

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2006

Front cover: Northern Yellow-shafted Flicker, also known as the yellowhammer, is the State bird of Alabama. This species of woodpecker is common in the eastern half of the United States. The name comes from the spectacular yellow color visible from the underside of the wings and tail.

Comments concerning this report should be addressed to:

Office of the State Comptroller
Financial Reporting Section
RSA Union, Suite 206
Montgomery, AL 36130-2602

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2006



Bob Riley
Governor

Kay Ivey
State Treasurer

James Main
Director of Finance

Beth Chapman
State Auditor

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

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STATE OF ALABAMA

INTRODUCTORY SECTION



STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

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

BOB RILEY
Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

March 31, 2007

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, 2006. 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, 2005 CAFR, a list of principal officials at September 30, 2006, and the State organization chart.
- **The Financial Section** includes the Independent Auditor's Report, management's discussion and analysis, basic financial statements including notes, required supplementary information, combining and individual fund financial statements, and supplemental statements and schedules.
- **The Statistical Section** includes selected financial and demographic information about the State, with an emphasis on multi-year trends.

Internal Controls

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

Audit

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

Management's Discussion and Analysis

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, the MD&A focuses on the State's major funds, such as the General Fund, Education Trust Fund, Alabama Trust Fund, and Unemployment Compensation Trust Fund.

Profile of the Government

Reporting Entity

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

Budgetary Controls

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

Cash Controls

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

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Beginning Cash Balance, October 1	\$ 214,652	\$ 187,411	\$ 137,471	\$ 65,176	\$ 100,229
Receipts	1,656,451	1,437,230	1,297,452	1,313,934	1,144,313
Disbursements	<u>1,545,981</u>	<u>1,409,989</u>	<u>1,247,512</u>	<u>1,241,639</u>	<u>1,179,366</u>
Net Increase (Decrease) in Cash Balance	110,470	27,241	49,940	72,295	(35,053)
Ending Cash Balance, September 30	325,122	214,652	187,411	137,471	65,176
Cash Balance Reserved for Obligations	<u>60,686</u>	<u>45,945</u>	<u>30,704</u>	<u>33,216</u>	<u>35,133</u>
Unobligated Cash Balance, September 30	<u>\$ 264,436</u>	<u>\$ 168,707</u>	<u>\$ 156,707</u>	<u>\$ 104,255</u>	<u>\$ 30,043</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Beginning Cash Balance, October 1	\$ 587,114	\$ 216,210	\$ 32,078	\$ 33,084	\$ 32,619
Receipts	5,498,362	4,969,255	4,456,027	4,249,955	4,133,349
Disbursements	<u>5,345,789</u>	<u>4,598,351</u>	<u>4,271,895</u>	<u>4,250,961</u>	<u>4,132,884</u>
Net Increase (Decrease) in Cash Balance	152,573	370,904	184,132	(1,006)	465
Ending Cash Balance, September 30	739,687	587,114	216,210	32,078	33,084
Cash Balance Reserved for Obligations	<u>44,632</u>	<u>16,455</u>	<u>26,304</u>	<u>24,578</u>	<u>28,890</u>
Unobligated Cash Balance, September 30	<u>\$ 695,055</u>	<u>\$ 570,659</u>	<u>\$ 189,906</u>	<u>\$ 7,500</u>	<u>\$ 4,194</u>

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year.

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund	\$ 404.7	\$ 293.9	\$ 236.7	\$ 163.0	\$ 152.0
Education Trust Fund	1,029.5	1,016.1	543.1	409.2	81.8

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 excess funds being invested. Interest earnings during the 2005-2006 fiscal year were as follows:

Time Deposit Open Accounts	\$ 33.7 million
Repurchase Agreements	\$ 56.4 million
US Treasury and Agency Securities	\$ 12.6 million

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

Economic Condition and Outlook

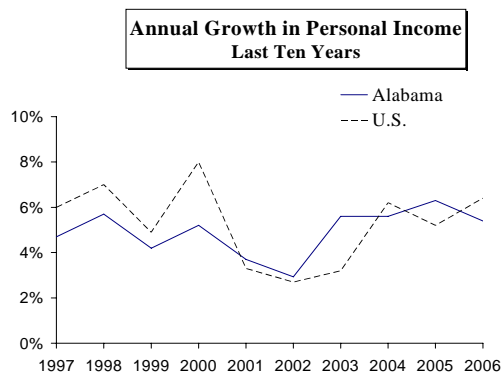
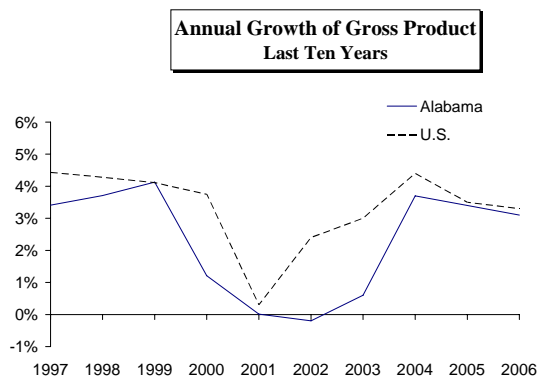
Alabama's economy grew an estimated 3.1% in 2006, and is expected to slowdown to 2.5% in 2007. There was a 1.3 percent increase in nonagricultural employment. Most of the new jobs were in service providing sectors, but manufacturing also added new jobs. Manufacturing sector output grew 5.3 percent, which was driven by a 16.5 percent rise in motor vehicle manufacturing. New and used home sales declined in 2006, while commercial development and industrial construction increased. This was due to new and expanding automotive and transportation equipment manufacturing firms.

Wholesale trade output rose 3.4 percent in 2006, with a 2.2 percent gain in employment. Wholesale prices for energy related products and intermediate materials climbed much faster than the general 2.7 percent wholesale price increase. Energy related prices are expected to climb by approximately 8 percent in 2007. Retail trade output grew 4.2 percent. Rising interest rates, slowing home sales, and higher energy prices significantly impacted consumer spending and the retail trade sector. Gains in retail jobs were primarily at businesses selling building materials and garden equipment.

Alabama gained approximately 30,000 new jobs during 2006. This gain brought the unemployment rate down to 3.3 percent, which was significantly below the 4.5 percent national rate. The largest job growth was in the service providing sectors, which added 21,900 new jobs during the fiscal year. Service providing industries that had the largest job gains for the year were professional and business services, educational and health services, and leisure and hospitality. Employment growth is expected to slow from 1.3 percent in 2006 to 0.8 percent in 2007.

According to the U.S. Department of Commerce's International Trade Administration, Alabama exports jumped 19.5 percent to \$10.8 billion in 2005. Canada is Alabama's largest trade partner, while other Alabama export destinations include Germany, Mexico, Japan, and China. Transportation equipment was the state's top export in 2005. Other major exports included chemicals, computers and electronic products, machinery manufacturing, paper products, and mining.

The growth in Alabama's economy is expected to slow in 2007. Decreasing home sales, high energy prices, and rising interest rates will drive this slowdown. However, economic growth should accelerate to 3.3 percent in 2008. Manufacturing sector output will rise 4.3 percent due to an expected increase in motor vehicle manufacturing. Business and professional services will continue to grow an estimated 2.5 percent. Other positive factors influencing the economy's growth are industrial construction, educational and health services, and retail trade.



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

Major Initiatives

Economic Development Projects

On April 14, 2006, Governor Riley signed into law legislation that appropriates \$2 million a year to help local industrial development authorities prepare sites for new industry. At least 20 percent of all grants will be awarded to rural areas of the state. This new law is part of an effort to maintain a strong partnership between the state, local governments and industry leaders, and to continue attracting national and international companies and the jobs they bring. The funding comes from the Alabama Capital Improvement Trust Fund.

Workforce Development

The Alabama Office of Workforce Development was named the top workforce development agency in the United States by Worldwide Interactive Network. This honor came with a \$1 million grant to help build a state-of-the-art interactive job training center. The center's focus will be on providing training in Alabama's high growth advanced manufacturing industries. Alabama's workforce development programs were consolidated into a single office by Governor Riley. The award recognizes Alabama's leadership in designing an interagency strategic plan and comprehensive worker credentialing program.

Energy Efficiency in State Government

Governor Riley signed an Executive Order on May 10, 2006 that will cut state government's energy usage and save millions in energy costs. Under the order, all state departments and agencies will implement no-cost energy efficiency practices. He hopes to make state government a model of energy efficiency by taking proactive, long-term steps to conserve, eliminate waste and reduce costs paid by the taxpayer. The executive order requires all state agencies and departments in state-owned and operated buildings to reduce energy consumption 10 percent by October 1, 2008 and 20 percent by October 1, 2010.

Alternative Fuel Research

Governor Riley has awarded a grant to Auburn University researchers to learn more about biomass conversion and its commercial possibilities in Alabama. Alternative fuels derived in part from biomass may provide an answer to high gas prices. The university will use the grant for a study that will analyze the different methods of converting biomass into ethanol. Ethanol is blended with unleaded gasoline for use in automobiles. Because of the blend, less oil is used. The research team will prepare a final report which will include analysis of the technologies and recommendations for the commercialization of biomass-to-ethanol conversion in Alabama.

New Industrial Training Program

On December 14, 2005, Governor Riley awarded \$1.6 million for a pilot program to train workers for jobs in industrial maintenance and machine tool technology. The grant will establish the Center for Manufacturing Innovation at Calhoun Community College. This program provides an opportunity for workers to prepare themselves for positions in high-skill and high-demand jobs, and keeps Alabama competitive in the global marketplace. Governor Riley awarded the grant from funds made available to the state by the U.S. Department of Labor.

ACCESS Distance Learning Initiative

ACCESS, which stands for Alabama Connecting Classrooms, Educators and Students Statewide, is a statewide distance learning initiative that will allow schools to help other schools by offering advanced level courses and electives that might not otherwise be available. A key strategy of the initiative is a blended approach to distance learning course delivery. Pilot sights will use multipoint videoconferencing equipment combined with individual student tablet laptops. This technology will be blended with synchronous instruction from an Alabama certified E-teacher who will educate students who are in his/her classroom, as well as instruct students virtually at remote sites.

State Agencies to Focus on Results and Accountability

Beginning in January 2006, state agencies were required to provide quarterly reports on their progress and on the effectiveness of their programs. Governor Riley is requiring every agency of state government to have a strategic plan and measurable goals so taxpayers and budget writers can hold programs accountable for results. By creating a government-wide focus on results, the effectiveness and efficiency of government will improve, and the confidence of the public will be enhanced. The new effort builds upon an earlier reform of the budget process started by the Riley Administration in 2004 called SMART Budgeting, with SMART standing for Specific, Measurable, Accountable, Responsive and Transparent. Governor Riley calls this new phase SMART Governing.

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, 2005. This was the eighth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

A handwritten signature in black ink that reads "Robert L Childree". The signature is written in a cursive, flowing style.

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, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

STATE OF ALABAMA

PRINCIPAL STATE OFFICIALS

September 30, 2006

EXECUTIVE BRANCH

Bob Riley
Governor

Lucy Baxley
Lt. Governor

Kay Ivey
State Treasurer

Nancy Worley
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Beth Chapman
State Auditor

JUDICIAL BRANCH

Drayton Nabers, Jr.
Chief Justice of the Supreme Court

Justices of the Supreme Court

Robert B. Harwood, Jr.

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Harold F. See, Jr.

Lyn Stuart

Thomas A. Woodall

Tom Parker

Robert G. Esdale, Sr.

LEGISLATIVE BRANCH

Lowell Ray Barron
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

James Allen Main
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation
and Natural Resources

Col. Mike Coppage
Department of Public Safety

James K. Lyons
Alabama State Port Authority

William C. Segrest
Board of Pardons and Paroles

Doni Ingram
ADECA

Maj. Gen. Mark Bowen
State Military Department

Dr. Page Walley
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health
and Mental Retardation

Lee Sentell
Bureau of Tourism and Travel

Richard H. Dorrough
Department of Children's Affairs

Richard Allen
Department of Corrections

Bruce Baughman
Emergency Management Agency

Joe McInnes
Department of Transportation

Phyllis Kennedy
Department of Industrial
Relations

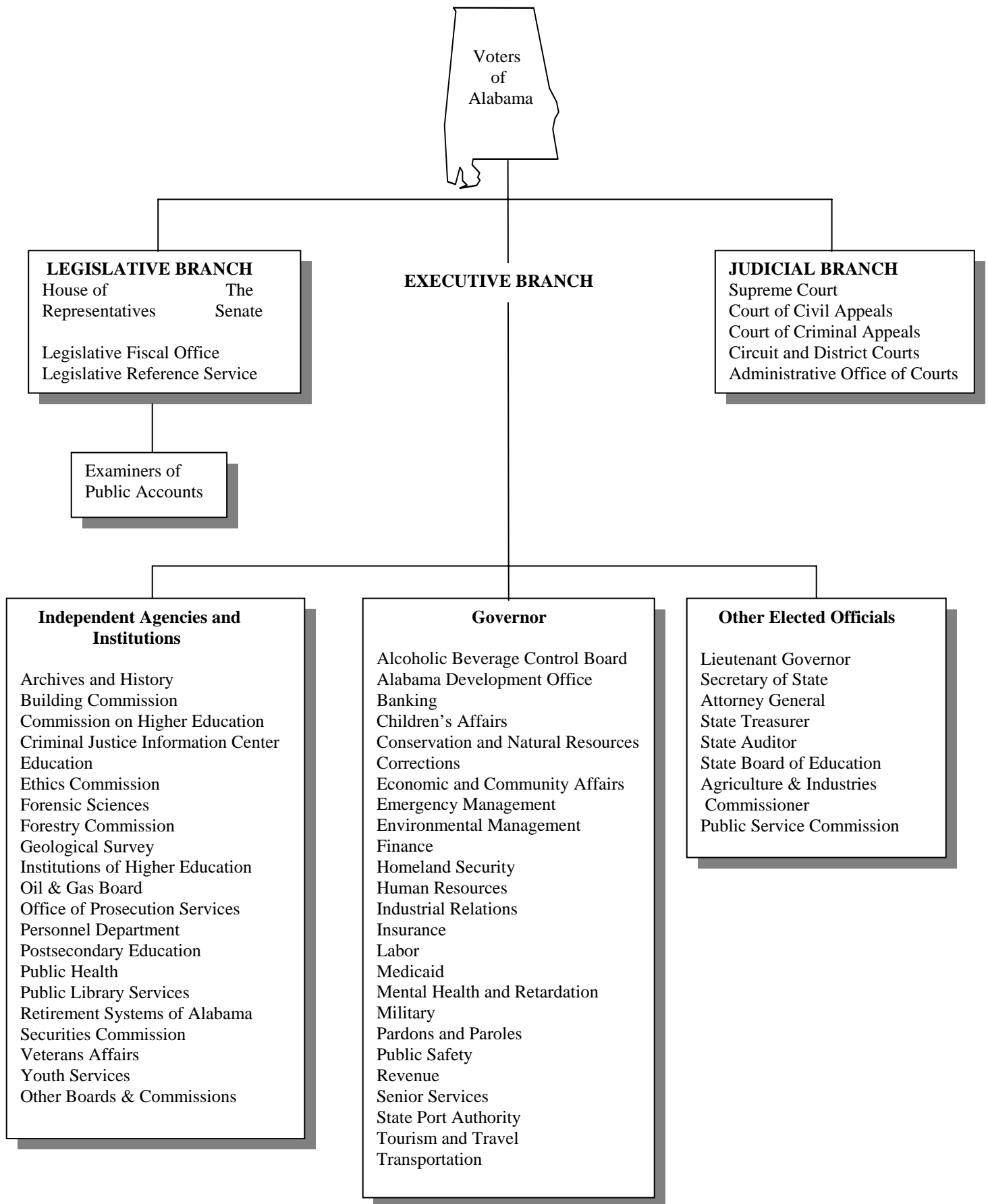
Carol Herrmann
Alabama Medicaid Agency

Tom Surtees
Department of Revenue

Walter A. Bell
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART







Ronald L. Jones
Chief Examiner

State of Alabama Department of Examiners of Public Accounts

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2006, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.09%	0.06%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	25%	9%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	86%	77%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama College Education Savings Plan Alabama Public Health Care Authority	93%	54%

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 Board, the Alabama Higher Education Loan Corporation, and the Alabama College Education Savings Plan, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2006, 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.

As discussed in Note 2 to the financial statements, the state legislature granted corporate powers to both the Public Education Employees' Health Insurance Board and the State Employees' Insurance Board. In accordance with Governmental Accounting Standards Board Statement 14, the Public Education Employees' Health Insurance Plan was reclassified from a major proprietary fund to a component unit. Two funds of State Employees' Insurance Board are now reported as part of the State Employees' Insurance Board component unit. Those funds are the State Employees' Health Insurance Plan, previously an internal service fund, and the Local Government Health Insurance Plan, previously a nonmajor enterprise fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2007, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



RONALD L. JONES
Chief Examiner of Public Accounts

March 31, 2007



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, 2006. 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 \$1.5 billion during fiscal year 2006. The assets of the State exceeded its liabilities at the close of the fiscal year by \$23.9 billion (*net assets*). Of this amount, \$16.8 billion was invested in capital assets (net of related debt), \$2.6 billion was in the Alabama Trust Fund, \$1.5 billion was restricted for educational purposes, and \$2.3 billion was restricted for various other purposes. The remaining \$662 million in net assets was unrestricted.
- The Change in Net Assets in governmental activities was a positive \$1.4 billion. Cash increased by \$695 million, primarily the result of the State's fast growing economy which resulted in a 6.5% increase in tax collections. Governmental activities have \$3.1 billion in investments, \$2.7 billion of which is in the Alabama Trust Fund.
- The business-type activities reported net assets at year-end of \$1.38 billion, an increase of \$187 million for the fiscal year.
- The State's total bonded debt at the end of the fiscal year was \$1.27 billion, a decrease of \$4 million, which represents the net difference between new issuances and payments and refundings of outstanding debt. During the year the State issued \$30 million in new revenue bonds. The State also issued \$61 million in general obligation bonds during fiscal year 2006, and the payments on general obligation bonds totaled \$52 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$6.5 billion. Approximately \$3.3 billion of this amount is unreserved fund balance.
- On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$62 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$80 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

The types of funds which are categorized as governmental funds are the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Alabama Trust Fund, Education Trust Fund, Public Road and Bridge Fund, Public Welfare Trust Fund, and Alabama Medicaid Fund, all of which are considered to be major funds. Data from the 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, 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, manufacturing activities, and liability protection. The internal service funds are aggregated in a single column on the proprietary fund statements.

Fiduciary funds

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$23.9 billion as of September 30, 2006.

The largest component (71%) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

About 91 percent of the State's net assets that are unrelated to capital assets are restricted and represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. The remaining balance of \$662 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 2006, the State was able to report positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities. The prior year has been restated.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 8,241,070	\$ 7,516,544	\$ 971,089	\$ 967,654	\$ 9,212,159	\$ 8,484,198
Capital Assets	16,823,258	16,348,473	1,024,020	837,756	17,847,278	17,186,229
Total Assets	25,064,328	23,865,017	1,995,109	1,805,410	27,059,437	25,670,427
Long-term Liabilities	1,157,980	1,123,124	431,782	448,045	1,589,762	1,571,169
Other Liabilities	1,425,847	1,617,231	184,341	165,869	1,610,188	1,783,100
Total Liabilities	2,583,827	2,740,355	616,123	613,914	3,199,950	3,354,269
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	16,129,141	15,717,808	631,374	508,280	16,760,515	16,226,088
Restricted	5,933,667	5,004,105	502,982	352,524	6,436,649	5,356,629
Unrestricted	417,693	402,749	244,630	330,692	662,323	733,441
Total Net Assets	\$ 22,480,501	\$ 21,124,662	\$ 1,378,986	\$ 1,191,496	\$ 23,859,487	\$ 22,316,158

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 \$1.5 billion during fiscal year 2006. Taxes provided \$7.1 billion, or approximately 40 percent, of the State's total revenue. Tax revenues increased 6.5%, or \$434 million over the previous year as Alabama's economy continues to grow. Investment earnings were up \$57 million, an increase of nearly 22%, reflecting both the general increase in market returns and the fact that the State significantly increased the cash available to invest during the prior year. Cash increased again this year by a substantial amount, some \$695 million total.

Spending on Education and Cultural Resources increased by 11%, or \$561 million in 2006. This increased spending included a pay raise for the State's teachers and related personnel. Within the Education and Cultural Resources functional area, spending for local financial assistance activity was up \$393 million and spending for support of state universities was up \$127 million. Education and Cultural Resources spending was \$5.7 billion, or 34 percent, of the State's total expenses. \$4.7 billion, or 28 percent, was spent on Health-Physical and Mental. Of that amount, over \$3.4 billion was spent on Medicaid programs. Spending on Transportation increased by \$143 million, or 16%.

