542,836

STATE OF ALABAMA

GENERAL OBLIGATION BONDS RATIOS

Last Ten Fiscal Years

<u>Year</u>	<u>General Obligation Bonds (GOB) \$ Millions</u>	<u>GOB Indebtedness \$ Per Capita</u>	<u>Ratio of GOB Indebtedness To Assessed Value †</u>	<u>Ratio of GOB Indebtedness To Personal Income</u>
2004	\$ 445.2	\$ 98	1.06%	0.38%
2003	490.1	109	1.11	0.43
2002	535.1	119	1.44	0.47
2001	433.1	97	1.09	0.39
2000	292.5	66	.77	0.28
1999	319.1	73	.89	0.33
1998	341.9	79	1.07	0.37
1997	379.6	88	1.30	0.42
1996	417.4	98	1.52	0.49
1995	453.6	107	1.78	0.57

† Based on Total Assessed Valuation information provided by the State Department of Revenue.

STATE OF ALABAMA

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL EXPENDITURES

Last Ten Fiscal Years

(Amounts in Thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio</u>
2004	\$ 47,975	\$ 19,128	\$ 67,103	\$13,616,001	0.49%
2003	47,945	21,587	69,532	13,367,221	0.52
2002	42,815	19,064	61,879	13,123,157	0.47
2001	47,395	11,049	58,444	11,201,414	0.52
2000	28,475	9,809	38,284	10,565,159	0.36
1999	54,440	5,404	59,844	9,856,499	0.61
1998	54,320	8,544	62,864	9,399,984	0.67
1997	53,345	11,579	64,924	9,167,510	0.71
1996	50,550	14,370	64,920	8,799,932	0.74
1995	46,210	16,919	63,129	8,542,836	0.74

STATE OF ALABAMA

SELECTED DEMOGRAPHIC STATISTICS

Last Ten Years

<u>Year</u>	<u>Population (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Real Gross State Product (in Billions)**</u>
2004	4,530	\$25,946	5.7%	\$ 117.5
2003	4,503	25,346	5.9%	114.2
2002	4,481	25,239	5.9	113.1
2001	4,469	24,564	5.3	112.3
2000	4,452	23,521	4.6	112.2
1999	4,370	22,694	4.8	110.9
1998	4,352	21,904	4.2	106.5
1997	4,319	20,899	5.1	102.7
1996	4,273	20,138	5.1	99.3
1995	4,246	19,527	6.0	96.6

** 1996 Dollars

Sources: Population: U.S. Census Bureau
Unemployment: Alabama Department of Industrial Relations
Other Data: Auburn University at Montgomery,
Bureau of Economic Analysis, University Outreach

STATE OF ALABAMA

ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION

Last Ten Years

(Amounts in Thousands)

<u>Year</u>		<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Motor Vehicles</u>	<u>Total Assessed Valuation</u>
2004 *	\$	30,927,400	6,242,268	3,899,197	5,588,891	\$46,657,756
2003		30,310,804	6,329,063	3,835,294	5,605,939	46,081,100
2002		27,283,157	5,890,665	3,755,679	5,742,699	42,672,200
2001		25,338,677	5,487,577	3,611,822	5,379,308	39,817,384
2000		24,163,844	5,174,295	3,508,760	4,999,654	37,846,553
1999		23,126,262	5,682,382	3,420,444	3,656,796	35,885,884
1998		20,302,968	4,985,767	3,139,629	3,542,710	31,971,074
1997		18,697,963	4,389,181	3,053,139	3,019,200	29,159,483
1996		17,702,384	3,924,821	3,067,168	2,775,209	27,469,582
1995		16,553,154	3,548,509	3,023,248	2,392,147	25,517,058