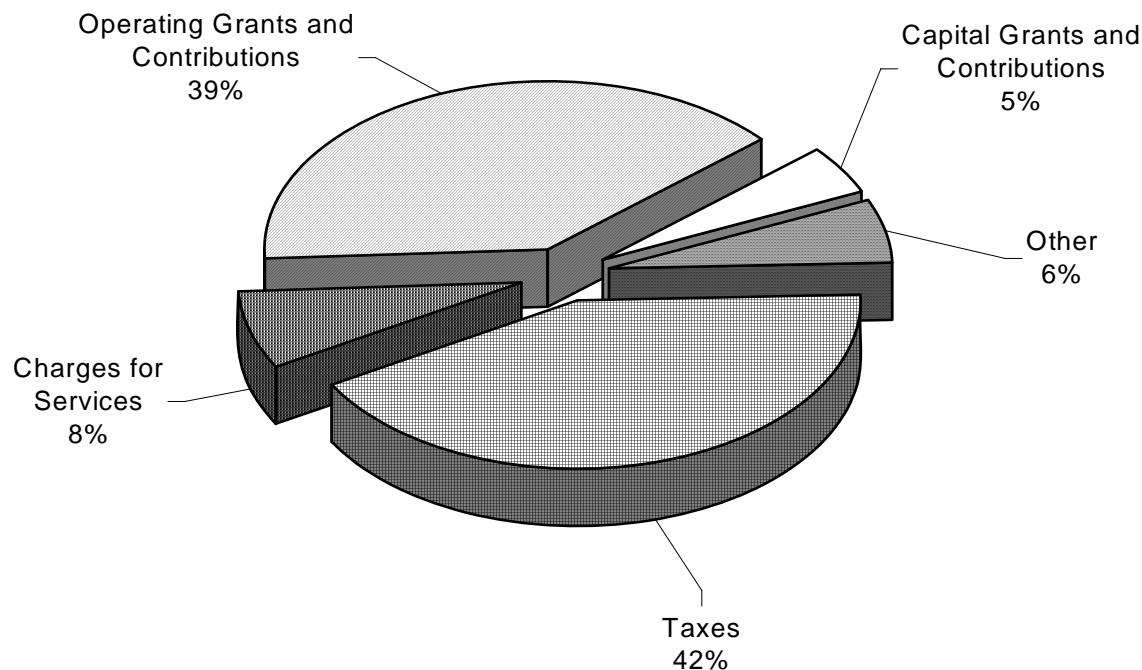
Changes in Net Assets For the Fiscal Year Ended September 30 (Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,259,080	\$ 1,104,890	\$ 773,420	\$ 796,785	\$ 2,032,500	\$ 1,901,675
Operating Grants and Contributions	6,612,934	6,315,902	277,667	269,667	6,890,601	6,585,569
Capital Grants and Contributions	801,902	673,977	32,685	22,776	834,587	696,753
General Revenues:						
Taxes	7,121,869	6,688,435	9,314	8,598	7,131,183	6,697,033
Grants and Contributions Not Restricted to Specific Programs	-	6,159	-	-	-	6,159
Investment Earnings	284,215	236,191	34,056	25,124	318,271	261,315
Miscellaneous	739,372	643,724	10,056	4,330	749,428	648,054
Total Revenues	<u>16,819,372</u>	<u>15,669,278</u>	<u>1,137,198</u>	<u>1,127,280</u>	<u>17,956,570</u>	<u>16,796,558</u>
Expenses:						
Economic Development and Regulation	100,617	63,016			100,617	63,016
Education and Cultural Resources	5,653,710	5,092,756			5,653,710	5,092,756
Natural Resources and Recreation	144,058	82,841			144,058	82,841
Health- Physical and Mental	4,654,044	4,479,828			4,654,044	4,479,828
Social Services	1,630,902	1,606,588			1,630,902	1,606,588
Protection of Persons and Property	1,036,668	1,031,731			1,036,668	1,031,731
Transportation	1,025,936	882,823			1,025,936	882,823
General Government	853,906	776,791			853,906	776,791
Debt Service - Interest and Other Charges	42,672	43,052			42,672	43,052
Unemployment Compensation			232,447	251,137	232,447	251,137
State Port Authority			89,939	85,984	89,939	85,984
Alabama College System			683,660	646,868	683,660	646,868
Alcoholic Beverage Control Board			215,832	192,278	215,832	192,278
Nonmajor Proprietary Funds			48,972	47,838	48,972	47,838
Total Expenses	<u>15,142,513</u>	<u>14,059,426</u>	<u>1,270,850</u>	<u>1,224,105</u>	<u>16,413,363</u>	<u>15,283,531</u>
Increase (Decrease) in Net Assets Before Contributions and Transfers	1,676,859	1,609,852	(133,652)	(96,825)	1,543,207	1,513,027
Contributions to Permanent Funds & Endowments	-	2	122	201	122	203
Transfers	(321,020)	(261,067)	321,020	261,067	-	-
Change in Net Assets	1,355,839	1,348,787	187,490	164,443	1,543,329	1,513,230
Net Assets- Beginning	<u>21,124,662</u>	<u>19,775,875</u>	<u>1,191,496</u>	<u>1,027,053</u>	<u>22,316,158</u>	<u>20,802,928</u>
Net Assets- Ending	<u>\$ 22,480,501</u>	<u>\$ 21,124,662</u>	<u>\$ 1,378,986</u>	<u>\$ 1,191,496</u>	<u>\$ 23,859,487</u>	<u>\$ 22,316,158</u>

Governmental Activities

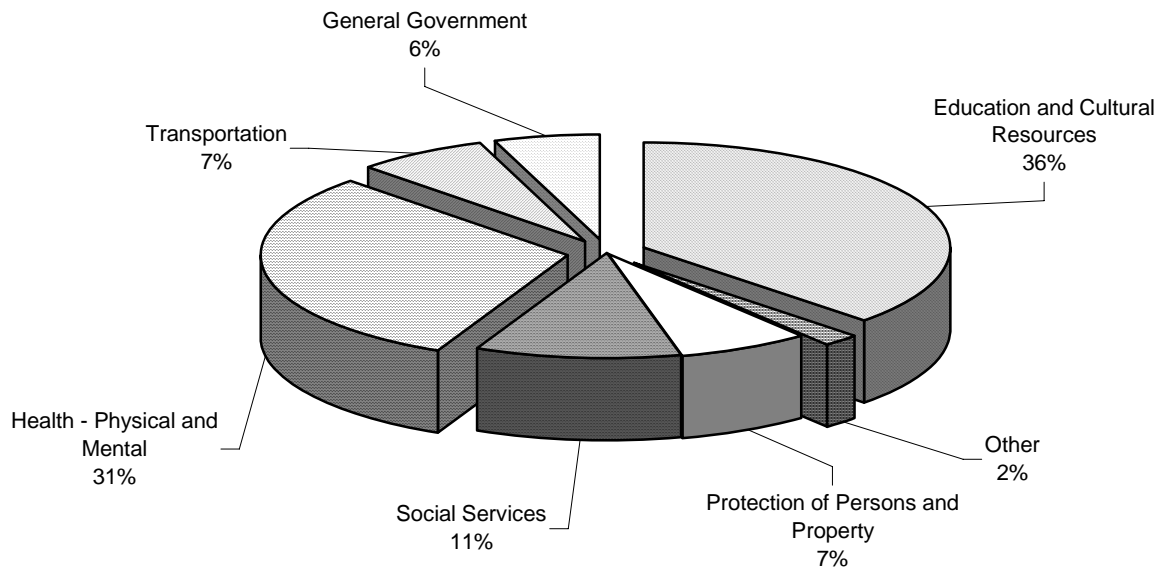
Total revenues for governmental activities in fiscal year 2006 were \$16.8 billion. Revenues are categorized as either program revenue, which are generated by the program itself or are received from another government, or general revenues. Program revenues totaled \$8.7 billion. Operating grants and contributions are the largest program revenues, and at \$6.6 billion, make up 39 percent of total governmental revenues. Operating grants and contributions increased \$297 million over the previous year, a 4.7% increase. Over 89% of operating and capital grants were received from the Federal government. Medicaid reported approximately \$248 million additional federal revenue in fiscal year 2006 for Hurricane Katrina relief. \$144.5 million of the Katrina relief revenue was not received until October 2007 and is reported as due from other governments. Charges for Services were up \$154 million, a 14% increase. \$86 million of the increase in charges for services was from increased leases for oil and gas drilling rights. General revenues, which include taxes, of governmental activities were \$8.1 billion. Revenue from all tax types represents 42 percent of total governmental revenues earned during fiscal year 2006. Of the \$7.1 billion in tax revenues, the largest taxes were income taxes of \$3.2 billion and sales and use taxes of \$2.1 billion. Tax revenue was up by \$433 million, an increase of 6.5%. \$332 million of the increase in tax revenues was from sales and income taxes, reflecting the fast growing economy.

**Revenues - Governmental Activities
Fiscal Year Ended September 30, 2006**



The two largest activities (1) Education and Cultural Resources and (2) Health-Physical and Mental together accounted for 67 percent of the governmental activities expenses for fiscal year 2006. Social Services accounted for 11 percent of the governmental activities expenses. Overall expenditures increased by \$1.1 billion, or 7.7%. Education spending increased \$561 million, which included a pay raise for teachers. Health spending was up \$174 million, of which \$110 million was for Medicaid. Increases in Medicaid spending were a result of increases in utilization and inflation. Spending for Transportation rose \$143 million, bringing it from 6% of overall spending last year to 7% this year. The Department increased maintenance and construction projects as a result of increased traffic on Alabama's roads because of growth in the State's manufacturing and construction industries. Alabama's roads are in good condition and more information is included in the Capital Asset section of Management's Discussion and Analysis.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2006



Business-type Activities

In fiscal year 2006 the net assets of business-type activities increased by \$187 million. Revenues of business-type activities totaled \$1.1 billion. These activities generated program revenues of \$1 billion while support from general revenues was only \$53 million. The program revenues consisted of \$773 million of charges for services, \$278 million of operating grants and contributions, and \$33 million of capital grants and contributions. The total expenses for business-type activities were \$1.3 billion. The largest business-type activity involved the Alabama College System, which accounted for over half of business-type revenues and expenditures. The net assets of the Alabama College System increased by \$68 million. The second largest business-type activity is the Unemployment Compensation Trust which also increased its net assets by \$68 million. The net assets of the Unemployment Compensation Trust increased because of the continued low unemployment rate in the State.

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of fiscal year 2006, the governmental funds reported combined ending fund balances of \$6.47 billion. Of this total amount, \$3.2 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest total reserved amount of \$2.6 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. \$176 million of the balance of the Alabama Trust Fund is reserved for the Education Rainy Day Account for the Education Trust Fund as a result of a constitutional provision. \$280 million of the Governmental Funds have been designated for various capital projects and debt service, leaving \$3.0 billion as unreserved and undesignated. The Alabama Trust Fund investments increased as a result of new oil and gas payments received during fiscal year 2006, and an increase of \$18.6 million in changes in fair value from fiscal year 2005. Receipts from oil and gas royalties increased by \$96 million over 2005.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$401 million, and reserved fund balance was \$3 million. Expenditures for Health – Physical and Mental increased \$88 million, or 17%. The amount the General Fund paid for Medicaid increased by \$67 million. When the budget was passed the additional amount was estimated to be needed because of a decrease in the federal medical assistance percentage, increase in utilization, and inflation. The General Fund actually paid for more than the State's share of Medicaid in 2006, because additional federal funds for hurricane Katrina were received. Increases for the amount paid by the General Fund for Mental Health and Mental Retardation Community Programs, including the purchase of drugs for medically indigent mental patients not hospitalized at time of receiving drugs at the Alabama state hospitals, were a result of increases in utilization and inflation. Protection of Persons and Property increased \$46 million, because of the increase in the prison population and inflation. Cash and cash equivalents increased by \$134 million because revenues were much greater than was anticipated when the budget was passed.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues from the State's growing economy for fiscal year 2006 were up approximately \$352 million as compared to fiscal year 2005, a 7% increase. Expenditures, as limited by the budget, were up 12.5%, or \$529 million. Transfers out increased by \$253 million, primarily because \$217 million was transferred to the ETF Proration Prevention Account for a rainy day. The fund balance rose \$44 million to \$1.030 billion. The balance of cash and cash equivalents in the ETF rose \$155 million to \$786 million, because revenue was greater than anticipated when the budget was passed. Taxes receivable decreased by \$115 million primarily because of corporate income taxes receivable. Corporate taxes receivable were estimated to be less than fiscal year 2005 based upon a trend analysis of revenue from corporate income taxes for the last five years. Revenue from corporate income taxes were estimated to be 14% higher in fiscal year 2006 than fiscal year 2005. However, the receivable is estimated to be less than fiscal year 2005 because of the amounts calculated for taxes due less overpayments and estimated tax payments. Estimated tax payments decrease the receivable. Corporate tax payments on a cash basis actually rose 23%. Actual amounts can be very different than estimated amounts for accruals, however actual amounts are not known until all tax returns are filed.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. Revenues from royalties and other payments related to the production of oil and gas increased by \$86 million in 2006. This was partially due to the price increases of oil and natural gas and partly from increased production. Amendment 666 directs the Alabama Trust Fund Board of Trustees to transfer 35% of the oil and gas royalties received in a fiscal year to the Alabama Capital Improvement Fund and the County and Municipal Government Capital Improvement Trust Fund. Another one percent is entitled to the Division of Lands of the Department of Conservation and Natural Resources. During the 2006 fiscal year, the Alabama Trust Fund's total fund balance increased by \$271 million.

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 \$190 million to \$132 million, primarily because extra federal revenue was available for counties affected by hurricane Katrina. Federal revenues increased by about 8%, or \$235 million while expenditures increased by only \$38 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased by 22%, or \$144 million over 2005. Expenditures rose by 8%, or \$94 million because DOT increased the number of maintenance and construction projects it is working on. The fund balance increased by \$50 million to a total fund balance of \$559 million. \$49 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$20 million is in inventory of materials on hand, and \$40 million is reserved by statute for replacement of equipment. The remaining \$449 million is unreserved but the management of the DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective service programs that provide financial assistance to individuals. This is the major operating fund of the Department of Human Resources. It is funded mainly by federal funds but is supplemented by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Over \$1.2 billion was spent in the fund in 2006, but the fund balance at year end is a mere \$26 million, down \$13 million from 2005. The low fund balance is normal for this fund, since the Federal government does not allow the State to draw money and hold it for more than a few days.

No major governmental fund had a negative fund balance at September 30, 2006. This is typical for the State's major funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivables but not the State matching amounts which will come from next year's budget, but the unusual accrual of federal revenues for counties damaged by hurricane Katrina gave Medicaid a rare positive fund balance. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund always has a large fund balance.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year total net assets for all enterprise funds increased by \$187 million. The net assets of the Unemployment Compensation Trust Fund increased by \$68 million in fiscal year 2006. This was due to the continued low unemployment rate in Alabama in 2006. The net assets of the State Port Authority increased by \$54 million. This was primarily due to increases in capital contributions and transfers in for a capital improvement plan. Operating revenues were up only slightly, to \$88 million from \$87 million the prior year. Interruptions in coal shipments caused by mining accidents and strikes offset most of the increased revenues from other types of shipments. The Alabama College System's net assets increased \$68 million in 2006, the same as in 2005. The Alcoholic Beverage Control Board's net assets decreased by \$4.3 million in fiscal year 2006 resulting in a \$4.7 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain slightly negative.

The legislature has granted corporate powers to both the Public Education Employees' Health Insurance Board and the State Employees' Insurance Board (SEIB). In accordance with GASB 14, the Public Education Employees' Health Insurance Plan was

STATE OF ALABAMA

reclassified from a Major Proprietary Fund last year to a component unit this year. Two funds of SEIB are now reported as part of the SEIB component unit. Those funds are the State Employees' Health Insurance Plan, previously an internal service fund, and the Local Government Health Insurance Plan, previously a nonmajor enterprise fund.

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by a net of \$22 million during fiscal year 2006. Expenditures were increased by \$13 million and Transfers Out increased by \$9 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Conditional and other appropriations were approximately \$26 million. Conditional amounts are not included in the budget until the conditions have been met. There were \$23 million of conditional appropriations released during the fiscal year. The Department of Corrections received a conditional appropriation in the amount of \$9 million for its annual budget. These funds were needed because of the conditions of the overcrowded prison system. The Department of Mental Health and Mental Retardation received a conditional appropriation in the amount of \$6.5 million. These funds were needed for operations and maintenance of the Department and the Mental Health and Mental Retardation Community Programs, including the purchase of drugs for medically indigent mental patients not hospitalized at time of receiving drugs at the Alabama state hospitals. The annual budget was decreased by \$5 million as a result of capital project appropriations for various agencies including \$1 million for the Department of Corrections. The District Attorneys received a supplemental appropriation in the amount of \$2 million. 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 of \$8.5 million are included in the original budget and are included in the budgeted amounts as Other on the Budgetary Comparison Schedule. Emergency appropriations cannot exceed two percent of the total amount appropriated. Allotments from the emergency appropriations totaled approximately \$4 million to various agencies in fiscal year 2006. The Finance Department received \$1.6 million for conversion of the payroll system from biweekly to semi-monthly. On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$62 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$80 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 2006, the State had invested \$17.8 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$107 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Capital Assets Not Being Depreciated:						
Land	\$ 158,627	\$ 145,117	\$ 52,186	\$ 43,446	\$ 210,813	\$ 188,563
Construction In Progress	115,202	90,497	188,586	117,267	303,788	207,764
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress - Infrastructure	4,121,676	3,759,332	-	-	4,121,676	3,759,332
Infrastructure	11,713,468	11,602,717	-	-	11,713,468	11,602,717
Total Capital Assets Not Being Depreciated	16,111,631	15,600,321	243,122	163,063	16,354,753	15,763,384
Capital Assets Being Depreciated:						
Buildings	987,871	977,796	1,006,498	893,827	1,994,369	1,871,623
Machinery & Equipment	538,051	529,525	373,906	351,773	911,957	881,298
Total Capital Assets Being Depreciated	1,525,922	1,507,321	1,380,404	1,245,600	2,906,326	2,752,921
Less Accumulated Depreciation	814,295	759,169	599,506	570,907	1,413,801	1,330,076
Total Capital Assets Being Depreciated, Net	711,627	748,152	780,898	674,693	1,492,525	1,422,845
Capital Assets, Net	\$ 16,823,258	\$ 16,348,473	\$ 1,024,020	\$ 837,756	\$ 17,847,278	\$ 17,186,229

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.

The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered "Good" condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 76.13, which exceeds the State's goal.

The State maintains 5,328 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.66, in the upper end of the satisfactory range, unchanged from the previous year.

In fiscal years 2006, 2005, 2004, 2003, and 2002, the State estimated it would need to spend \$247.1 million, \$247.1, \$205.0, \$205.0 and \$205.0, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2006, the State spent \$249,823,000 for roadway preservation and \$2,188,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$277,744,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. The budgeting process utilized by ALDOT results in spending in one fiscal year from amounts that were budgeted in previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given fiscal year. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels".

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

Long-term Debt

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 516,973	\$ 507,503	\$ -	\$ -	\$ 516,973	\$ 507,503
Revenue Bonds	355,698	351,139	394,044	411,633	749,742	762,772
Total	<u>\$ 872,671</u>	<u>\$ 858,642</u>	<u>\$ 394,044</u>	<u>\$ 411,633</u>	<u>\$ 1,266,715</u>	<u>\$ 1,270,275</u>

The State of Alabama issued \$61,150,000 in general obligation bonds in fiscal year 2006. The Alabama Public School and College Authority, a component unit, issued \$53,565,000 in new bonds. The Alabama Building Renovation Finance Authority issued \$30,000,000 in new bonds. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2007 budget has certain appropriation increases for the General Fund and Education Trust Fund, which amount to approximately \$84 million and \$826 million, respectively. The increases for the General Fund were spread among various agencies and appropriations. The budgets for the Fair Trial Tax, Public Safety, and the Unified Judicial System increased by \$28 million, \$12 million, and \$11 million, respectively. The additional funds for the Fair Trial Tax appropriation are for overhead expenses for indigent defense. The additional funds for Public Safety are for new troopers and training. A portion of the increase for the Unified Judicial System is to cover a loss of funding from another fund. The K-12 Local Boards of Education received an appropriation increase of \$445 million for fiscal year 2007 over fiscal year 2006 from the Education Trust Fund. Other increases to the Education Trust Fund budget were for the two year colleges, the ETF rainy day account, and the universities in the amounts of \$60 million, \$36 million, and \$193 million, respectively. A large portion of the Education Trust Fund budget increase was for teacher pay raises. Tax collections have continued to be on an upward trend. Real gross state product for Alabama is expected to grow by approximately 3 percent in 2007. Personal income is expected to increase by approximately 5 percent in 2007.

Requests for Information

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2006

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 3,458,659	\$ 672,207	\$ 4,130,866	\$ 995,312
Investments	3,103,442	186,121	3,289,563	5,057,113
Accounts Receivable	58,810	73,382	132,192	698,658
Internal Balances	19,527	(19,527)	-	-
Due from Primary Government	-	-	-	37,108
Due from Component Units	47,836	55	47,891	-
Due from Other Governments	550,200	875	551,075	733,206
Taxes Receivable	683,229	-	683,229	99,389
Interest and Dividends Receivable	24,339	5,341	29,680	20,551
Mortgages, Notes, and Loans Receivable	39	-	39	600,668
Securities Lending Collateral	256,087	-	256,087	4,075
Inventory	29,271	35,519	64,790	35,049
Other Assets	7,992	17,026	25,018	158,979
Restricted Assets	1,639	90	1,729	8,942
Capital Assets, Net of Accumulated Depreciation	711,627	780,898	1,492,525	3,353,364
Capital Assets Not Depreciated	16,111,631	243,122	16,354,753	523,754
TOTAL ASSETS	25,064,328	1,995,109	27,059,437	12,326,168
LIABILITIES				
Warrants Payable	43,650	7,008	50,658	6,271
Accounts Payable	518,932	68,020	586,952	442,625
Salaries Payable	149,622	6,805	156,427	19,247
Interest Payable	5,545	-	5,545	50,099
Due to Primary Government	-	-	-	47,891
Due to Component Units	31,824	5,284	37,108	-
Due to Other Governments	204,044	2,641	206,685	127,322
Securities Lending Obligation	256,087	-	256,087	4,075
Unearned Revenue	15,513	52,272	67,785	432,305
Amounts Held in Custody for Others	94,609	8,078	102,687	211,473
Noncurrent Liabilities:				
Due Within One Year	106,021	34,233	140,254	418,157
Due In More Than One Year	1,157,980	431,782	1,589,762	5,013,436
TOTAL LIABILITIES	2,583,827	616,123	3,199,950	6,772,901
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	16,129,141	631,374	16,760,515	2,232,829
Restricted for:				
Permanent - Expendable	-	36,261	36,261	790,152
Permanent - Non-expendable	29,136	8,815	37,951	940,245
Unemployment Compensation	-	436,827	436,827	-
Forever Wild Stewardship Account	12,758	-	12,758	-
Alabama Trust Capital	2,607,473	-	2,607,473	-
Education	1,543,794	-	1,543,794	-
Health	206,972	-	206,972	-
Social Services	73,791	-	73,791	-
Transportation	553,630	-	553,630	-
General Government	197,522	-	197,522	-
Debt Service	61,948	21,079	83,027	523,524
Capital Projects	173,532	-	173,532	-
Other Purposes	473,111	-	473,111	5,834
Unrestricted	417,693	244,630	662,323	1,060,683
TOTAL NET ASSETS	\$ 22,480,501	\$ 1,378,986	\$ 23,859,487	\$ 5,553,267

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, 2006

(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	\$ 100,617	\$ 52,014	\$ 23,368	\$ 0
Education and Cultural Resources	5,653,710	10,070	851,608	-
Natural Resources and Recreation	144,058	54,121	21,971	55
Health - Physical and Mental	4,654,044	194,339	4,016,422	-
Social Services	1,630,902	6,127	1,216,268	-
Protection of Persons and Property	1,036,668	187,327	341,318	-
Transportation	1,025,936	192,458	28,486	801,842
General Government	853,906	562,624	113,493	5
Debt Service - Interest and Other Charges	42,672	-	-	-
Total Governmental Activities	15,142,513	1,259,080	6,612,934	801,902
Business-type Activities				
Unemployment Compensation	232,447	264,895	27,000	-
State Port Authority	89,939	90,998	-	24,571
Alabama College System	683,660	145,714	247,694	8,114
Alcoholic Beverage Control Board	215,832	219,429	71	-
Nonmajor Proprietary Funds	48,972	52,384	2,902	-
Total Business-type Activities	1,270,850	773,420	277,667	32,685
Total Primary Government	16,413,363	2,032,500	6,890,601	834,587
Component Units:				
Public School and College Authority	180,719	-	91	-
Mental Health	729,391	8,095	47,733	-
Housing Finance Authority	56,640	29,965	-	-
Water Pollution Control Authority	33,074	20,249	27,194	-
University of Alabama	2,630,300	1,443,724	695,669	81,674
Auburn University	670,531	308,132	147,526	4,895
University of South Alabama	502,454	346,480	39,294	8,737
Public Education Employees' Health Insurance	847,839	1,022,122	-	-
State Employees' Health Insurance Board	442,649	456,340	-	-
Nonmajor Component Units	922,268	450,018	197,500	3,673
Total Component Units	7,015,865	4,085,125	1,155,007	98,979

General Revenues:

Taxes:

Sales and Use Taxes

Income Taxes

Motor Fuels Taxes

Utility Taxes

Insurance Premium Tax

Property Tax

Liquor Taxes

Tobacco and Cigarette Taxes

Investment Earnings

Miscellaneous

Contributions to Permanent Funds and Endowments

Payments from State of Alabama

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets, October 1, 2005, as Restated

Net Assets, September 30, 2006

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
\$ (25,235)	\$ 0	\$ (25,235)	\$ 0
(4,792,032)	-	(4,792,032)	-
(67,911)	-	(67,911)	-
(443,283)	-	(443,283)	-
(408,507)	-	(408,507)	-
(508,024)	-	(508,024)	-
(3,149)	-	(3,149)	-
(177,784)	-	(177,784)	-
(42,672)	-	(42,672)	-
(6,468,597)	0	(6,468,597)	0
-	59,448	59,448	-
-	25,630	25,630	-
-	(282,138)	(282,138)	-
-	3,668	3,668	-
-	6,314	6,314	-
0	(187,078)	(187,078)	0
(6,468,597)	(187,078)	(6,655,675)	0
-	-	-	(180,628)
-	-	-	(673,563)
-	-	-	(26,675)
-	-	-	14,369
-	-	-	(409,233)
-	-	-	(209,978)
-	-	-	(107,943)
-	-	-	174,283
-	-	-	13,691
-	-	-	(271,077)
0	0	0	(1,676,754)
2,073,000	-	2,073,000	111,524
3,172,117	-	3,172,117	-
567,370	-	567,370	-
492,694	-	492,694	108,779
270,379	-	270,379	4,851
266,916	-	266,916	-
135,189	9,314	144,503	12,462
144,204	-	144,204	8,547
284,215	34,056	318,271	360,646
739,372	10,056	749,428	93,432
-	122	122	27,820
-	-	-	1,634,299
(321,020)	321,020	-	-
7,824,436	374,568	8,199,004	2,362,360
1,355,839	187,490	1,543,329	685,606
21,124,662	1,191,496	22,316,158	4,867,661
\$ 22,480,501	\$ 1,378,986	\$ 23,859,487	\$ 5,553,267

STATE OF ALABAMA

BALANCE SHEET Governmental Funds

September 30, 2006

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 378,989	\$ 785,662	\$ 185,798	\$ 46,026	\$ 473,959
Investments	-	-	2,727,822	-	58,026
Accounts Receivable	261	14	46,297	2,792	28
Due from Other Funds	19,177	344	-	7,919	381
Due from Component Units	46	1	-	9,212	71
Due from Other Governments	-	9	-	296,245	147,918
Taxes Receivable	191,684	295,518	-	-	29,887
Interest and Dividends Receivable	-	-	23,411	-	6
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	88,316	-	163,612	-	-
Inventory	2,693	-	-	-	20,459
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 681,166	\$ 1,081,548	\$ 3,146,940	\$ 362,194	\$ 730,735
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 3,878	\$ 3,923	\$ 0	\$ 40	\$ 6,492
Accounts Payable	20,010	27,393	79	170,192	118,373
Salaries Payable	48,420	7,418	-	1,851	18,805
Due to Other Funds	15,595	3,524	137	28,438	3,271
Due to Component Units	390	122	-	30,041	27
Due to Other Governments	8,130	9,599	-	25	10,120
Securities Lending Obligation	88,316	-	163,612	-	-
Deferred Revenue	90,858	-	7,542	-	-
Amounts Held in Custody for Others	243	1	-	2	14,477
Compensated Absences	619	23	-	2	358
Total Liabilities	276,459	52,003	171,370	230,591	171,923
Fund Balances					
Reserved for:					
Encumbrances	621	1,909	73	5,152	49,071
Inventory	2,693	-	-	-	20,459
Highway Equipment Replacement	-	-	-	-	40,161
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Education Rainy Day Account	-	-	176,007	-	-
Forever Wild Stewardship Account	-	-	12,758	-	-
Alabama Trust Capital	-	-	2,607,473	-	-
Local Government	-	-	35,852	-	-
Forever Wild Lands	-	-	4,997	-	-
General Fund	-	-	34,979	-	-
Capital Improvement Trust	-	-	103,431	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	401,393	-	-	-	-
Special Revenue Funds	-	1,027,636	-	126,451	449,121
Permanent Funds	-	-	-	-	-
Total Fund Balances	404,707	1,029,545	2,975,570	131,603	558,812
TOTAL LIABILITIES AND FUND BALANCES	\$ 681,166	\$ 1,081,548	\$ 3,146,940	\$ 362,194	\$ 730,735

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 83,166	\$ 1,424,380	\$ 3,377,980
-	229,292	3,015,140
1	2,226	51,619
19,590	52,523	99,934
585	1,905	11,820
8	105,857	550,037
36,571	129,569	683,229
-	136	23,553
-	39	39
-	4,159	256,087
-	1,239	24,391
-	1,639	1,639
\$ 139,921	\$ 1,952,964	\$ 8,095,468

\$ 2,397	\$ 24,886	\$ 41,616
49,188	127,647	512,882
19,501	51,265	147,260
9,050	40,596	100,611
269	161	31,010
770	174,447	203,091
-	4,159	256,087
30,453	103,038	231,891
2,100	77,786	94,609
252	399	1,653
113,980	604,384	1,620,710

5,219	30,131	92,176
-	1,239	24,391
-	-	40,161
-	7,876	7,876
-	33	33
-	-	176,007
-	-	12,758
-	-	2,607,473
-	-	35,852
-	-	4,997
-	-	34,979
-	-	103,431
-	29,136	29,136
-	275,528	275,528
-	4,866	4,866
-	-	401,393
20,722	983,598	2,607,528
-	16,173	16,173
25,941	1,348,580	6,474,758
\$ 139,921	\$ 1,952,964	\$ 8,095,468

STATE OF ALABAMA

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

September 30, 2006

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$6,474,758

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

Land	157,843	
Historical Exhibits	2,657	
Construction in progress	96,606	
Construction in progress - Infrastructure	4,121,676	
Infrastructure	11,713,468	
Buildings	822,545	
Equipment	480,507	
Accumulated Depreciation - Buildings	(355,356)	
Accumulated Depreciation - Equipment	(278,272)	
		16,761,674

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. 216,370

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. 136,857

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	(25,481)	
Compensated Absences	(253,035)	
Claims and Judgments	(50,364)	
		(328,880)

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	(509,339)	
Revenue Bonds Payable	(257,464)	
Unamortized Premiums	(10,260)	
Unamortized Discounts	545	
Unamortized Loss	1,196	
Deferred Debt Financing Costs	588	
Accrued Interest Payable	(5,544)	
		(780,278)

Net Assets of Governmental Activities \$22,480,501

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, 2006

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,172,943	\$ 5,414,869	\$ 0	\$ 0	\$ 368,823
Licenses, Permits, and Fees	143,414	525	-	-	144,246
Fines, Forfeits, and Court Settlements	22,829	-	-	2,069	-
Investment Income	110,375	-	148,569	148	2,172
Federal Grants and Reimbursements	194	7	-	3,057,684	782,544
Other Revenues	15,297	307	356,227	675,993	34,978
Total Revenues	1,465,052	5,415,708	504,796	3,735,894	1,332,763
EXPENDITURES					
Current:					
Economic Development and Regulation	7,275	-	-	-	-
Education and Cultural Resources	4,609	4,634,437	-	-	-
Natural Resources and Recreation	2,590	-	133	-	-
Health - Physical and Mental	592,093	32,149	-	3,413,180	-
Social Services	14,830	29,455	-	-	-
Protection of Persons and Property	511,972	40,757	-	-	-
Transportation	-	-	-	-	1,265,154
General Government	274,892	15,346	19,580	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	27	7,869	-	-	16,094
Debt Service - Interest and Other Charges	907	1,000	-	-	2,046
Total Expenditures	1,409,195	4,761,013	19,713	3,413,180	1,283,294
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	55,857	654,695	485,083	322,714	49,469
OTHER FINANCING SOURCES (USES)					
Transfers In	203,860	2,592	37,368	99,776	51,702
Transfers Out	(179,379)	(613,575)	(251,305)	(232,256)	(52,475)
Bonds Issued	-	-	-	-	-
Capital Leases	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	33	-	-	-	930
Total Other Financing Sources (Uses)	24,514	(610,983)	(213,937)	(132,480)	157
Net Change in Fund Balances	80,371	43,712	271,146	190,234	49,626
Fund Balances, October 1, 2005, as Restated	323,882	985,833	2,704,424	(58,631)	505,157
Increase (Decrease) in Inventory	454	-	-	-	4,029
Fund Balances, September 30, 2006	\$ 404,707	\$ 1,029,545	\$ 2,975,570	\$ 131,603	\$ 558,812

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 127,253	\$ 749,388	\$ 7,833,276
303	320,282	608,770
-	17,449	42,347
96	39,633	300,993
932,700	1,870,033	6,643,162
32,911	263,769	1,379,482
1,093,263	3,260,554	16,808,030
-	63,279	70,554
-	1,005,162	5,644,208
-	169,102	171,825
-	615,976	4,653,398
1,237,050	343,845	1,625,180
-	458,664	1,011,393
-	246,962	1,512,116
429	530,046	840,293
-	56,835	56,835
2,928	54,809	81,727
1,496	34,870	40,319
1,241,903	3,579,550	15,707,848
(148,640)	(318,996)	1,100,182
197,170	867,642	1,460,110
(61,307)	(401,672)	(1,791,969)
-	61,150	61,150
-	1,989	1,989
-	1,085	1,085
196	6,566	7,725
136,059	536,760	(259,910)
(12,581)	217,764	840,272
38,522	1,130,728	5,629,915
-	88	4,571
\$ 25,941	\$ 1,348,580	\$ 6,474,758

STATE OF ALABAMA

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

September 30, 2006

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		\$840,272
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	588,152	
Depreciation Expense	(61,683)	
		526,469
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.		
		(22,993)
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.		
		(1,989)
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.		
		4,571
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		4,674
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.		
		(949)
Capital assets reassigned to the general government from an internal service fund are reported as transfers out in an internal service fund, but in the Statement of Activities such interfund activity is eliminated.		
		18
Long-term debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.		
Bond proceeds	(61,150)	
Bond premium	(1,085)	
Repayment of bond principal	73,247	
Accrued interest	610	
		11,622
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	8,479	
Compensated absences payments	(22,040)	
Claims and judgments	6,971	
Other debt payments	734	
		(5,856)
Change in Net Assets of Governmental Activities		\$1,355,839

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



STATE OF ALABAMA

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2006

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 433,717	\$ 4,176	\$ 190,464	\$ 24,685	\$ 19,165
Investments, Short-term	-	29,341	125,148	-	-
Accounts Receivable	2,525	18,152	49,205	3,297	203
Interest and Dividends Receivable	5,246	95	-	-	-
Due from Other Funds	-	3,889	-	39	8
Due from Component Units	-	-	-	55	-
Due from Other Governments	102	773	-	-	-
Inventory	-	4,968	8,422	21,587	542
Other Current Assets	99	1,768	-	-	387
Total Current Assets	441,689	63,162	373,239	49,663	20,305
Noncurrent Assets					
Investments, Long-term	-	-	31,632	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	5,920	8,852	-	-
Restricted Assets	-	-	-	90	-
Capital Assets, Net of Accumulated Depreciation	-	268,515	501,572	7,493	3,318
Capital Assets Not Depreciated	-	149,060	91,432	-	2,630
Total Noncurrent Assets	0	423,495	633,488	7,583	5,948
TOTAL ASSETS	441,689	486,657	1,006,727	57,246	26,253
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	7,001	7
Accounts Payable	4,306	16,981	30,740	15,377	616
Salaries Payable	-	3,524	-	3,158	123
Due to Other Funds	40	-	-	22,987	436
Due to Component Units	-	-	-	5,136	148
Due to Other Governments	50	-	-	2,585	6
Deferred Revenue	-	-	49,300	74	473
Funds Held in Escrow	466	-	7,606	6	-
Compensated Absences	-	-	2,160	58	-
Claims Payable	-	340	-	-	5,934
Notes Payable	-	-	1,400	-	100
Revenue Bonds Payable	-	6,260	12,970	-	-
Capital Leases	-	3,684	1,325	-	-
Total Current Liabilities	4,862	30,789	105,501	56,382	7,843
Long-term Liabilities					
Deferred Revenue, Noncurrent	-	2,425	-	-	-
Compensated Absences	-	-	15,474	5,586	287
Notes Payable	-	-	9,367	-	1,311
Revenue Bonds Payable	-	163,964	210,850	-	-
Capital Leases Payable	-	17,117	4,923	-	-
Claims Payable	-	1,028	-	-	-
Other Long-term Liabilities	-	1,705	172	-	-
Total Long-term Liabilities	0	186,239	240,786	5,586	1,598
TOTAL LIABILITIES	4,862	217,028	346,287	61,968	9,441
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	233,270	385,846	7,493	4,765
Restricted for:					
Permanent - Expendable	-	-	36,261	-	-
Permanent - Non-expendable	-	-	8,815	-	-
Unemployment Compensation	436,827	-	-	-	-
Debt Service	-	21,079	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	-	15,280	229,518	(12,215)	12,047
TOTAL NET ASSETS	\$ 436,827	\$ 269,629	\$ 660,440	\$ (4,722)	\$ 16,812

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 672,207	\$ 80,679
154,489	8,186
73,382	7,072
5,341	786
3,936	15,549
55	610
875	163
35,519	4,880
2,254	6,352
948,058	124,277
31,632	80,116
-	9,240
-	35,445
14,772	1,052
90	-
780,898	42,202
243,122	19,381
1,070,514	187,436
2,018,572	311,713
7,008	2,034
68,020	5,990
6,805	2,362
23,463	4,513
5,284	862
2,641	953
49,847	-
8,078	-
2,218	92
6,274	20,543
1,500	-
19,230	5,405
5,009	90
205,377	42,844
2,425	-
21,347	4,006
10,678	-
374,814	91,944
22,040	72
1,028	35,990
1,877	-
434,209	132,012
639,586	174,856
631,374	7,676
36,261	-
8,815	-
436,827	-
21,079	-
-	29,445
244,630	99,736
\$ 1,378,986	\$ 136,857

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 88,154	\$ 145,714	\$ 215,140	\$ 24,611
Investment Earnings	-	-	306	-	44
Premiums and Contributions	255,033	-	-	-	19,876
Rents and Leases	-	-	-	-	678
Interest from Mortgages and Loans Receivable	-	-	-	-	-
Total Operating Revenues	255,033	88,154	146,020	215,140	45,209
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	410,859	36,320	1,371
Utilities and Communications	-	-	21,385	1,929	214
Professional Services	-	-	-	1,117	610
Supplies, Materials, and Operating Expenses	-	1,692	159,063	163,409	17,351
Interest	-	-	9,665	-	-
Depreciation	-	14,891	22,130	1,587	261
Claims and Benefits	226,739	-	-	-	28,426
Operations and Maintenance	-	54,097	-	-	-
General and Administrative	-	8,900	-	-	-
Other	-	-	53,941	11,470	682
Total Operating Expenses	226,739	79,580	677,043	215,832	48,915
Operating Income (Loss)	28,294	8,574	(531,023)	(692)	(3,706)
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	9,305	6,887
Grants	27,000	-	247,694	71	2,902
Investment Income	18,879	2,202	12,328	4	292
Insurance Recovery Proceeds	-	2,844	-	-	28
Other Nonoperating Revenues	9,861	1,979	7,934	4,435	312
Interest Expense	-	(9,899)	-	-	(56)
Other Nonoperating Expenses	(5,708)	(460)	(6,618)	-	-
Total Nonoperating Revenues (Expenses)	50,032	(3,334)	261,338	13,815	10,365
Income (Loss) Before Contributions and Transfers	78,326	5,240	(269,685)	13,123	6,659
Capital Contributions	-	24,571	8,114	-	-
Contributions to Endowments	-	-	122	-	-
Transfers In	-	24,276	329,114	604	56
Transfers Out	(9,861)	(24)	-	(18,041)	(5,104)
Increase (Decrease) in Net Assets	68,465	54,063	67,665	(4,314)	1,611
Total Net Assets, October 1, 2005, as Restated	368,362	215,566	592,775	(408)	15,201
Total Net Assets, September 30, 2006	\$ 436,827	\$ 269,629	\$ 660,440	\$ (4,722)	\$ 16,812

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 473,619	\$ 66,542
350	5,154
274,909	35,370
678	15,006
-	1,304
749,556	123,376
448,550	27,196
23,528	18,136
1,727	13,017
341,515	40,262
9,665	3,800
38,869	6,781
255,165	16,072
54,097	-
8,900	-
66,093	10,565
1,248,109	135,829
(498,553)	(12,453)
16,192	-
277,667	281
33,705	227
2,872	34
24,521	453
(9,955)	(15)
(12,786)	(303)
332,216	677
(166,337)	(11,776)
32,685	5
122	-
354,050	36,506
(33,030)	(25,684)
187,490	(949)
1,191,496	137,806
\$ 1,378,986	\$ 136,857