* Estimated

Source: Alabama Department of Revenue

TOP TWENTY MANUFACTURING COMPANIES IN ALABAMA

<u>Rank</u>	<u>Parent Company Name</u>	<u>Employee Range</u>	<u>City</u>	<u>Product</u>
1	Avondale Mills Inc	Over 4000	Sylacauga	Fabric & Yarn
2	Intergraph Corporation	Over 4000	Huntsville	Computer Graphics
3	Russell Corporation	Over 4000	Alexander City	Activewear
4	Army Fleet Support	3001-4000	Ft Rucker	Aircraft Maint
5	Boeing Company	3001-4000	Huntsville	Space & Defense
6	American Cast Iron Pipe Co.	2501-3000	Birmingham	Pipe & Valves
7	Cavalier Homes Inc.	2501-3000	Addison	Mobile Homes
8	Honda Manufacturing	2501-3000	Lincoln	Odyssey Vans
9	United States Pipe Foundry Co	2501-3000	Birmingham	Ductile Iron Pipe
10	CSC Nichols	2001-2500	Huntsville	Optics Technology
11	Delphi Saginaw Steering Sys	2001-2500	Athens	Auto Steering Comp
12	Maples Industries Inc	2001-2500	Scottsboro	Rugs & Bath Sets
13	Mercedes Benz US Internatl Inc	2001-2500	Vance	SUV
14	US Steel Corporation	2001-2500	Fairfield	Cold & Hot Rolled
15	ADTRANS Inc	1501-2000	Huntsville	Telephone Equip
16	American Centrifugal	1501-2000	Birmingham	Ferrous Centrifugal
17	Benchmark Electronics Inc	1501-2000	Huntsville	Electronic Components
18	Buffalo Rock Company	1501-2000	Birmingham	Soft Drinks
19	General Electric Company	1501-2000	Decatur	Refrigerators
20	Gold Kist Inc	1501-2000	Russellville	Poultry Processing

Source: Alabama Development Office

STATE OF ALABAMA

COMMERCIAL BANK DEPOSITS

Last Ten Years

(Amounts in Millions)

<u>YEAR *</u>	<u>AMOUNT</u>
2003	\$137,829
2002	131,583
2001	124,796
2000	122,221
1999	116,764
1998	100,129
1997	71,375
1996	44,610
1995	41,379
1994	39,014

* Data not available for 2004

Source: FDIC

STATE OF ALABAMA

CONSTRUCTION IN ALABAMA

Last Ten Years

Housing Starts

<u>Authorized by Permits*</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Single Family Housing Units	23.40	21.73	19.09	16.25	13.67	14.93	14.66	13.63	14.57	12.76
Multifamily Housing Units	<u>5.26</u>	<u>4.56</u>	<u>3.56</u>	<u>2.89</u>	<u>3.73</u>	<u>4.10</u>	<u>5.88</u>	<u>4.10</u>	<u>5.30</u>	<u>6.40</u>
Total Housing Units	28.66	26.29	22.65	19.14	17.40	19.03	20.54	17.73	19.87	19.16

* Units in Thousands

Valuation on

Authorized Housing Units**

Single Family Housing Units	\$ 2,935	\$ 2,638	\$ 2,283	\$ 1,864	\$ 1,499	\$ 1,655	\$ 1,501	\$ 1,353	\$ 1,301	\$ 1,442
Multifamily Housing Units	<u>445</u>	<u>281</u>	<u>171</u>	<u>161</u>	<u>219</u>	<u>227</u>	<u>289</u>	<u>183</u>	<u>208</u>	<u>287</u>
Total Housing Units	3,380	2,919	2,454	2,025	1,718	1,882	1,790	1,536	1,509	1,729

** Value in Millions of Dollars

Source: U.S. Bureau of the Census, Current Construction Reports

STATE OF ALABAMA

GENERAL INFORMATION

Date Entered Union	December 14, 1819
State Capital	Montgomery
Miles of State Highway	10,846
Land Area (Square Miles)	51,718
State Trooper Protection:	
Number of Stations	14
Number of State Troopers	671
Higher Education (All Public Institutions)	
Number of Campuses in State	58
Number of Full Time Educators (2003-2004)	8,658
Number of Students (Fall 2004)	216,020
Recreation:	
Number of State Parks	22
Area of State Parks (acres)	48,095
Number of State Employees **	35,591

Sources:

Alabama Department of Transportation
Alabama Conservation Department - State Parks Division
Alabama Commission on Higher Education
Alabama Forestry Division
Alabama Department of Public Safety
Alabama Department of Conservation and Natural Resources
Alabama Personnel Department

** Includes State Merit System, House, Senate, and Administrative Office of the Courts