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 263,773	\$ 79,487	\$ 114,737	\$ 219,616	\$ 51,802
Receipts from Interfund Services	-	-	-	1	59
Receipts from Operating Grants	24,881	6,728	219,098	-	-
Receipts from Interfund Reimbursements	3,449	-	-	-	-
Receipts from Other Operating Activities	16	-	26,284	13,291	299
Payments for Goods Held for Resale	-	-	-	(157,980)	(16,257)
Payments for Other Goods & Services	-	(39,607)	(163,682)	(14,180)	(28,624)
Payments for Employees Services	-	(26,534)	(410,193)	(34,779)	(1,310)
Payments for Taxes, Fines, Penalties, & Similar Fees	(6,548)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,211)	(155)
Payments for Other Operating Activities	-	-	(55,302)	(6,533)	(2)
Payments for Claims	(228,549)	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	57,022	20,074	(269,058)	18,225	5,812
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	2,142	-	10,285	-	2,826
Transfers from Other Funds for Noncapital Financing	-	-	329,114	600	56
Receipts from Noncapital Financing Taxes	9,861	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(5,774)	-	(1,647)	-	-
Transfers to Other Funds for Noncapital Financing	(9,984)	-	-	(18,041)	(5,113)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	(3,755)	0	337,752	(17,441)	(2,231)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	493	-	-
Receipts from Capital Grants & Contributions	-	51,859	11,363	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	10,061	153	79	56
Payments to Acquire, Construct, & Improve Capital Assets	-	(71,123)	(100,554)	(2,020)	(132)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(7,166)	(13,922)	-	(110)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(10,090)	(8,744)	-	(56)
Bond Issuance Cost	-	-	21	-	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	(26,459)	(111,190)	(1,941)	(242)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	3,289	92,842	5	-
Receipts from Interest & Dividends on Investments & Loans	18,017	2,374	11,958	4	336
Purchase of Investments	-	-	(57,433)	-	-
Net Cash Provided By (Used In) Investing Activities	18,017	5,663	47,367	9	336
Net Increase (Decrease) In Cash and Cash Equivalents	71,284	(722)	4,871	(1,148)	3,675
Cash Balance, October 1, 2005	362,433	4,898	187,100	18,832	15,483
Restatements	-	-	(1,507)	-	-
Cash Balance, September 30, 2006	433,717	4,176	190,464	17,684	19,158
Add: Warrants Payable	-	-	-	7,001	7
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 433,717	\$ 4,176	\$ 190,464	\$ 24,685	\$ 19,165

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 729,415	\$ 45,886
60	75,545
250,707	-
3,449	-
39,890	9,653
(174,237)	(13,707)
(246,093)	(56,800)
(472,816)	(26,189)
(6,548)	(1,138)
(1,366)	(4,053)
(61,837)	(13,287)
(228,549)	(32,805)
(167,925)	(16,895)
15,253	-
329,770	36,121
9,861	-
(7,421)	-
(33,138)	(25,082)
314,325	11,039
493	25,918
63,222	-
10,349	64
(173,829)	(7,697)
(21,198)	(1,090)
(18,890)	(3,742)
21	-
(139,832)	13,453
96,136	295,049
32,689	5,731
(57,433)	(290,513)
71,392	10,267
77,960	17,864
588,746	60,781
(1,507)	-
665,199	78,645
7,008	2,034
\$ 672,207	\$ 80,679

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	28,294	8,574	(531,023)	(692)	(3,706)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	384	(1,941)	(10,112)	(2,694)	(154)
Due from Other Funds	-	-	-	-	(1)
Inventory	-	(893)	161	(1,511)	107
Other Assets	-	(563)	(1,651)	-	(40)
Equipment	-	-	-	-	(1)
Accounts Payable	3,433	366	5,632	2,688	453
Salaries Payable	-	-	-	1,099	31
Due to Other Funds	-	-	-	154	87
Due to Other Governments	-	-	-	4,587	-
Claims Payable	-	-	-	-	1,748
Amounts Held Pending Distribution	-	-	-	-	-
Deferred Revenue	-	-	(1,481)	-	(5)
Amounts Held in Custody for Others	16	-	1,859	(7)	1
Compensated Absences	-	-	-	504	28
Other Liabilities	-	(2,028)	2,326	-	-
Investment Income	-	-	(306)	-	(44)
Operating Interest Expense	-	-	9,665	-	-
Depreciation	-	14,891	22,130	1,587	261
Amortization Expense	-	1,928	-	-	-
Nonoperating Revenues	24,895	-	233,742	12,510	7,185
Nonoperating Expenses	-	(260)	-	-	(138)
Total Adjustments	28,728	11,500	261,965	18,917	9,518
Net Cash Provided (Used) by Operating Activities	\$ 57,022	\$ 20,074	\$ (269,058)	\$ 18,225	\$ 5,812

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers and Donations of Capital Assets	-	-	-	7,464	289
Capital Assets Acquired by Capital Lease, Mortgages, or Note	-	-	724	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(14,025)	(4,679)	(7,563)	(233)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	-	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	-
Transfers In (Out)	-	-	-	(54)	-

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

Governmental Activities

<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
(498,553)	(12,453)
(14,517)	9,321
(1)	(14,926)
(2,136)	859
(2,254)	(1,714)
(1)	-
12,572	7,212
1,130	763
241	3,108
4,587	(1,134)
1,748	(12,639)
-	5
(1,486)	(829)
1,869	(30)
532	252
298	-
(350)	(5,686)
9,665	3,800
38,869	6,781
1,928	-
278,332	415
(398)	-
<u>330,628</u>	<u>(4,442)</u>
<u>\$ (167,925)</u>	<u>\$ (16,895)</u>

7,753	4,832
724	-
(26,500)	(8,939)
-	(278)
-	(588)
-	1,428
(54)	18

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS Fiduciary Funds

September 30, 2006

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 52,650	\$ 44,535	\$ 154,491
Investments			
Time Deposits	-	132	3,517
U.S. Treasury Securities	503,179	23,886	28,824
U.S. Agency Securities	1,321,353	27,184	-
State and Local Government Securities	-	-	5,700
Mortgage Backed Securities	107,194	114,432	8,323
Corporate Stocks	13,812,096	359,614	-
Corporate Bonds	6,156,123	43,254	6,450
Real Estate	1,793,024	849	-
Commercial Paper	996,368	-	-
International Stocks	4,234,364	158,383	-
International Bonds	41,071	4,511	-
Mutual and Money Market Funds	156,538	534,201	173
Other	11,011	-	-
Receivables			
Accounts Receivable	776	1,048	23
Due from Other Funds	-	31	6
Due from Primary Government	48	-	-
Due from Component Units	-	-	5
Employer Contributions Receivable	61,878	-	-
Member Contributions Receivable	38,484	-	-
Interest and Dividends Receivable	242,137	2,143	-
Securities Lending Collateral	2,974,221	547	-
Capital Assets, Net of Accumulated Depreciation	15,805	-	-
Capital Assets Not Depreciated	8,699	-	-
TOTAL ASSETS	32,527,019	1,314,750	207,512
LIABILITIES			
Warrants Payable	\$ 35,834	\$ 411	\$ 24,898
Accounts Payable	2,071	58,949	1,004
Salaries Payable	1,640	30	-
Due to Other Funds	3	106	-
Due to Primary Government	44	-	-
Due to Other Governments	-	-	9,007
Securities Lending Obligation	2,974,221	547	-
Deferred Revenue	1,534	-	-
Amounts Held in Custody for Others	-	-	172,603
Compensated Absences	2,818	72	-
TOTAL LIABILITIES	3,018,165	60,115	207,512
NET ASSETS			
Held in Trust for Beneficiaries	-	1,254,635	-
Held in Trust for Pension and Other Employee Benefits	29,508,854	-	-
TOTAL NET ASSETS	\$ 29,508,854	\$ 1,254,635	\$ 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, 2006

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 545,244	\$ 218,520
Employer	687,482	-
Total Contributions	1,232,726	218,520
Investment Earnings		
Investment Interest and Dividends	1,096,279	45,198
Net Increase (Decrease) in Fair Value of Investments	1,264,213	60,154
Securities Lending Income	126,985	9
Total Investment Earnings	2,487,477	105,361
Less:		
Investment Expense	8,203	-
Securities Lending Interest and Fees	118,932	8
Net Investment Income	2,360,342	105,353
Other Additions		
Licenses and Fees	2,818	-
Miscellaneous	7,655	754
Total Other Additions	10,473	754
Total Additions	3,603,541	324,627
DEDUCTIONS		
Benefit Payments	1,923,398	162,100
Return of Contributions	122	65
Administrative Expense	27,935	7,274
Other Nonoperating Expenses	554	-
Transfers Out	1	-
Total Deductions	1,952,010	169,439
Changes in Net Assets	1,651,531	155,188
Net Assets Held in Trust		
for Beneficiaries, October 1, 2005, as Restated	27,857,323	1,099,447
Net Assets Held in Trust		
for Beneficiaries, September 30, 2006	\$ 29,508,854	\$ 1,254,635

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS
Component Units

September 30, 2006

(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	\$ 147,819	\$ 79,247	\$ 3,603	\$ 83,136	\$ 268,898
Investments	-	1	659,502	149,943	2,139,417
Accounts Receivable	-	67	-	105	420,689
Due from Primary Government	-	35,666	-	-	-
Due from Other Governments	-	2,736	-	515,862	-
Taxes Receivable	-	99,389	-	-	-
Interest and Dividends Receivable	-	-	10,026	3,146	182
Mortgages, Notes, and Loans Receivable	-	-	461,698	-	72,112
Securities Lending Collateral	-	-	-	-	-
Inventory	-	1,941	-	-	20,263
Other Assets	-	292	13,242	7,667	67,614
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	11,653	63,031	-	392	1,984,599
Capital Assets Not Depreciated	-	2,924	-	-	226,279
TOTAL ASSETS	159,472	285,294	1,148,071	760,251	5,200,053
LIABILITIES					
Warrants Payable	556	5,421	-	-	-
Accounts Payable	-	40,753	807	231	292,256
Salaries Payable	-	11,980	-	-	-
Interest Payable	19,826	323	13,829	2,897	-
Due to Primary Government	100	10,295	-	1,211	-
Due to Other Governments	-	3,663	-	36,714	26,211
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	6,586	-	10,499	944	164,586
Amounts Held in Custody for Others	-	67	167,285	-	12,481
Noncurrent Liabilities:					
Due Within One Year	87,765	5,430	55,126	29,265	33,071
Due In More Than One Year	1,364,780	38,888	684,785	439,569	1,247,559
TOTAL LIABILITIES	1,479,613	116,820	932,331	510,831	1,776,164
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	11,653	43,504	-	392	1,175,643
Restricted for:					
Permanent - Expendable	-	-	-	-	498,488
Permanent - Non-expendable	-	-	-	-	497,529
Debt Service	-	-	173,339	249,028	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,331,794)	124,970	42,401	-	1,252,229
TOTAL NET ASSETS	\$ (1,320,141)	\$ 168,474	\$ 215,740	\$ 249,420	\$ 3,423,889

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

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 26,059	\$ 38,484	\$ 1,139	\$ 6,261	\$ 340,666	\$ 995,312
782,126	468,953	292,257	158,843	406,071	5,057,113
37,984	62,604	2,026	242	174,941	698,658
-	-	87	1,317	38	37,108
-	-	-	-	214,608	733,206
-	-	-	-	-	99,389
3,038	-	1,430	803	1,926	20,551
45,521	6,589	-	-	14,748	600,668
-	-	-	-	4,075	4,075
3,862	-	-	-	8,983	35,049
3,763	13,657	20,393	1,809	30,542	158,979
-	2,600	-	-	6,342	8,942
625,787	175,618	-	161	492,123	3,353,364
66,514	74,161	-	-	153,876	523,754
1,594,654	842,666	317,332	169,436	1,848,939	12,326,168
-	-	59	8	227	6,271
32,677	38,125	12	424	37,340	442,625
3,347	-	153	299	3,468	19,247
4,157	-	-	-	9,067	50,099
-	-	-	266	36,019	47,891
-	-	-	-	60,734	127,322
-	-	-	-	4,075	4,075
95,653	21,395	-	33,732	98,910	432,305
20,682	-	-	-	10,958	211,473
30,207	13,503	70,199	49,851	43,740	418,157
288,097	166,695	370	497	782,196	5,013,436
474,820	239,718	70,793	85,077	1,086,734	6,772,901
441,968	137,642	-	161	421,866	2,232,829
126,831	74,845	-	-	89,988	790,152
187,149	177,030	-	-	78,537	940,245
-	-	-	-	101,157	523,524
-	-	-	-	5,834	5,834
363,886	213,431	246,539	84,198	64,823	1,060,683
\$ 1,119,834	\$ 602,948	\$ 246,539	\$ 84,359	\$ 762,205	\$ 5,553,267

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 180,719	\$ 729,391	\$ 56,640	\$ 33,074	\$ 2,630,300
Program Revenues					
Charges for Services	-	8,095	29,965	20,249	1,443,724
Operating Grants and Contributions	91	47,733	-	27,194	695,669
Capital Grants and Contributions	-	-	-	-	81,674
Total Program Revenues	91	55,828	29,965	47,443	2,221,067
Net (Expense) Revenue	(180,628)	(673,563)	(26,675)	14,369	(409,233)
General Revenues:					
Taxes:					
Sales and Use Taxes	111,524	-	-	-	-
Utility Taxes	-	107,562	-	-	-
Insurance Premium Tax	-	4,851	-	-	-
Liquor Taxes	-	12,462	-	-	-
Tobacco and Cigarette Taxes	-	7,047	-	-	-
Investment Earnings	8,482	234	29,477	10,555	153,990
Miscellaneous	-	26,184	657	3,666	16,542
Contributions to Permanent Funds and Endowments	-	-	-	-	26,630
Payments from State of Alabama	46,093	523,477	-	517	449,268
Total General Revenues, Special Items, and Transfers	166,099	681,817	30,134	14,738	646,430
Change in Net Assets	(14,529)	8,254	3,459	29,107	237,197
Net Assets, October 1, 2005, as Restated	(1,305,612)	160,220	212,281	220,313	3,186,692
Net Assets, September 30, 2006	\$ (1,320,141)	\$ 168,474	\$ 215,740	\$ 249,420	\$ 3,423,889

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

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 670,531	\$ 502,454	\$ 847,839	\$ 442,649	\$ 922,268	\$ 7,015,865
308,132	346,480	1,022,122	456,340	450,018	4,085,125
147,526	39,294	-	-	197,500	1,155,007
4,895	8,737	-	-	3,673	98,979
460,553	394,511	1,022,122	456,340	651,191	5,339,111
(209,978)	(107,943)	174,283	13,691	(271,077)	(1,676,754)
-	-	-	-	-	111,524
-	-	-	-	1,217	108,779
-	-	-	-	-	4,851
-	-	-	-	-	12,462
-	-	-	-	1,500	8,547
47,632	60,612	11,085	7,085	31,494	360,646
-	26,095	-	179	20,109	93,432
150	1,040	-	-	-	27,820
245,510	101,203	-	-	268,231	1,634,299
293,292	188,950	11,085	7,264	322,551	2,362,360
83,314	81,007	185,368	20,955	51,474	685,606
1,036,520	521,941	61,171	63,404	710,731	4,867,661
\$ 1,119,834	\$ 602,948	\$ 246,539	\$ 84,359	\$ 762,205	\$ 5,553,267

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

1. Primary Government

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

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

2. Blended Component Units

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

The following blended component units were created for the purpose of financing capital expenditures for the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of State officials and specific State revenues that are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

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

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

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

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

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

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

3. Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

The Public Education Employees' Health Insurance Board operates a health insurance plan for employees of public school systems, State junior colleges, colleges, universities, and related education administrative employees. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at 135 South Union Street, Montgomery, AL 36104-0001.

The State Employees' Insurance Board operates health insurance plans for State Employees and for employees of local governments. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at Suite 500, RSA Tower, 201 Monroe Street, Montgomery, AL 36104.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

The Red Mountain Greenway and Recreational Area Commission is responsible for preserving, restoring, and promoting as a greenway, recreational area, or historic site land in Birmingham which played an important role in the steel industry of the State. The fifteen member Commission is not controlled by the State, but the Commission is fiscally dependent on the State. The Commission was created legislatively during 2006 but was still inactive on September 30 because all members had not been appointed.

4. Fiduciary Component Units

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

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

The Teachers' Retirement System (TRS) operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees. The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 135 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

5. Excluded Organizations

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

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

6. Sources of Information

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

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

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

a. Primary Government

- Alabama College System
- Alabama Health Insurance Plan

-
- Alabama Industrial Development Training Institute
 - Alabama School of Fine Arts
 - Alabama Skills Training Consortia
 - Alabama State Port Authority
 - Alabama State Fire College
 - Alabama Technology Network
 - Athens State University
 - Attorney General Outside Accounts
 - Aviation Hall of Fame
 - Blind Vendors Fund
 - C.C. Smith Trust Fund
 - Charlotte Thorn Endowment Fund
 - Commercial Mobile Radio Service Board
 - Corrections Bank Accounts and Agency Funds
 - Corrections Canteen Funds
 - Corrections Institute Finance Authority Bank Account
 - Court System Local Accounts
 - Dental Examiners Board
 - Dental Scholarships Awards Board
 - Department of Human Resources Local Funds and Child Support Funds
 - Educational Television Foundation Authority
 - Geological Survey Library Revolving Fund
 - Gorgas Memorial Board
 - Hicks Memorial Endowment Fund
 - High School of Math and Science
 - Insurance Department Statutory Deposits
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account and Qualifying Individual (2 Funds)
 - Medical Scholarships Awards Account
 - Medical Examiners and Licensure Commission
 - Men's Hall of Fame Outside Account
 - Military Department Unit Funds
 - Montgomery Downtown Redevelopment Authority
 - Motor Sports Hall of Fame
 - National Guard Canteen Funds
 - Non-Emergency Transportation
 - Optometry Board
 - Optometric Scholarships Awards Board
 - Peace Officers' Annuity and Benefit Investment Account
 - Pharmacy Board
 - Pilotage Commission
 - Podiatry Board
 - Public Health Care Authority
 - Public Health Local Funds
 - Public Safety Narcotics Funds
 - Sports Hall of Fame Checking Account
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

Government-wide financial statements include two basic financial statements: the Statement of Net Assets and the Statement of Activities. The two statements report the State's governmental activities separately from its business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds and fiduciary-type component units are excluded from the government-wide financial statements.

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

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

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

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

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

2. Fund Financial Statements

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

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

1. Measurement Focus and Basis of Accounting

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

a. Accrual Basis

Under GAAP, the government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recognized and recorded when earned and expenses are recorded when a liability is incurred for exchange and exchange-like transactions, regardless of the timing of cash flows. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred. For imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted.

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

The State has elected to exercise paragraph 6 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Statement No. 20, paragraph 6, requires that all proprietary activities should apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

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

2. Financial Statement Presentation

a. Major Funds

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

The State reports four major enterprise funds. The **Unemployment Compensation Trust** accounts for the activities of the federal unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims to the unemployed. The **State Port Authority** was created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and river ports within the State of Alabama. The **Alabama College System** accounts for the revenues and expenses of the State's Community and Technical Colleges, Athens State University, the Alabama Industrial Development and Training Institute, the Alabama Technology Network, and the Alabama Skills Training Consortia. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement.

b. Nonmajor Funds

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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 2006 ended on September 24. The difference in fiscal years had no material effect on the financial statements.

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

1. Cash and Cash Equivalents

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

2. Receivables

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

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

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

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

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

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

3. Interfund Activity and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "Due To or Due From Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Assets.

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

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

4. Inventories

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

5. Investments

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

6. Restricted Assets

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

7. Capital Assets

Capital assets, which include buildings, land, equipment, 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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

8. Compensated Absences

Employees in permanent positions accrue annual leave at a rate of four hours and 20 minutes to nine hours and 45 minutes semi-monthly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of sixty days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours and 20 minutes semi-monthly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. The employee must have twenty five years of service or have attained the age of 60 and have ten years of service to be eligible to retire. State Troopers must have twenty five years of service or have attained the age of 52 and have ten years of service to be eligible to retire. When a state employee in the classified service dies while in active service to the State, the estate of the deceased employee receives a payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts to be paid from expendable available resources are recognized as current fund liabilities. Current liabilities were determined from actual termination or retirement payments made during the first month after the end of the fiscal year which represents unused leave balances for those employees who had left State service by end of the fiscal year. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

The liability at September 30, 2006, 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

9. Long-Term Obligations

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

liabilities expected to be financed from proprietary fund operations are accounted for in those funds in the proprietary fund financial statements.

10. Net Assets and Fund Balances

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

F. Proprietary Fund Operating Revenues and Expenses

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

G. New Accounting Pronouncements

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

GASB Statement No. 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries

GASB Statement No. 44: Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)

GASB Statement No. 46: Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)

GASB Statement No. 47: Accounting for Termination Benefits (implementing for termination benefits not provided through an existing defined benefit OPEB plan)

GASB Technical Bulletin 2006-1: Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Provisions of Medicare Part D (implementing the technical bulletin except for portions of answers pertaining specifically to measurement, recognition, or required supplementary information requirements of Statements 43 and 45).

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports \$6.4 billion of restricted net assets for the primary government, of which \$249 million is restricted by enabling legislation.

B. Restatements

Fund balances and Net Assets as of October 1, 2005 have been restated for certain accounting changes necessary to conform to GAAP. Those changes are summarized in the following table:

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

(Amounts In Thousands)	Sept. 30, 2005 As Previously Reported	Fund Reclassification	Prior Period Accounting Adjustments	Oct. 1, 2005 As Restated
<u>Primary Government</u>				
Governmental Funds				
General Fund	\$ 293,880	\$ -	\$ 30,002	\$ 323,882
Education Trust Fund	1,016,137	-	(30,304)	985,833
Alabama Trust Fund	2,704,424	-	-	2,704,424
Medicaid Fund	(102,582)	-	43,951	(58,631)
Public Road & Bridge Fund	505,157	-	-	505,157
Public Welfare Trust Fund	38,522	-	-	38,522
Nonmajor Governmental Funds	1,127,772	2,956	-	1,130,728
Total Governmental Funds	\$ 5,583,310	\$ 2,956	\$ 43,649	\$ 5,629,915
Proprietary Funds				
Unemployment Compensation	\$ 368,362	\$ -	\$ -	\$ 368,362
State Port Authority	215,566	-	-	215,566
Alabama College System	592,775	-	-	592,775
Alcoholic Beverage Control Board	(408)	-	-	(408)
Public Ed Employees' Health Insurance	61,171	(61,171)	-	0
Nonmajor Enterprise Funds	32,600	(17,399)	-	15,201
Internal Service Funds	187,760	(48,961)	(993)	137,806
Total Proprietary Funds	\$ 1,457,826	\$ (127,531)	\$ (993)	\$ 1,329,302
Governmental Activities				
September 30, 2005, as Previously Reported	\$ 21,112,141			
Capital Asset Restatements	15,870			
Long-term Debt Restatements	0			
Governmental Fund Restatements	43,649			
Internal Service Fund Restatements	(993)			
Government-wide Restatements	0			
Fund Reclassifications	(46,005)			
Net Assets, October 1, 2005, as Restated	\$ 21,124,662			

A restatement of \$30,304,000 between the General Fund and the Education Trust Fund was the result of an error in tax deposits made in a prior year. A restatement of \$43,951,000 was made to the Medicaid Fund for an amount Due From Other Governments that was not accrued in 2005.

C. Reclassifications

Acts 2004-646 and 2004-647 of the legislature granted corporate powers to both the Public Education Employees' Health Insurance Board and the State Employees' Insurance Board (SEIB). In accordance with GASB 14, the Public Education Employees' Health Insurance Plan was reclassified from a Major Proprietary Fund last year to a component unit this year. Two funds of SEIB are now reported as part of the SEIB component unit. Those funds are the State Employees' Health Insurance Plan, previously an internal service fund, and the Local Government Health Insurance Plan, previously a nonmajor enterprise fund. Additionally, the Printing and Publications Fund was reclassified from an internal service fund last year to a special revenue fund this year.

(Amounts In Thousands)	Sept. 30, 2005 As Previously Reported	Fund Reclassification	Prior Period Accounting Adjustments	Oct. 1, 2005 As Restated
<u>Component Units</u>				
Public School and College Authority	\$ (1,305,612)	\$ -	\$ -	\$ (1,305,612)
Mental Health	167,781	-	(7,561)	160,220
Housing Finance Authority	212,281	-	-	212,281
Water Pollution Control Authority	220,313	-	-	220,313
University of Alabama	3,189,272	-	(2,580)	3,186,692
Auburn University	1,009,583	-	26,937	1,036,520
University of South Alabama	521,941	-	-	521,941
Public Ed Employees Health Insurance	0	61,171	-	61,171
State Employees Health Insurance	0	63,404	-	63,404
Other Component Units	716,744	-	(6,013)	710,731
Total Component Units	\$ 4,732,303	\$ 124,575	\$ 10,783	\$ 4,867,661
<u>Fiduciary Funds</u>				
Pension (and Other Employee Benefits) Trust Funds	\$ 27,857,323	\$ -	\$ -	\$27,857,323
Private Purpose Trust Funds	1,099,447	-	-	1,099,447
Total Fiduciary Funds	\$ 28,956,770	\$ -	\$ -	\$28,956,770

C. Fund Balance/Net Assets Deficits

1. Primary Government

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$12,215,000 at September 30, 2006, with a total net asset deficit of \$4,722,000. The deficits are largely due to the accrual of liabilities for compensated absences and salaries payable. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Revenue Administrative Fund, a non-major special revenue fund, had a deficit in both the unreserved, undesignated fund balance and the overall fund balance of \$5,374,000. The fund operates on a cash basis so the accrual of salaries payable creates a deficit in many years.

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of \$8,769,000. The Authority has a deficit balance of \$4,360,000 in net assets invested in capital assets, net of related debt and a deficit in unrestricted net assets of \$33,854,000. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them.

The Motor Sports Hall of Fame, a nonmajor enterprise fund, had a deficit in unrestricted net assets of \$517,000, but overall net assets are a positive \$2,801,000.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,331,794,000 causing a deficit in total net assets of \$1,320,141,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues pledged by the primary government.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

Alabama Agricultural & Mechanical University has a small deficit of \$488,000 in unrestricted net assets, but overall net assets are a positive \$65,013,000.

The Space Science Exhibit Commission had a deficit in unrestricted net assets of \$2,099,000. Nearly all of the Commission's assets are either restricted or capital assets.

The Incentives Finance Authority, a non-major component unit, had a deficit in unrestricted net assets of \$108,808,000 with an overall deficit in total net assets of \$99,173,000. 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 \$29,453,000 creating a deficit in total net assets of \$28,751,000. The Authority issues bonds to raise money for grants to promote economic development and recruit industries to the State and therefore the Authority accumulates few assets. The debt will be repaid with future revenues from the tobacco settlement.

The Tennessee Valley Exhibit Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$662,000. The Authority still has debt remaining from the construction of a building it no longer owns.

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$8,685,000. The Authority issues bonds to finance projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$10,234,000. 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.

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.

B. Investments

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

1. Primary Government

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

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

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

2. Fiduciary Funds

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

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

3. Component Units

Alabama Water Pollution Control Authority (AWPCA) The AWPCA is authorized to invest in (a) any debt securities that are direct or general obligations of the U. S.; (b) any debt security unconditionally guaranteed (principal and interest) by the U. S.; and (c) repurchase agreements collateralized by securities of the type described in (a) and (b) above or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an 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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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.

The State's investments at September 30, 2006, are as follows:

Investment Types and Fair Value September 30, 2006 (Amounts in Thousands)			
Investment Types	Governmental and Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 2,119	\$ 173	\$ 29,703
Other U S Government Guaranteed Securities	552,197	555,865	305,383
U S Agency Securities	723,597	1,349,230	368,055
State and Local Government Securities	-	5,700	3,890
Mortgage Backed Securities	642,305	231,947	661,312
Commercial Paper	25,558	996,523	515,482
Corporate Bonds	555,196	2,634,081	233,044
Private Placements	22,992	3,570,652	1,469
Repurchase Agreements	1,433,697	9,127	224,121
International Bonds	9,210	45,582	1,492
Bond Mutual Funds	25,470	285,896	715,386
Domestic Equities	902,238	14,163,237	718,497
International Equities	77	4,392,747	2,599
Other Mutual Funds	13,829	413,906	1,148,675
Real Estate	6,310	1,793,873	23,641
Guaranteed Investment Contracts	-	-	127,519
	<u>\$ 4,914,795</u>	<u>\$ 30,448,539</u>	<u>\$ 5,080,268</u>

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

Investments Per Investment Note	\$ 4,914,795	\$ 30,448,539	\$ 5,080,268
Certificates of Deposit †	83,950	3,649	42,213
Other Cash Equivalents †	(312,098)	8,693	37,428
Repurchase Agreements ††	(1,395,445)	(9,127)	(61,209)
Investments Classified as Restricted Assets	(1,639)	-	(4,674)
Foundations and pooled investments §	-	-	(36,913)
Investments per Statements	<u>\$ 3,289,563</u>	<u>\$ 30,451,754</u>	<u>\$ 5,057,113</u>

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

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

§ University foundations follow the investment reporting requirements of the FASB and are not subject to GASB disclosure requirements. For this reason some of the investment information is not available. Also, investments of affiliated entities are included in an investment pool. The investment information that is available is being disclosed.

C. Investment Risks

1. Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The ratings of the State's investments as of September 30, 2006 are presented below.

Ratings of Fixed Maturities

Moody's	Standard & Poor's	Governmental and Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
Aaa		\$ 2,452,953	\$ 1,311,757	\$ 392,688	\$ 877,978
	AAA	69,174	255	5,388	164,180
Aa1		15,411	14,592	6,663	624
Aa2		17,263	18,144	9,163	1,499
	AA	501			40,176
Aa3		40,169	168,378	29,497	4,631
	AA-	310			
Aa		76		602	3,993
A1		51,320	193,412	38,863	4,470
	A+	-			
	A-1+	2,882	119,274	26,862	113,231
A2		41,245	71,114	18,328	3,336
	A	1,520	54,770	1,295	58,827
	A-1	513			
A3		29,384	270,613	28,977	1,511
	A-	1,941			
A		101			1,936
P1			31,561	14,999	66,281
P2		18,975	833,171	116,636	336,714
Baa1		47,106	450,688	52,371	1,941
	BBB+	10	38,518	5,890	
Baa2		89,820	496,282	72,853	4,741
	BBB	6,823	47,914	1,981	16,197
Baa3		39,140	204,198	44,565	3,413
	BBB-	194			
Ba1		27,626	180,748	42,865	1,468
Ba2		23,473	127,264	3,167	
	BB	1			83
Ba3		25,502	7,286	3,594	
B1		26,566	1,594	3,828	478
	B+				
B2		25,528	65,983	6,139	
	B				3,464
B3		15,007	36,908	7,761	
B					2
P3		5,979			
Caa1		1,151		472	
Caa			1,604	9,875	
	D		6,156		
U S Govt Guaranteed Securities		882,029	468,285	192,982	343,540
Not Rated †		32,646	3,188,622	137,382	1,128,764
		<u>\$ 3,992,339</u>	<u>\$ 8,409,091</u>	<u>\$ 1,275,686</u>	<u>\$ 3,183,478</u>

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

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

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

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The Treasurer's Office policy states that the maximum effective maturity of any purchase will be five years. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities. Average effective duration should be plus or minus 30 percent of the index duration. The portfolio is benchmarked against the Lehman Brothers 1 - 3 Year Government Index.

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

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

As of September 30, 2006 the State had the following investments and maturities:

Governmental and Business-Type Activities
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
U S Treasury Strips	\$ -	\$ 535	\$ -	\$ 1,584	\$ 2,119
Other U S Government Guaranteed Securities	73,822	318,619	85,629	74,127	552,197
U S Agency Securities	51,106	340,670	153,702	178,119	723,597
Mortgage Backed Securities	16,693	22,408	42,317	560,887	642,305
Commercial Paper	25,558	-	-	-	25,558
Corporate Bonds	15,537	185,806	217,332	136,521	555,196
Private Placements	-	8,571	7,636	6,785	22,992
Repurchase Agreements	1,425,691	2,500	5,506	-	1,433,697
International Bonds	2,000	2,431	1,236	3,543	9,210
Bond Mutual Funds	25,178	65	41	188	25,472
Total	\$ 1,635,585	\$ 881,605	\$ 513,399	\$ 961,754	\$ 3,992,343

Retirement Systems of Alabama (Fiduciary Component Units)
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
Other U S Government Guaranteed Securities	\$ 24,748	\$ -	\$ 384,330	\$ -	\$ 409,078
U S Agency Securities	-	529,585	560,259	28,552	1,118,396
Mortgage Backed Securities	70	2,806	6,964	91,566	101,406
Commercial Paper	864,733	-	-	-	864,733
Corporate Bonds	28,861	765,992	599,219	852,603	2,246,675
Private Placements	21,254	239,976	456,892	2,779,325	3,497,447
International Bonds	41,071	-	-	-	41,071
Bond Mutual Funds	130,284	-	-	-	130,284
Total	\$ 1,111,021	\$ 1,538,359	\$ 2,007,664	\$ 3,752,046	\$ 8,409,090

STATE OF ALABAMA

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For the Fiscal Year Ended September 30, 2006

Other Fiduciary Funds (Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
U S Treasury Strips	\$ -	\$ 173	\$ -	\$ -	\$ 173
Other U S Government Guaranteed Securities	8,464	31,401	97,103	9,820	146,788
U S Agency Securities	148	95,285	133,081	2,319	230,833
State and Local Government Securities	750	2,345	555	2,050	5,700
Mortgage Backed Securities	2,898	5,109	4,371	118,163	130,541
Commercial Paper	131,635	-	56	100	131,791
Corporate Bonds	9,644	136,127	126,934	114,701	387,406
Private Placements	-	6,779	19,810	46,616	73,205
Repurchase Agreements	9,127	-	-	-	9,127
International Bonds	-	460	844	3,207	4,511
Bond Mutual Funds	26,862	48,369	9,964	70,416	155,611
Total	<u>\$ 189,528</u>	<u>\$ 326,048</u>	<u>\$ 392,718</u>	<u>\$ 367,392</u>	<u>\$ 1,275,686</u>

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

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
<u>Debt Securities</u>					
U S Treasury Strips	\$ 2,399	\$ 2,318	\$ 24,899	\$ 86	\$ 29,702
Other U S Government Guaranteed Securities	86,147	44,280	43,234	4,517	178,178
U S Agency Securities	81,076	173,663	96,670	16,647	368,056
State and Local Government Securities	311	2,086	53	1,440	3,890
Mortgage Backed Securities	2,651	49	1,949	498,809	503,458
Commercial Paper	494,608	987	-	-	495,595
Corporate Bonds	12,866	17,651	13,450	3,717	47,684
Private Placements	-	990	478	-	1,468
Repurchase Agreements	66,530	-	129,848	27,743	224,121
Guaranteed Investment Contracts	92,243	11,660	-	23,616	127,519
Bond Mutual Funds	143,991	18,684	5,496	-	168,171
Total	<u>\$ 982,822</u>	<u>\$ 272,368</u>	<u>\$ 316,077</u>	<u>\$ 576,575</u>	<u>\$ 2,147,842</u>

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

University of Alabama (Amounts in Thousands)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Endowment Fund:		
Other U S Government Guaranteed Securities	\$ 16,359	5.7
Mortgage Backed Securities	3,069	3.4
Corporate Bonds	9,741	4.7
Bond Mutual Funds	121,168	5.2
Prime Fund:		
Other U S Government Guaranteed Securities	18,807	5.8
Mortgage Backed Securities	9,057	3.5
Corporate Bonds	11,934	5.0
Bond Mutual Funds	187,554	4.9
Intermediate Fund:		
Other U S Government Guaranteed Securities	65,620	1.7
Mortgage Backed Securities	39,270	2.3
Corporate Bonds	158,853	2.5
Bond Mutual Funds	8,749	1.9
Total	<u>\$ 650,181</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

3. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy of the Alabama Trust Fund states that the aggregate market value of international equities is limited to six percent of the aggregate market value of the total portfolio. In addition, the aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation.

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

The State's exposure to foreign currency risk at September 30, 2006 was as follows:

Investments Exposed to Foreign Currency Risk
(Amounts in Thousands)

	Governmental and Business-Type Activities	RSA (Fiduciary Component Units)		Other Fiduciary Funds		Discretely Presented Component Units
	International Equities	International Equities	International Bonds	International Equities	International Bonds	International Equities
Australian Dollar	\$ 2	\$ 221,998	\$ -	\$ 7,074	\$ 3	\$ 68
Brazilian Real	2					107
British Pound Sterling	10	1,017,319	-	34,522		673
Canadian Dollar	-	-	-	-	8	42
Chinese Yuan						21
Danish Krone	-	31,231	-	1,387		13
Euro	29	1,431,714	41,071	58,906		647
Hong Kong Dollar	-	69,487	-	5,112		26
Indian Rupee						39
Indonesian Rupiah						16
Israeli New Sheqel	-	-	-	-		13
Japanese Yen	23	996,517	-	30,766		496
Mexican New Peso	-	-	-	-		8
New Zealand Dollar	-	3,805	-	-		-
Norwegian Krone	-	33,617	-	1,251		-
Russian Fed. Rouble	2	-	-	-	1,061	21
Singapore Dollar	-	29,710	-	3,495		29
South African Rand	-	-	-	-		8
South Korean Won	3	-	-	-		94
Swedish Krona	-	100,377	-	1,961		94
Swiss Franc	6	298,589	-	13,909		166
Taiwan New Dollar	-	-	-	-		21
	<u>\$ 77</u>	<u>\$ 4,234,364</u>	<u>\$ 41,071</u>	<u>\$ 158,383</u>	<u>\$ 1,072</u>	<u>\$ 2,602</u>

4. Custodial Credit Risk

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

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

Retirement Systems of Alabama - The RSA's custodial credit risk policy requires the custodial agent to hold or direct its agents or subcustodians to hold, for the account of the RSA all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The RSA's safekeeping agent holds all investments of the RSA in the RSA's name.

Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)

	Governmental and Business-Type Activities	Other Fiduciary Funds	Discretely Presented Component Units
U S Treasury Strips	\$ -	\$ 173	\$ 29,494
Other U S Government Guaranteed Securities	3,760	24,420	72,098
U S Agency Securities	73,045	-	6,149
State and Local Government Securities	-	5,700	-
Mortgage Backed Securities	4,567	8,323	46
Commercial Paper	2,248	-	-
Corporate Bonds	1,474	6,450	3,842
Bond Mutual Funds			51,483
Repurchase Agreements	1,393,188	9,127	218,800
Domestic Equities	618	2,787	-
	<u>\$ 1,478,900</u>	<u>\$ 56,980</u>	<u>\$ 381,912</u>

5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than fifteen percent is invested in one industry, and no more than five percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2006, there were no investments that exceeded the five percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, alternative investments, and short-term investments are limited to 70%, 10%, 65%, 15%, 5%, and 20%, respectively, of each System's aggregate portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. The suggested limit for real estate is 10% of the book value of each System's aggregate portfolio. As of September 30, 2006, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.7% and 8.2%, respectively, of the TRS and ERS investments.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

D. Securities Lending

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

Type of Investment Lent	Governmental Funds	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral				
Domestic Fixed Maturities	\$ 236,009	\$ 802,818	\$ 153,904	\$ 880
Domestic Equity	14,460	1,090,239	5,620	3,108
International Equity	-	823,805	-	-
Total Lent for Cash Collateral	250,469	2,716,862	159,524	3,988
For Non-cash Collateral				
International Equity	-	179,379	-	-
Total Lent for Non-Cash Collateral	-	179,379	-	-
Total Securities Lent	\$ 250,469	\$ 2,896,241	\$ 159,524	\$ 3,988
Type of Collateral Received				
Cash Collateral				
Cash Collateral - Invested in State Street Quality D Fund	\$ 256,087	\$ 2,811,823	\$ 162,945	\$ 4,075
Total Cash Collateral	256,087	2,811,823	162,945	4,075
Non-Cash Collateral				
For Lent International Equity Securities				
Letters of Credit	-	6,333	-	-
Pledged Securities	-	182,495	-	-
Total Non-Cash Collateral	0	188,828	-	-
Total Collateral Received	\$ 256,087	\$ 3,000,651	\$ 162,945	\$ 4,075

The Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Investment Committee. The Retirement Systems of Alabama's custodian, State Street Bank and Trust Company, administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and a few other funds of the State. Certain securities are loaned to borrowers approved by the Retirement Systems of Alabama (RSA). Approved borrowers of securities provide acceptable collateral in the form of cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, sovereign debt, Canadian Provincial debt, convertible bonds, irrevocable bank letters of credit by a person other than the borrower or an affiliate of the borrower if State Street determines to be appropriate, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the lender or borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars or whose primary trading market is located in the United States, sovereign debt issued by foreign governments (other than Canada) or corporate bonds that are not denominated in United States Dollars (other than those issued in Canada), a value of 102 percent of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105 percent of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5 percent of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102 percent of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices,

mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100 percent of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2006, the average term of the loans was 43, 42, 147, and 24 days, respectively for the TRS, ERS, JRF, and ATF. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's fund guidelines. The QDF's average effective duration is restricted to 120 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be five years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 30 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2006. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

E. Mortgage-Backed Securities

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

F. Derivatives

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

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

The agreement had a negative fair market value at September 30, 2006 of \$4,968,820. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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.

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, 2006, the capital assets for the Primary Government and the Component Units are presented in the following tables:

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL-TYPE ACTIVITIES</u>				
Capital assets not being depreciated:				
Land	\$ 145,117	\$ 13,588	78	\$ 158,627
Historical Exhibits	2,658	-	-	2,658
Construction in progress	90,497	37,128	12,423	115,202
Construction in progress - Infrastructure	3,759,332	473,095	110,751	4,121,676
Infrastructure	11,602,717	110,751	-	11,713,468
Total	15,600,321	634,562	123,252	16,111,631
Capital assets being depreciated:				
Buildings	977,796	10,106	31	987,871
Equipment	529,525	86,028	77,502	538,051
Total	1,507,321	96,134	77,533	1,525,922
Less accumulated depreciation:				
Buildings	468,193	21,242	-	489,435
Equipment	290,976	47,219	13,335	324,860
Total	759,169	68,461	23,326	814,295
Total capital assets being depreciated, net	748,152	27,673	64,198	711,627
Governmental-type activities capital assets, net	\$ 16,348,473	\$ 662,235	\$ 187,450	\$ 16,823,258
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 1,882			
Social Services	3,140			
Education and Cultural Resources	4,224			
Natural Resources and Recreation	4,034			
Health - Physical & Mental	4,492			
General Government	9,649			
Protection of Person & Property	19,956			
Transportation	21,084			
Total Depreciation Expense	\$ 68,461			

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)	Beginning Balance			Ending
	as Restated	Increases	Decreases	Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets not being depreciated:				
Land	\$ 43,446	8,827	87	\$ 52,186
Historical Exhibits	2,350	0	-	2,350
Construction in progress	117,267	154,152	82,833	188,586
Total capital assets not being depreciated	163,063	162,979	82,920	243,122
Capital assets being depreciated:				
Buildings	893,827	136,335	21,556	1,008,606
Equipment	351,773	39,802	19,778	371,797
Total capital assets being depreciated	1,245,600	176,137	41,334	1,380,403
Less accumulated depreciation				
Buildings	379,380	21,140	2,780	397,740
Equipment	191,527	17,729	7,491	201,765
Total accumulated depreciation	570,907	38,869	10,271	599,505
Total capital assets being depreciated, net	674,693	137,268	31,063	780,898
Business-type activities capital assets, net	\$ 837,756	\$ 300,247	\$ 113,983	\$ 1,024,020
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 14,891			
Alabama College System	22,130			
Alcoholic Beverage Control Board	1,587			
Other Nonmajor Enterprise Funds	261			
Total Depreciation Expense	\$ 38,869			

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<u>COMPONENT UNITS</u>				
Capital assets not being depreciated:				
Land	\$ 149,866	\$ 14,282	\$ 618	\$ 163,530
Historical Exhibits	77,925	389	198	78,116
Construction in progress	298,804	243,527	260,223	282,108
Total capital assets not being depreciated	526,595	258,198	261,039	523,754
Capital assets being depreciated:				
Buildings	4,185,248	437,935	27,687	4,595,496
Equipment	1,700,795	131,352	146,472	1,685,675
Total capital assets being depreciated	5,886,043	569,287	174,159	6,281,171
Less accumulated depreciation				
Buildings	1,701,357	113,271	18,163	1,796,465
Equipment	1,126,684	136,167	131,509	1,131,342
Total accumulated depreciation	2,828,041	249,438	149,672	2,927,807
Total capital assets being depreciated, net	3,058,002	319,849	24,487	3,353,364
Component Units capital assets, net	\$ 3,584,597	\$ 578,047	\$ 285,526	\$ 3,877,118
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	\$ 311			
Mental Health	2,696			
Water Pollution Control Authority	281			
University of Alabama	163,017			
Auburn University	34,657			
University of South Alabama	19,176			
Other Nonmajor Component Units	29,300			
Total Depreciation Expense	\$ 249,438			

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government

At September 30, 2006, the Department of Transportation had construction and maintenance contracts of \$2,620,256,103. The amount already performed was \$2,174,864,435, leaving an outstanding balance of \$445,391,668. The funding sources for this amount are 76 percent Federal funds, 21 percent State and local funds, and 3 percent bonds.

The Public Health Care Authority had total contracts for construction and repair of certain county health department buildings of \$4,809,832 at September 30, 2006.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2006, of approximately \$84,933,000, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

The University of Alabama at Tuscaloosa had construction and renovation contracts remaining at September 30, 2006, of \$26,100,000. 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 \$366,781,000. At September 30, 2006, the estimated remaining cost to complete the projects was approximately \$124,385,000 payable from University funds and bond proceeds.

At September 30, 2006, Jacksonville State University had commitments on construction projects which included \$7,616,874 for the Art Building Annex, the Little River Canyon Field School, and the Chimney Peak Observatory with over \$5,000,000 funded by NASA.

The University of Alabama at Huntsville had a construction contract for the Applied Sciences Building remaining at September 30, 2006 of \$26,000,000. The costs are expected to be paid from federal and state sources.

The Alabama Space Science Exhibit Commission had total contracts awarded at September 30, 2006 of \$4,469,179 to build an Intermodal/Saturn V viewing facility. The total facility cost is estimated to be \$15,120,000 of which \$10,457,000 will be funded by a grant from the Federal Transit Authority.

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, 2006. These claims involve services provided to beneficiaries prior to September 30, but the claims were neither submitted to nor approved for payment by the State until after September 30. The amounts of these programs are not material.

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$41,784,000 of its net assets for fiscal year September 30, 2006 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 four years. The amount outstanding is \$8,000,000. The Education Trust Fund is being used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay BellSouth \$4,767,438 for the next five years in the form of actual payments and tax credits. The amount outstanding is \$23,837,190. 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:

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	\$ 47,599,880	\$ 32,436,051	\$ 80,035,931
2008	34,952,800	26,343,609	61,296,409
2009	22,410,000	18,811,974	41,221,974
2010	23,395,000	17,856,988	41,251,988
2011	22,435,000	16,883,689	39,318,689
2012-2016	127,430,000	68,423,725	195,853,725
2017-2021	160,610,000	34,939,313	195,549,313
2022-2026	54,335,000	5,415,938	59,750,938
Total	493,167,680 †	\$ 221,111,287 †	\$ 714,278,967
Unamor Prem	7,633,747		
	\$ 500,801,427		

† The liability reported on the balance sheet includes \$16,171,792 for the accretion of interest on capital appreciation bonds. The above table shows interest in the year it is paid, not the year it is accrued.

GENERAL OBLIGATION BONDS PAYABLE

General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2006
Series 1999				
Series A Refunding Bonds	07/13/99	10/01/07	4.6% to 5.5%	\$ 58,449,472 †
Series B Refunding Bonds	07/13/99	10/01/09	3.8% to 5.0%	6,575,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	47,380,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	14,555,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	87,025,000
Series D - Public Historical Sites & Improvement Corp	06/01/01	09/30/21	4.0% to 5.0%	5,020,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	82,000,000
Series 2002				
Series A - Capital Improvement Bonds	09/01/02	09/01/22	3.0% to 5.0%	46,955,000
Series 2005				
Series A - Capital Improvement Bonds	02/01/05	08/01/25	3.0% to 5.0%	100,230,000
Series 2006	02/01/06	02/01/26	3.5% to 5.0%	61,150,000
Sub-total General Obligation Bonds				509,339,472
‡ Plus: Unamortized Premiums				7,633,747
Total General Obligation Bonds				\$ 516,973,219

† The amount outstanding includes \$16,171,792 accretion of interest.

‡ Unamortized premiums were \$744,737 for Series 2001-E, \$824,008 for Series 2002-A, \$4,979,558 for Series 2005-A, and \$1,085,444 for Series 2006.

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 \$221,625,000 for the Alabama College System and \$2,195,000 for Athens State.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

PRIMARY GOVERNMENT					
Governmental Activities	Date	Final	Interest	Bonds	
Revenue Bonds	Issued	Maturity	Rates	Payable	
		Date		Sept. 30, 2006	
Alabama Corrections Institution Finance Authority					
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	\$	11,875,000
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%		4,000,000
Montgomery Downtown Redevelopment Authority					
Series 2002	08/08/02	10/01/13	2.30% to 5.00%		35,390,000
Alabama Building Renovation Finance Authority					
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%		19,305,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%		11,985,000
Series 2006	08/01/06	09/01/31	4.00% to 5.00%		30,000,000
Alabama Judicial Building Authority					
Series 1996 Capital Appreciation Bonds	12/01/96	01/01/14	5.15% to 5.75%		25,458,170 †
Alabama Public Health Care Authority					
Series 2005	09/28/05	09/01/35	4.00% to 4.50%		56,975,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		<u>159,155,000</u>
Sub-total Revenue Bonds Payable					354,143,170
‡ Less: Unamortized Discounts					(589,348)
§ Plus: Unamortized Premiums					5,134,561
†† Less: Unamortized Loss					<u>(2,990,856)</u>
Net Primary Government					
Revenue Bonds Payable, Governmental Activities				\$	<u>355,697,527</u>

† Balance includes the accretion of interest on capital appreciation bonds in the amount of \$10,263,730 for the Judicial Building Authority 1996 Capital Appreciation Bonds

‡ Unamortized Discount \$44,701 for Alabama Building Renovation Finance Authority and \$544,647 for Public Health Care Authority.

§ Unamortized premium is \$2,225,828 for Federal Aid Highway Finance Authority, \$2,208,563 for Montgomery Downtown Redevelopment Authority, \$400,520 for Alabama Corrections Institution Finance Authority and \$299,650 for Building Renovation Finance Authority.

†† Unamortized accounting losses were \$492,522 for the Alabama Building Renovation Finance Authority, \$1,301,945 for Montgomery Downtown Redevelopment Authority, \$175,725 for Alabama Corrections Institution Finance Authority and \$1,020,664 for Public Health Care Authority.

PRIMARY GOVERNMENT-Business-Type Activities	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds, Proprietary Funds	Issued	Date	Rates	Sept. 30, 2006
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%	62,210,000
Series 2001	12/01/01	10/01/26	5.25% to 5.25%	17,855,000
Alabama College System	Various	Various	1.15% to 7.39%	223,820,000
Sub-total Revenue Bonds Payable, Proprietary Funds				396,550,000
§ Less: Unamortized Discounts				(2,505,774)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 394,044,226

§ Unamortized discounts \$2,505,774 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
2007	\$ 21,821,511	\$ 17,279,345	\$ 19,230,000	\$ 19,217,710
2008	22,516,923	16,452,907	19,887,500	18,491,015
2009	24,073,474	15,614,368	19,376,250	17,441,764
2010	24,934,834	14,677,132	22,088,750	17,991,517
2011	25,871,163	13,712,621	24,538,750	17,067,907
2012-2016	121,781,535	46,472,090	111,736,250	63,592,857
2017-2021	42,700,000	18,069,826	106,321,250	33,405,190
2022-2026	25,375,000	11,142,082	67,236,250	8,764,461
2027-2031	22,200,000	5,922,450	6,135,000	1,076,635
2032-2035	12,605,000	1,450,350		
Total	343,879,440	\$ 160,793,171	396,550,000	\$ 197,049,056
Unamort Prem	5,134,561		-	
Unamort Loss	(2,990,856)		-	
Unamort Disc	(589,348)		(2,505,774)	
	\$ 345,433,797 †		\$ 394,044,226	

† The liability reported on the balance sheet includes \$10,263,730 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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, 2006, the outstanding principal balance of the 1999C bonds was \$23,425,000. 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 9/30/06 was 5.33%.

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

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

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

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

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

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

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

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

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

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2006, the outstanding principal balance of the 2005-A bonds was \$4,400,000. The interest rate for the 2005-A bond is variable and adjusted weekly based on current market rates. The interest rate was 3.83% as of September 24, 2006.

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, 2006 was 3.68%.

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, 2006
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%	62,050,000
Series 1999-C	10/01/99	10/01/29	Variable	23,425,000
Alabama Public School and College Authority				
Series 1996	01/15/96	11/01/07	4.50% to 5.25%	93,135,000
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%	182,635,000
Capital Improvement Bonds, Series 2001A	05/15/01	02/01/21	4.50% to 5.63%	77,160,000
Series 2001-B	12/15/01	05/01/08	5.00% to 5.63%	8,155,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	83,870,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	91,890,000
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%	103,705,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	82,150,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	53,565,000
State Industrial Development Authority				
Special Tax Bonds, Series 1998	02/01/98	02/01/08	4.00% to 4.30%	4,630,000
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	3,200,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	4,250,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/2015	3.00% to 5.00%	22,175,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	1,230,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	41,900,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	94,860,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	10,165,000
Sub-Total Revenue Bonds, Component Units				\$ 1,734,825,000

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STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2006
Sub-Total from previous page				\$ 1,734,825,000
Alabama Housing Finance Authority				
Single family Bond Programs	1994-2006	2007-2036	Various	442,017,000
Multi-family Bond Programs	1989-2005	2009-2045	Various	282,115,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 1996-A	01/15/96	08/15/18	5.00% to 5.25%	29,610,000
Revolving Fund Loan Bonds, Series 1996-B	11/01/96	08/15/20	5.25% to 5.50%	31,235,000
1997 Refunding Bonds Maturing in August	10/01/97	08/15/12	4.50% to 5.00%	24,245,000
1997 Refunding Bonds Maturing in February	10/01/97	02/15/13	4.50% to 5.00%	6,435,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	46,410,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	48,075,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	49,695,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	52,705,000
Revolving Fund Loan Bonds, Series 2002A	01/15/02	08/15/24	3.00% to 5.10%	28,920,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	41,365,000
Revolving Fund Loan Bonds, Series 2003A	01/01/03	08/15/26	3.00% to 5.00%	30,955,000
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	43,400,000
Revolving Fund Loan Bonds, Series 2003C	08/01/03	08/15/15	2.50% to 4.25%	8,970,000
Revolving Fund Loan Bonds, Series 2004A	04/01/04	08/15/16	2.00% to 4.00%	31,165,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	26,845,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	6,895,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,540,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	22,120,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	30,740,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	38,730,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,880,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	42,580,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-A	05/01/05	Apr 2026	Variable	4,400,000
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	12,580,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 1994-C	Apr 1994	Mar 2009	4.50% to 6.10%	2,755,000
Student Loan Revenue Bonds, Series 1994-D	Apr 1994	Sept 2010	4.50% to 6.15%	6,530,000
Student Loan Revenue Bonds, Series 1998-A	June 1998	Mar 2033	Various	25,000,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,180,737,000

Continued on next page

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2006
Sub-Total from previous page				\$ 3,180,737,000
Higher Education				
University of Alabama - Tuscaloosa	1997	2034	2.00% to 5.00%	373,800,000
University of Alabama - Birmingham	1993	2031	2.00% to 6.00%	762,115,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 6.00%	58,666,000
Alabama A&M University	1998	06/01/26	4.45% to 5.38%	55,470,000
Alabama State University	1965	2036	1.90% to 8.50%	102,169,000
Auburn University	1971	2034	1.40% to 7.00%	273,734,429
Jacksonville State University	1993	2023	2.25% to 5.00%	22,930,000
University of West Alabama	12/1/67	6/1/19	3.00% to 3.00%	2,996,925
University of Montevallo	1983	2023	1.45% to 6.50%	12,061,000
University of North Alabama	1999	2035	3.65% to 5.40%	24,360,000
University of South Alabama	1996	2024	2.80% to 5.25%	117,618,000
Troy University	1998	2028	2.75% to 4.70%	49,505,000
Total Revenue Bonds Payable				5,036,162,354
Less: Unamortized Discounts				(15,299,926) †
Less: Unamortized Loss				(16,480,585) ‡
Plus: Unamortized Premium				21,141,789 §
Net Revenue Bonds Payable, Component Units				\$ 5,025,523,632

† Unamortized discounts were \$11,847,062 for the University of Alabama - Birmingham, \$370,000 for the University of South Alabama

\$71,911 for the University of Montevallo, \$1,054,261 for the Drinking Water Authority, \$1,203,285 for Auburn University,

\$35,000 for State Industrial Development Authority, \$32,188 for Tennessee Valley Exhibit Commission,

\$321,395 for the University of North Alabama and \$364,824 for Alabama A & M University.

‡ Unamortized accounting loss was \$4,479,564 for Alabama State University, \$794,117 for the Alabama Space and Science Commission,

\$7,128,680 for the Water Pollution Control Authority, \$25,384 for the Tennessee Valley Commission, \$2,504,694 for the

University of Alabama - Tuscaloosa, \$1,097,276 for Auburn University, and \$450,870 for the Mental Health Finance Authority.

§ Unamortized premiums were \$1,240,536 for the University of Alabama - Tuscaloosa, \$4,223,425 for Auburn University, \$1,496,648 for

Alabama Twenty-first Century Authority, \$9,574,815 for Alabama Public School and College Authority, \$2,074,000 for the University of S. Alabama,

\$1,133,783 for the Water Pollution Control Authority, \$727,238 for the Mental Health Finance Authority, and \$671,344 for Alabama State University.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	\$ 239,887,903	\$ 233,057,788	\$ 472,945,691
2008	234,538,440	232,706,036	467,244,476
2009	235,715,294	221,562,777	457,278,071
2010	222,378,020	209,833,363	432,211,383
2011	277,979,749	227,514,774	505,494,523
2012-2016	1,117,563,055	826,115,819	1,943,678,874
2017-2021	1,027,743,893	546,505,957	1,574,249,850
2022-2026	672,382,000	326,716,761	999,098,761
2027-2031	399,778,000	200,335,853	600,113,853
2032-2036	426,975,000	101,668,597	528,643,597
2037-2041	180,403,000	20,844,250	201,247,250
2042-2046	818,000	99,000	917,000
Total	5,036,162,354 †	\$ 3,146,960,975	\$ 8,183,123,329
Unamort Disc	(15,299,926)		
Unamort Loss	(16,480,585)		
Unamort Prem	21,141,789		
	\$ 5,025,523,632		

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

4. Refunded and Redeemed Bonds

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

During the year ended September 30, 2006, the Alabama Housing Finance Authority called approximately \$167,479,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$780,000 and is primarily comprised of the premium paid to retire the bonds.

In October 2005, the University of Alabama in Huntsville issued \$8,580,000 Series 2005-A General Revenue bonds which bear interest at 3% to 4.375%. The proceeds of the Series 2005-A were used to refund \$7,910,000 of Series 1999-A General Revenue bonds. The University has economic gain of \$867,032.

In October 2005, the University of Alabama in Birmingham issued \$53,525,000 Series 2005-B General Revenue bonds which bear interest at 4% to 5%. The proceeds of the 2005-B bonds were used to refund \$143,525,000 of the Series 2000-A Hospital Revenue bonds and to finance capital improvements for the Hospital. The University had economic gain of \$7,889,000 and a deferred accounting loss of \$11,281,000.

In May, 2006, the Alabama Incentives Financing Authority called \$15,600,000 of its 1999-C bonds prior to their scheduled maturity.

Defeased Bonds:

Component Units

University of Alabama in Tuscaloosa	\$52,900,000
University of South Alabama	9,040,000
University of Alabama in Birmingham	202,970,000

5. Arbitrage

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

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

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$1,643,826
Alabama Higher Education Loan Corp.	9,103,740
Housing Finance Authority	2,967,000

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.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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	\$ 305,025	\$ 44,975
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	406,720	199,280
<u>Component Units</u>			
State Industrial Development Authority †	100,000	38,390	61,610
Mental Health Finance Authority	35,735	26,595	9,140
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments		
Alabama Incentives Financing Authority	175,000	165,220	9,780
Total Component Units	310,735	230,205	80,530
Total Reporting Entity	\$ 916,735	\$ 636,925	\$ 279,810

† 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 9/30/06, \$12,080,000 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. Fiscal year 2006 is the last year of amortization.

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, 2006, the swap had a negative fair value of approximately \$45,452,184. 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 exercised its option on July 18, 2006 (the Authority’s 1996 Series bonds’ first call date). Since the option was exercised, the interest rate swap commenced on October 1, 2006 with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). The swap agreement is based on a notional amount of \$60,455,000 and expires on October 1, 2021. As of September 30, 2006, the swap had a negative fair value of approximately \$9,512,000. 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. The Authority recognized the premium payment as an adjustment to interest expense using the effective interest method over the life of the option.

9. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

	<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>
2007	\$ 4,338,154	\$ 6,509,967	\$ 30,032,843
2008	4,025,806	6,979,310	29,629,174
2009	3,427,324	6,984,058	3,754,101
2010	2,773,746	6,873,824	2,298,299
2011	2,326,190	8,875,256	2,197,045
2012-2016	6,397,912	3,792,035	7,754,219
2017-2021	1,868,416	366,288	1,925,794
2022-2026	430,583	48,000	607,158
2027-2031	95,411	71,821	534,400
Total	25,683,542	40,500,559	78,733,033
Interest	(40,460)	(1,272,678)	(283,726)
Net	\$ 25,643,082	\$ 39,227,881	\$ 78,449,307

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

10. Changes in Long-Term Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 507,503	\$ 61,150	\$ (51,680)	\$ 516,973	\$ 47,600
Revenue Bonds	351,139	30,000	(25,441)	355,698	21,822
Capital Leases/Notes/Mortgages	32,100	1,989	(8,446)	25,643	4,338
Forward Delivery Agreement	907	-	(907)	-	-
Claims & Judgments	147,806	-	(40,908)	106,898	30,515
Compensated Absences †	238,527	27,957	(7,695)	258,789	1,746
Total Governmental Activities	1,277,982	121,096	(135,077)	1,264,001	106,021
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	411,633	-	(17,589)	394,044	19,230
Capital Leases/Notes/Mortgages	33,986	8,074	(2,832)	39,228	6,511
Claims & Judgments	97,111	-	(89,809)	7,302	6,273
Compensated Absences †	21,458	2,769	(663)	23,564	2,219
Other Long-Term Liabilities ‡	3,762	1,877	(3,762)	1,877	-
Total Business-Type Activities	567,950	12,720	(114,655)	466,015	34,233
Total Primary Government	\$ 1,845,932	\$ 133,816	\$ (249,732)	\$ 1,730,016	\$ 140,254
Component Units:					
Revenue Bonds	4,926,085	594,861	(495,422)	5,025,524	239,888
Arbitrage	19,872	-	(6,157)	13,715	-
Capital Leases/Notes/Mortgages	81,359	62,787	(65,697)	78,449	30,033
Compensated Absences †	98,380	11,250	(875)	108,755	26,517
Claims & Judgments	5,909	125,847	(5,387)	126,369	121,719
Other Long-Term Liabilities §	127,825	78,781	(127,825)	78,781	-
Total Component Units	\$ 5,259,430	\$ 873,526	\$ (701,363)	\$ 5,431,593	\$ 418,157

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

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$1,705,000, and Alabama College System, \$172,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$18,476,000, Auburn University, \$17,291,000, University of Alabama at Huntsville, \$736,000, University of South Alabama, \$40,731,000, University of North Alabama, \$342,000, University of Alabama at Birmingham, \$1,181,000, and Music Hall of Fame, \$24,000.

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2006 consisted of (amounts in thousands):

DUE TO	DUE FROM												Total
	General Fund	Education Trust Fund	Alabama Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Unemployment Compensation	Alcoholic Beverage Control Board	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	Fiduciary Fund	
General Fund	\$ -	\$ -	\$ -	\$ 24	\$ -	\$ 352	\$ -	\$ 15,486	\$ 3,255	\$ 56	\$ 4	\$ -	\$ 19,177
Education Trust	-	-	-	-	-	-	-	250	94	-	-	-	344
Medicaid	-	-	-	-	-	3,573	-	-	4,346	-	-	-	7,919
Public Road & Bridge Fund	8	-	-	-	-	42	-	-	168	162	1	-	381
Public Welfare Trust Fund	-	-	-	11,472	-	-	-	6,779	1,336	3	-	-	19,590
State Port Authority	-	-	-	-	-	-	-	-	3,889	-	-	-	3,889
Alcoholic Beverage Control Board	-	-	-	-	-	-	-	-	39	-	-	-	39
Nonmajor Governmental	13,125	3,245	137	16,753	2,309	1,611	40	324	13,516	1,001	398	64	52,523
Internal Service	2,456	279	-	189	961	3,472	-	148	13,947	3,291	32	14	24,789
Nonmajor Enterprise	6	-	-	-	1	-	-	-	-	-	1	-	8
Fiduciary	-	-	-	-	-	-	-	-	6	-	-	31	37
Totals	\$ 15,595	\$ 3,524	\$ 137	\$ 28,438	\$ 3,271	\$ 9,050	\$ 40	\$ 22,987	\$ 40,596	\$ 4,513	\$ 436	\$ 109	\$ 128,696

The Nonmajor Governmental funds have the most interfund payables, \$40,596,000 in total. Of that amount \$13,947,000 is owed to Internal Service Funds and \$13,516,000 is owed to other Nonmajor Governmental funds. The Medicaid Fund has the second most interfund payables, \$28,438,000. A large portion of that amount, \$16,753,000 is owed to Nonmajor Governmental funds. Included in that amount, \$7,222,000 is due to Public Health, \$7,351,000 is due to Senior Services, \$1,145,000 is due to Rehabilitation Services, \$48,000 is due to the Attorney General, and \$987,000 is due to Youth Services. The Alcoholic Beverage Control Board (ABC) has the third most interfund payables, totaling \$22,987,000. The Board owed \$15,486,000 to the General Fund and \$6,779,000 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.

Nonmajor Governmental Funds holds \$52,523,000 in interfund receivables with the majority being in special revenue funds, at \$52,506,000 with the larger amounts being \$14,067,000 in receivables due Public Health, \$12,676,000 in receivables due Corrections, and \$8,093,000 due Senior Services. The Internal Service Funds ranks second in receivables, at \$24,789,000.

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.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

B. Balances with Component Units

Balances owed by State funds to component units at September 30, 2006, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO					
	Mental Health	Public Edu Employee Health Insur	State Employees' Health Insur	Employees' Retirement System	Nonmajor Component Units	Total
General Fund	\$ 278	\$ -	\$ 62	\$ 35	\$ 15	\$ 390
Education Trust	30	87	3	-	2	122
Medicaid	30,039	-	2	-	-	30,041
Public Road and Bridge Fund	-	-	25	2	-	27
Public Welfare Trust Fund	102	-	167	-	-	269
Nonmajor Governmental	31	-	98	11	21	161
Alcoholic Beverage Control Board	5,131	-	5	-	-	5,136
Nonmajor Enterprise	-	-	148	-	-	148
Internal Service	55	-	807	-	-	862
Totals	<u>\$ 35,666</u>	<u>\$ 87</u>	<u>\$ 1,317</u>	<u>\$ 48</u>	<u>\$ 38</u>	<u>\$ 37,156</u>

The largest payable was \$30,039,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. The second largest amount is \$5,131,000 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, 2006 consisted of (amounts in thousands):

PAYABLE FROM								
PAYABLE TO	Pub School & College Authority	Water Pollution Control Auth	Mental Health	State Employees' Health Insur	Employees' Retirement System	Teachers' Retirement System	Nonmajor Component Units	Total
General Fund	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ -	\$ -	\$ 46
Education Trust	-	-	-	1	-	-	-	1
Medicaid	-	-	9,212	-	-	-	-	9,212
Public Road & Bridge Fund	-	-	26	45	-	-	-	71
Public Welfare Trust Fund	-	-	573	12	-	-	-	585
Alcoholic Beverage Control Board	-	-	50	5	-	-	-	55
Nonmajor Governmental	100	1,211	21	112	-	-	461	1,905
Internal Service	-	-	413	40	2	42	35,558	36,055
Fiduciary	-	-	-	5	-	-	-	5
Totals	<u>\$ 100</u>	<u>\$ 1,211</u>	<u>\$ 10,295</u>	<u>\$ 266</u>	<u>\$ 2</u>	<u>\$ 42</u>	<u>\$ 36,019</u>	<u>\$ 47,935</u>

The component units of the State owe \$47,935,000 to various funds of the State. The largest portion, \$35,445,000 is owed by the Alabama Incentives Finance Authority, a nonmajor component unit, to the Risk Management Internal Service Fund. The second largest, \$9,212,000 is owed to Medicaid by Mental Health to match federal dollars.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2006 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN													
		Edu-	Ala		Public	Public		Alcoholic		Non-	Non-			
	General	cation	Trust		Road &	Welfare	Alabama	Beverage	Internal	major	major	State		
	Fund	Trust	Fund	Medicaid	Bridge	Trust	College	Control	Service	Enter-	Govern-	Port	Total	
	Fund	Fund	Fund		Fund	Fund	System	Board	Funds	prise	mental	Auth		
General Fund	\$ -	\$ -	\$ -	\$ 17,516	\$ 42	\$ 98,951	\$ -	\$ -	\$ 1,000	\$ -	\$ 61,870	\$ -	\$ 179,379	
Education														
Trust Fund			-	36,000	1,874	-	9,717	329,114	-	6,017	-	230,853	-	613,575
Alabama Trust	111,481		-	-	-	-	-	-	-	-	-	139,824	-	251,305
Medicaid		-	-	-	-	-	85,452	-	-	-	-	146,804	-	232,256
Public Road														
& Bridge Fund		-	-	-	-	-	-	-	-	-	-	52,475	-	52,475
Public Welfare														
Trust Fund		-	-	-	30,460	175	-	-	-	-	-	30,672	-	61,307
Alcoholic														
Beverage														
Control Board	16,871		-	-	-	-	1,040	-	-	-	-	130	-	18,041
Unemployment														
Compensation		-	-	-	-	-	-	-	-	-	-	9,861	-	9,861
Nonmajor														
Governmental	75,508	2,592	1,368	49,926	51,485	2,010	-	604	3,904	56	189,943	24,276	401,672	
Nonmajor														
Enterprise		-	-	-	-	-	-	-	-	-	-	5,104	-	5,104
Internal														
Service		-	-	-	-	-	-	-	25,585	-	81	-	25,666	
State Port Auth		-	-	-	-	-	-	-	-	-	24	-	24	
Fiduciary		-	-	-	-	-	-	-	-	-	1	-	1	
Totals	\$ 203,860	\$ 2,592	\$ 37,368	\$ 99,776	\$ 51,702	\$ 197,170	\$ 329,114	\$ 604	\$ 36,506	\$ 56	\$ 867,642	\$ 24,276	\$ 1,850,666	

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 \$179,379,000 transferred to other funds by the General Fund, \$156,551,000 was transferred in compliance with the appropriation acts. Of that amount, \$98,951,000 was transferred to the Public Welfare Trust Fund and \$61,870,000 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 \$613,575,000 to other funds. Of that amount, \$329,114,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive \$6,017,000 to fund telephone and computer services, the Public Welfare Trust Fund received \$9,717,000, the Alabama Trust Fund received \$36,000,000 to partially replenish the Education Rainy Day Account, and \$216,876,000 was transferred to the ETF Proration Prevention Fund, a Nonmajor Governmental Fund. 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 \$16,871,000 to the General Fund and \$1,040,000 to the Public Welfare Trust Fund, which represents those 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 \$111,481,000, the Forever Wild Land Trust Fund, a Nonmajor Governmental Fund, received \$15,000,000, the County Government Capital Improvement Fund, a Nonmajor Governmental Fund, received \$15,155,000, the Municipal Government Capital Improvement Fund, a Nonmajor Governmental Fund, received \$15,156,000, the Alabama Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$75,610,000, and the County and Municipal Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$18,903,000.

The financial statements show \$18,000 more in transfers out for Internal Service Funds because transfers of capital asset of \$18,000 were made from an Internal Service Fund (Telecommunications Revolving Fund) to governmental capital assets.

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, 2006

A. The State Insurance Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named storm wind, and a \$5,000,000 specific loss deductible for named storm wind. Excess insurance covers claims exceeding \$7,500,000 with a \$750,000,000 limit. Payments received in fiscal years 2006 and 2005 for settlements in excess of deductibles totaled \$13,446,272 and \$6,079,777, respectively.

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

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$15,274,107	\$11,732,747
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	17,888,971	12,145,774
Increase (Decrease) in provision for insured events of prior years	<u>(1,100,991)</u>	<u>9,607,711</u>
Total incurred claims and adjustment expenses	16,787,980	21,753,485
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(6,244,752)	(4,139,538)
Claims and adjustment expenses attributable to insured events of prior years	<u>(9,285,716)</u>	<u>(14,072,587)</u>
Total payments	(15,530,468)	(18,212,125)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$16,531,619</u>	<u>\$15,274,107</u>

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

B. General Liability Trust Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The GLTF had a \$3,300,000 deductible on claims. Excess insurance was not renewed in April 2002 so GLTF is currently without excess coverage. Payments received in fiscal years 2006 and 2005 for settlements in excess of deductibles totaled \$0 and \$1,000,000, respectively.

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

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$32,277,297	\$26,974,604
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	3,602,051	5,450,476
Increase (Decrease) in provision for insured events of prior years	<u>4,536,598</u>	<u>9,796,701</u>
Total incurred claims and adjustment expenses	8,138,649	15,247,177
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(766,615)	(3,227,460)
Claims and adjustment expenses attributable to insured events of prior years	<u>(8,472,429)</u>	<u>(6,717,024)</u>
Total payments	(9,239,044)	(9,944,484)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$31,176,902</u>	<u>\$32,277,297</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

C. State Employee Injury Compensation Trust Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary. Reinsurance was not renewed in 2004 due to high market insurance premiums and retentions as compared with payout probabilities. Payments received in fiscal years 2006 and 2005 in excess of deductibles totaled \$0 and \$219,299, respectively.

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

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$28,449,727	\$30,959,734
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	6,826,500	6,512,056
Increase (Decrease) in provision for insured events of prior years	<u>995,094</u>	<u>(4,292,157)</u>
Total incurred claims and adjustment expenses	7,821,594	2,219,899
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,811,807)	(1,323,995)
Claims and adjustment expenses attributable to insured events of prior years	<u>(4,761,136)</u>	<u>(3,405,911)</u>
Total payments	(6,572,943)	(4,729,906)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$29,698,378</u>	<u>\$28,449,727</u>

This table includes the changes in claims liabilities for six major state agencies, as well as Risk Management. The claims incurred but not reported at the beginning of the year for these six agencies totaled \$20,274,780, and total claims payments were \$4,058,136 in 2006. These six agencies had \$20,873,558 in claims liabilities at the end of the year.

D. State Employees' Insurance Plan

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

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

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$49,765,679	\$39,282,596
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	424,540,534	401,989,044
Adjustment to estimated claims incurred but not reported at end of year	<u>3,357,095</u>	<u>5,754,167</u>
Total incurred claims and adjustment expenses	427,897,629	407,743,211
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(398,959,174)	(372,056,561)
Claims and adjustment expenses attributable to insured claims of prior years	<u>(28,853,448)</u>	<u>(25,203,567)</u>
Total payments	(427,812,622)	(397,260,128)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$49,850,686</u>	<u>\$49,765,679</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, 2006

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 \$668 per participant for 2006 and \$583 per participant for 2005. 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 2006 and 2005:

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Unpaid claims and claim adjustment expense at beginning of year	\$77,903,868	\$90,457,489
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	858,906,241	802,623,937
Increase (Decrease) in provision for insured events of prior years	<u>(13,684,902)</u>	<u>(17,969,103)</u>
Total incurred claims and adjustment expenses	845,221,339	784,654,834
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(788,706,800)	(724,720,069)
Claims and adjustment expenses attributable to insured events of prior years	<u>(64,218,967)</u>	<u>(72,488,386)</u>
Total payments	(852,925,767)	(797,208,455)
Total unpaid claims and adjustment expenses at end of year	<u>\$70,199,440</u>	<u>\$77,903,868</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 \$6,886,738 and \$8,816,723 in 2006 and 2005, 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, 2006 and 2005:

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$4,185,108	\$3,353,189
Incurred claims:		
Provision for insured events of the current year	27,616,401	27,568,861
Increase (Decrease) in provision for insured events of prior years	809,487	462,257
Total incurred claims and adjustment expenses	28,425,888	28,031,118
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(24,338,743)	(25,160,995)
Claims and adjustment expenses attributable to insured events of prior years	(2,337,654)	(2,038,204)
Total payments	(26,676,397)	(27,199,199)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$5,934,599</u>	<u>\$4,185,108</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, 2006

G. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Claims are self-insured to the extent of claims less than \$500,000 with no aggregate limit with respect to the number of such claims. Additionally, any individual claims in excess of \$5,000,000 are self-insured. An accrual for uninsured claims is included in other accrued liabilities in the Statement of Net Assets. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$1,084,128	\$1,249,771
Provision for claims	702,698	86,694
Total payments	<u>(418,712)</u>	<u>(252,337)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$1,368,114</u>	<u>\$1,084,128</u>

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

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

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

1. Plan Descriptions

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

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

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

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

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

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

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

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

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

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2006. Copies may be obtained by writing to:

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

At September 30, 2006, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	271
Counties	-	64
Other Public Entities	-	490
Universities	13	-
Post-Secondary Institutions	31	-
City & County Boards of Education	131	-
State Agencies & Other	31	-
Total	<u>206</u>	<u>825</u>

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Investments

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

As of September 30, 2006, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.7 percent and 8.2 percent, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2005 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

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

For the TRS and ERS, the normal contribution is determined using the “entry age normal” method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization method is level percent open for the September 30, 2005 actuarial valuations for the TRS and the ERS. The remaining amortization period is 20 years for the TRS, ERS-state employees, and ERS-state policemen.

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

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

For fiscal year 2007, the required contribution rate of the employer for ERS (state employees) is 7.78 percent and the rate for TRS is 9.36 percent. The employer contribution rate for ERS state policemen and JRF is 24.12 percent and 22.50 percent, respectively.

a. TRS and JRF

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

	Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
TRS	2004	312,474	100%
	2005	347,862	100
	2006	434,195	100
JRF	2004	8,994	100
	2005	8,943	100
	2006	8,916	100

* Amounts in Thousands

b. State Employer Segment of ERS

Contributions in 2006 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2003.

Actuarial Methods for ERS

Valuation Date: September 30, 2003
 Actuarial Cost Method: Entry Age
 Asset Valuation Method: 5 Yr Smoothed Market
 Amortization Method: Level Percent Open
 Remaining Amort Period: State Employees 20 years, State Policemen 20 years
 Period Closed/Open: Open

Actuarial Assumptions for ERS

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

*Includes inflation at 4.5%

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

Three-Year Trend Information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	52,213,176	100	0
2005	68,739,801	100	0
2006	96,954,490	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, 2006, net assets of the plan totaled \$939,326,861.

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

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

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

The cost of teachers' retiree health care benefits is recognized as expenditures to PEEHIP as claims are paid. The cost of the benefits is paid from the regular appropriations made to individual education entities. Total active enrolled members were 99,000 and total retired members and surviving spouse members were 44,462 in fiscal year 2006. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$252,043,185 was on behalf of retired members of PEEHIP for fiscal year 2006. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$78.00 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. Total premiums paid to PEEHIP by retirees for Hospital/Medical coverage was \$43,351,110 for the year to cover themselves and 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 plus an estimate of claims incurred but not reported is added. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. Average enrollment in 2006 was 10,642 for retirees over 65 and 5,249 for retirees under 65. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees, who retire on or after October 1, 2005 except for disability, Act 2004-648 provides that the State contribution for retiree health insurance premiums shall be based on years of service. The State contribution to the health insurance premium shall be reduced by two percent for each year of service less than twenty-five and increased by two percent for each year of service over twenty-five. The estimated State contribution for retirees over 65 in 2006 was \$43,755,038 and for retirees under 65 was \$32,021,496. The estimated additional increase/(loss) in State contributions for Act 2004-648 changes was (\$174,777).

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 \$106,248 and \$25,000 to the Authority for fiscal year 2006 and fiscal year 2005, 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>2006</u>	<u>2005</u>
Fund Balance	196	169
Revenues	306	195
Expenditures	279	228

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, 2006

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 \$212,886 in revenues in 2006.

NOTE 12 - RELATED PARTY TRANSACTIONS

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

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

The University of Alabama Birmingham Educational Foundation made contributions to the University of Alabama at Birmingham of \$5,275,000 during the 2006 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,682,000 for 2006.

An affiliation agreement documents the relationship between HSF and the University of Alabama at Birmingham (UAB). UAB's operating revenues include approximately \$30,243,000 of funding from HSF in 2006, which is used to support the educational and research activities of UAB.

The University of Alabama at Birmingham (UAB) and HSF have entered into an agreement 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 \$4,896,000 during 2006 to the UAB Health System Board.

The South Alabama Medical Science Foundation (SAMSF) exists for the purpose of promoting education and research at the University of South Alabama. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$958,000 for 2006.

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 \$94.6 million in fiscal year 2006, \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various State programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

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

Eugene Crum, Jr., et al. v. State of Alabama, et al., is an employment discrimination case filed in 1994 against various state agencies and the State Personnel Department. The Crum case alleges discrimination in all aspects of employment. The potential cost of the Crum case is currently undeterminable. In March 2006, The State filed a request to the Court for a ruling on the class certification issue citing, in part, the continuing financial burden that expert updates and responses has placed on the State. Though granting the State's "Motion for a Ruling" in May 2006, the Court has not yet issued any order resolving the class certification issue or set a hearing for the certification.

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

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

The State of Alabama Department of Revenue is also involved in additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. These cases have a combined potential refund liability or reduction of assessments of approximately \$200,000,000. Adverse rulings in these cases could also reduce future revenues.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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 \$56,000,000.

The Department of Corrections, the Department of Human Resources, the Department of Rehabilitation Services, the Department of Transportation, and the Board of Pardons and Paroles has been involved in litigation that occurs in the normal course of the operations and activities of those agencies. The combined potential liability of all of the cases involving these agencies is approximately \$51,000,000.

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net assets restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5% of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6%. The net endowment appreciation of the four-year colleges at September 30, 2006 was \$315,915,141.

NOTE 15 - SUBSEQUENT EVENTS

During November and December 2006, Alabama State Port Authority issued Series 2006-A, 2006-B, 2006-C and 2006-D bonds. The Series 2006-A bonds in the amount of \$157,645,000 were used to refund the outstanding principal of the Series 1997 and Series 2001 bonds. The interest rates on the 2006-A bonds range from 4.5% to 5% and they mature October 1, 2036. The Series 2006-B bonds in the amount of \$70,050,000 were used to refund the outstanding Series 1998 bonds. The interest rates on the 2006-B bonds range from 4.5% to 5% and they mature October 1, 2036. The Series 2006-C bonds in the amount of \$60,455,000 were used to refund the outstanding Series 1996 bonds. The interest rates on the bonds are variable and they mature October 1, 2021. The Series 2001-D bonds in the amount of \$21,600,000 bear interest at 4.35% and mature October 1, 2030.

On November 1, 2006, Auburn University issued \$60,000,000 of Series 2006-A General Fee Revenue Bonds. The interest rates on the bonds range from 3.5% to 5%. The maturity date of the bonds is June 1, 2037.

In March 2007, the Alabama Higher Education Loan Corporation made a \$5,242,044 arbitrage payment to the Internal Revenue Service relating to excess earnings on the 1994-A, 1994-B, 1994-C and 1994-D bonds.

On November 27, 2006, the Alabama Higher Education Loan Corporation issued Series 2006 student loan refunding bonds in the amount of \$100,000,000. The bonds proceeds were used to refund the 1994C, 1994D, and 1998A outstanding bonds. The interest rates on the bonds are variable. The maturity date of the bonds is November 1, 2041.

From October 1, 2006 through January 10, 2007, the Alabama Housing Finance Authority called approximately \$24,850,000 of bonds prior to their scheduled maturities in the single family bond program and \$13,330,000 of bonds in the multifamily bond program. The Authority issued approximately \$260,000,000 of bonds in the single-family bond program during the same time period.

On November 15, 2006, the Alabama Incentives Financing Authority called \$10,900,000 of its 1999-C Series bonds prior to their scheduled maturity.



STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,086,731	\$ 1,102,224	\$ 1,133,754	\$ 31,530
Licenses, Permits and Fees	136,397	138,341	142,298	3,957
Fines and Forfeits	21,446	21,752	22,374	622
Investment Income	104,888	106,383	109,426	3,043
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	949	963	991	28
Total Revenues	1,350,411	1,369,663	1,408,843	39,180
EXPENDITURES				
Administrative Office of Courts	135,365	135,365	135,352	13
Agriculture and Industries	11,319	11,319	11,319	-
Attorney General	10,286	10,286	10,286	-
Auditor	734	734	664	70
Commission on Higher Education	-	-	-	-
Corrections	313,683	322,737	322,729	8
Economic and Community Affairs	11,390	13,107	12,594	513
Education	-	-	-	-
Emergency Management	28,831	28,837	28,825	12
Examiners of Public Accounts	10,393	10,393	10,393	-
Finance	8,536	10,567	9,706	861
Governor	3,932	4,035	3,519	516
Human Resources	-	-	-	-
Industrial Relations	515	690	690	-
Legislature	22,158	22,188	17,601	4,587
Medicaid	430,781	430,781	430,781	-
Mental Health and Retardation	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	46,181	46,181	43,877	2,304
Public Safety	50,645	50,645	50,430	215
Public Service Commission	-	-	-	-
Rehabilitation Services	990	990	990	-
Revenue	114	114	82	32
Secretary of State	2,595	2,595	2,045	550
Transportation	-	-	-	-
Treasurer	2,266	2,266	2,038	228
Youth Services	16,254	16,254	16,124	130
Colleges and Universities	-	25	25	-
Other	176,497	176,389	170,040	6,349
Total Expenditures	1,283,465	1,296,498	1,280,110	16,388
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,946	73,165	128,733	55,568
OTHER FINANCING SOURCES (USES)				
Transfers In	207,797	210,759	216,788	6,029
Transfers Out	(274,743)	(283,962)	(283,962)	-
Bonds Issued	-	-	-	-
Premiums on Debt	-	-	-	-
Insurance Recovery Proceeds	-	38	38	-
Total Other Financing Sources (Uses)	(66,946)	(73,165)	(67,136)	6,029
Net Change in Fund Balances	\$ 0	\$ 0	61,597	\$ 61,597

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		
\$ 5,151,497	\$ 5,371,819	\$ 5,525,169	\$ 153,350	\$ 987,712	\$ 1,020,034	\$ 937,374	\$ (82,660)
519	541	556	15	392,218	405,053	372,229	(32,824)
-	-	-	-	17,633	18,210	16,734	(1,476)
-	-	-	-	86,176	88,996	81,784	(7,212)
-	-	-	-	6,798,993	7,021,484	6,452,486	(568,998)
287	299	308	9	884,735	913,687	839,645	(74,042)
5,152,303	5,372,659	5,526,033	153,374	9,167,467	9,467,464	8,700,252	(767,212)
-	-	-	-	21,023	30,457	23,911	6,546
-	-	-	-	20,415	27,833	24,776	3,057
-	-	-	-	5,903	5,903	5,409	494
-	-	-	-	-	-	-	-
14,765	14,765	14,303	462	3,528	3,528	2,240	1,288
-	-	-	-	47,765	49,873	31,944	17,929
-	-	-	-	235,149	260,758	178,208	82,550
3,463,822	3,461,799	3,461,128	671	1,104,595	1,149,510	985,870	163,640
-	-	-	-	128,398	240,313	175,116	65,197
5,739	5,739	5,739	-	2,037	2,038	1,138	900
-	-	-	-	108,251	108,801	87,061	21,740
-	-	-	-	-	12,143	-	12,143
-	-	-	-	1,324,747	1,411,900	1,255,865	156,035
-	-	-	-	91,570	91,572	69,722	21,850
-	-	-	-	-	-	-	-
-	-	-	-	3,788,196	3,798,196	3,787,205	10,991
-	-	-	-	648,814	667,727	616,478	51,249
341,271	345,925	345,886	39	14,809	15,710	13,100	2,610
14,425	14,625	14,590	35	510,604	540,689	495,210	45,479
-	-	-	-	98,392	98,392	68,021	30,371
-	-	-	-	17,477	17,504	13,849	3,655
31,249	31,249	31,248	1	109,578	111,222	103,819	7,403
-	-	-	-	104,183	109,337	108,413	924
-	-	-	-	43,025	43,464	26,227	17,237
-	-	-	-	1,583,851	1,615,373	1,363,469	251,904
-	-	-	-	3,275	3,275	2,574	701
46,804	46,804	46,793	11	21,442	21,442	18,075	3,367
1,032,382	1,045,238	1,045,238	-	-	58	58	-
103,935	105,728	105,220	508	867,084	978,888	839,140	139,748
5,054,392	5,071,872	5,070,145	1,727	10,904,111	11,415,906	10,296,898	1,119,008
97,911	300,787	455,888	155,101	(1,736,644)	(1,948,442)	(1,596,646)	351,796
2,421	2,525	2,597	72	1,736,644	1,793,474	1,648,137	(145,337)
(100,332)	(303,312)	(303,312)	-	-	-	-	-
-	-	-	-	-	146,724	146,724	-
-	-	-	-	-	154	154	-
-	-	-	-	-	8,090	8,090	-
(97,911)	(300,787)	(300,715)	72	1,736,644	1,948,442	1,803,105	(145,337)
\$ 0	\$ 0	155,173	\$ 155,173	\$ 0	\$ 0	206,459	\$ 206,459

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust
Net Change in Fund Balance	61,597	155,173	206,459	
Reconciliation to GAAP Basis:				
<i>Perspective Differences:</i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(206,459)	1,845
<i>Basis Differences:</i>				
Accruals of revenues and other revenue adjustments	37,291	(110,356)		(138)
Accruals of expenditures, expenses and other non-budgeted items	(15,662)	(2,011)		-
To remove asset purchases treated as budgetary expenditures	3			-
To remove encumbrances recognized as expenditures	613	1,909		73
To recognize prior budget year expenditures/expenses	(6,290)	(485)		-
To remove budget expenditures/expenses not accrued as liabilities	2,819	(518)		-
<i>Entity Differences:</i>				
Add net operating results for funds not budgeted				269,366
Net Change in Fund Balances/Net Assets - GAAP Basis	80,371	43,712	0	271,146
Fund Balances/Net Assets, October 1, 2005, as Restated	323,882	985,833		2,704,424
Increase (Decrease) in Inventory	454	-		-
Fund Balances/Net Assets, September 30, 2006	\$ 404,707	\$ 1,029,545		\$ 2,975,570

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
30,136	8,666	(13,588)	66,264	(42,177)	25,037	(9,914)	70,767	69,423
105,399	35,139	(1,533)	57,110	622	(17,020)	1,143	19,954	98,736
48,934	401	(30)	(65,014)	37,230	(6,629)	8,539	(51,076)	(118,669)
-	-	-	418	1,837	17,669	390	-	1,365
5,152	23,267	5,219	27,063	464	7,662	188	37	4,922
(4)	(12,677)	(1,225)	(137,267)	(1,020)	(804)	(832)	2	(111,077)
335	2,664	(798)	26,851	92	1,357	3	(9)	10,133
282	(7,834)	(626)	242,339	190,442	(28,221)	1,652,014	115,513	730,773
190,234	49,626	(12,581)	217,764	187,490	(949)	1,651,531	155,188	685,606
(58,631)	505,157	38,522	1,130,728	1,191,496	137,806	27,857,323	1,099,447	4,867,661
-	4,029	-	88	-	-	-	-	-
\$ 131,603	\$ 558,812	\$ 25,941	\$ 1,348,580	\$1,378,986	\$ 136,857	\$ 29,508,854	\$ 1,254,635	\$ 5,553,267

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2006

A. Budgetary Process

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

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are mentioned in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins. During 2006 approximately \$2 million of supplemental appropriations and \$20 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. Appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total amount appropriated. The Department of Corrections received \$9 million of conditional appropriations for the fiscal year 2006 annual budget. The Department of Mental Health and Mental Retardation received \$6.5 million of conditional appropriations. Approximately \$201 million of supplemental appropriations and \$21 million of conditional appropriations were distributed from the Education Trust Fund. \$199 million was transferred to the ETF Proration Prevention Account from the conditional appropriations and various universities received supplemental appropriations.

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 \$512 million increase in the Earmarked Funds are increased Federal funds.

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

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2006

B. Budgetary Control

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

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

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

Both the *Alabama Constitution* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2006.

C. Encumbrance Accounting

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

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

D. Lapsing of Appropriations

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

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2006

E. Budgetary Basis of Accounting and Fund Structure

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

REQUIRED SUPPLEMENTARY INFORMATION

State Insurance Fund Ten Year Loss Development Information

For the Fiscal Year Ended September 30, 2006

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

	Fiscal and Accident Year Ended									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Premiums and investment revenue:										
Earned	\$ 14,845,703	\$ 14,449,311	\$ 15,084,840	\$ 15,467,934	\$ 13,870,802	\$ 11,784,626	\$ 20,107,746	\$ 26,051,353	\$ 28,011,985	\$ 28,681,631
Ceded	3,471,031	3,945,428	4,057,885	3,720,562	4,625,350	6,818,750	9,220,295	9,354,929	8,866,003	11,097,719
Net Earned	11,374,672	10,503,883	11,026,955	11,747,372	9,245,452	4,965,876	10,887,451	16,696,424	19,145,982	17,583,912
2. Unallocated Expenses	1,435,790	5,198,350	1,335,404	1,386,108	1,491,719	1,629,983	1,321,010	1,225,875	1,434,721	2,012,079
3. Estimated losses and expenses, end of accident year:										
Incurred	5,003,752	6,086,375	10,060,535	7,452,983	10,467,010	9,032,692	20,571,474	19,112,695	15,806,047	17,978,395
Ceded	-	-	2,716,695	-	579,828	1,042,092	6,950,182	5,857,254	990,374	89,424
Net incurred	5,003,752	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971
4. Net paid (cumulative) as of:										
End of Accident Year	1,883,298	2,287,443	3,175,039	2,257,460	4,085,891	1,637,570	6,723,799	2,956,081	2,229,160	6,244,752
One Year Later	3,762,516	6,294,100	5,810,797	5,534,435	8,731,518	6,962,172	12,336,940	8,431,874	10,067,705	
Two Years Later	3,910,095	6,381,310	5,902,929	7,133,858	9,763,421	7,407,580	11,635,926	9,549,266		
Three Years Later	3,928,265	6,452,228	5,997,692	7,138,275	9,781,362	7,423,623	11,983,268			
Four Years Later	3,928,032	6,515,796	6,014,366	7,098,275	9,796,428	7,423,567				
Five Years Later	4,012,069	6,613,105	6,014,367	7,098,275	9,796,428					
Six Years Later	4,011,009	6,613,105	5,997,692	7,095,843						
Seven Years Later	4,010,785	6,508,613	5,980,936							
Eight Years Later	4,009,539	6,508,613								
Nine Years Later	4,009,539									
5. Reestimated ceded losses and expenses	-	1,121,243	2,979,975	-	536,714	2,220,905	6,305,158	27,739,260	17,256,334	89,424
6. Reestimated net incurred losses and expenses:										
End of Accident Year	5,003,752	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971
One Year Later	4,650,529	7,265,373	6,357,538	7,315,000	9,726,118	7,716,161	13,057,529	10,602,396	13,800,922	
Two Years Later	4,376,397	6,767,178	6,209,767	7,383,997	10,102,843	7,686,755	12,054,404	10,662,436		
Three Years Later	3,971,996	6,496,750	6,138,940	7,350,254	10,021,277	7,470,885	11,999,278			
Four Years Later	3,967,312	6,630,949	6,148,547	7,240,524	9,846,077	7,448,569				
Five Years Later	4,012,069	6,656,915	6,041,804	7,098,275	9,796,428					
Six Years Later	4,035,803	6,635,445	5,997,692	7,095,843						
Seven Years Later	4,010,785	6,508,614	5,980,936							
Eight Years Later	4,009,539	6,508,613								
Nine Years Later	4,009,539									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(994,213)	422,238	(1,362,904)	(357,140)	(90,754)	(542,031)	(1,622,014)	(2,593,005)	(1,014,751)	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Employees' Retirement System

For the Fiscal Year Ended September 30, 2006

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
9/30/2000	4,689,429	4,369,226	(320,203)	107.3	1,023,022	(31.3)
9/30/2001	4,800,280	4,687,351	(112,929)	102.4	1,091,775	(10.3)
9/30/2002	4,787,994	4,923,618	135,624	97.2	1,163,845	11.7
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8
9/30/2004	4,922,875	5,464,579	541,704	90.1	1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2006

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 2006 include approximately 10,849 miles of state maintained highways and 5,321 of state maintained bridges and culverts.

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

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

A. Roads**Measurement Scale**

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

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

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

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2006

Established Condition Level

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

Assessed Conditions

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

Category	As of 09/30/2006		As of 09/30/2005		As of 09/30/2004	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,159	77.77	7,165	83.92	7,201	75.00
Non-Interstate National Highway System	2,782	71.61	2,778	73.05	2,739	77.95
Interstate System	905	77.01	906	77.01	906	83.73
Summary Total and Weighted Average Rating	10,846	76.13	10,846	76.48	10,846	76.48

B. Bridges

Measurement Scale

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

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

Established Condition Level

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

Assessed Conditions

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2006

Category	As of 09/30/2006		As of 09/30/2005		As of 09/30/2004	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National Highway System	2,587	6.75	2,582	6.74	2,920	6.82
Non-Interstate National Highway System	1,592	6.90	1,580	6.89	1,577	7.18
Interstate System	1,149	6.14	1,159	6.18	1,155	6.23
Summary Total and Weighted Average Rating	5,328	6.66	5,321	6.66	5,652	6.79

C. Estimated and Actual Costs

In fiscal years 2006, 2005, 2004, 2003, and 2002, the State estimated it would need to spend \$247.1 million, \$247.1, \$205.0, \$205.0 and \$205.0, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. In fiscal year 2006, the State spent \$249,823,000 for roadway preservation and \$2,188,000 for bridge preservation. In fiscal year 2005, the State spent \$179,902,767 for roadway preservation and \$3,082,943 for bridge preservation. In fiscal years 2004, 2003, and 2002 the State spent \$162,823,215, \$124,388,121, and \$186,391,931, respectively, for maintenance and preservation of roadway and bridge assets combined. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$277,744,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the “Established Condition Levels”.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2006

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,162,348	\$ 4,492	\$ 250,896	\$ 6,644	\$ 1,424,380
Investments	159,834	374	30,552	38,532	229,292
Accounts Receivable	2,222	-	4	-	2,226
Due from Other Funds	52,506	-	15	2	52,523
Due from Component Units	1,905	-	-	-	1,905
Due from Other Governments	105,857	-	-	-	105,857
Taxes Receivable	129,569	-	-	-	129,569
Interest and Dividends Receivable	28	-	-	108	136
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	125	-	-	4,034	4,159
Inventory	1,239	-	-	-	1,239
Restricted Assets	1,639	-	-	-	1,639
TOTAL ASSETS	\$ 1,617,272	\$ 4,866	\$ 281,467	\$ 49,359	\$ 1,952,964
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 24,085	\$ 0	\$ 801	\$ 0	\$ 24,886
Accounts Payable	124,898	-	2,749	-	127,647
Salaries Payable	51,265	-	-	-	51,265
Due to Other Funds	39,580	-	1,000	16	40,596
Due to Component Units	161	-	-	-	161
Due to Other Governments	174,447	-	-	-	174,447
Securities Lending Obligation	125	-	-	4,034	4,159
Deferred Revenue	103,038	-	-	-	103,038
Amounts Held in Custody for Others	77,786	-	-	-	77,786
Compensated Absences	399	-	-	-	399
Total Liabilities	595,784	0	4,550	4,050	604,384
Fund Balances					
Reserved for:					
Encumbrances	28,742	-	1,389	-	30,131
Inventory	1,239	-	-	-	1,239
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	-	-	-	29,136	29,136
Unreserved, Designated for Capital Projects	-	-	275,528	-	275,528
Unreserved, Designated for Debt Service	-	4,866	-	-	4,866
Unreserved, Undesignated	983,598	-	-	16,173	999,771
Total Fund Balances	1,021,488	4,866	276,917	45,309	1,348,580
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,617,272	\$ 4,866	\$ 281,467	\$ 49,359	\$ 1,952,964

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, 2006

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 749,388	\$ 0	\$ 0	\$ 0	\$ 749,388
Licenses, Permits, and Fees	319,215	-	-	1,067	320,282
Fines, Forfeits, and Court Settlements	17,449	-	-	-	17,449
Investment Income	24,375	204	13,182	1,872	39,633
Federal Grants and Reimbursements	1,870,033	-	-	-	1,870,033
Other Revenues	257,985	4,007	6	1,771	263,769
Total Revenues	3,238,445	4,211	13,188	4,710	3,260,554
EXPENDITURES					
Current:					
Economic Development and Regulation	63,279	-	-	-	63,279
Education and Cultural Resources	1,005,046	-	98	18	1,005,162
Natural Resources and Recreation	150,494	-	18,608	-	169,102
Health - Physical and Mental	615,976	-	-	-	615,976
Social Services	343,845	-	-	-	343,845
Protection of Persons and Property	458,664	-	-	-	458,664
Transportation	246,962	-	-	-	246,962
General Government	530,046	-	-	-	530,046
Capital Outlay	16,034	-	40,801	-	56,835
Debt Service - Principal Retirement	15,377	39,432	-	-	54,809
Debt Service - Interest and Other Charges	3,520	31,277	73	-	34,870
Total Expenditures	3,449,243	70,709	59,580	18	3,579,550
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(210,798)	(66,498)	(46,392)	4,692	(318,996)
OTHER FINANCING SOURCES (USES)					
Transfers In	796,517	66,604	3,603	918	867,642
Transfers Out	(363,967)	-	(37,510)	(195)	(401,672)
Bonds Issued	-	-	61,150	-	61,150
Capital Leases	1,989	-	-	-	1,989
Debt Issuance Premiums	-	154	931	-	1,085
Insurance Recovery Proceeds	6,566	-	-	-	6,566
Total Other Financing Sources (Uses)	441,105	66,758	28,174	723	536,760
Net Change in Fund Balances	230,307	260	(18,218)	5,415	217,764
Fund Balances, October 1, 2005, as Restated	791,093	4,606	295,135	39,894	1,130,728
Increase (Decrease) in Inventory	88	-	-	-	88
Fund Balances, September 30, 2006	\$ 1,021,488	\$ 4,866	\$ 276,917	\$ 45,309	\$ 1,348,580



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, 2006

(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	\$ 66,223	\$ 39,763	\$ 27,873	\$ 78,753	\$ 2,781
Investments	-	-	-	-	-
Accounts Receivable	26	14	246	-	-
Due from Other Funds	14,067	1,826	683	943	-
Due from Component Units	115	1	2	-	-
Due from Other Governments	11,360	67,329	10,889	-	-
Taxes Receivable	-	18	-	14,936	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-
Inventory	-	-	583	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 91,791	\$ 108,951	\$ 40,276	\$ 94,632	\$ 2,781
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 5,622	\$ 5,952	\$ 284	\$ 2,044	\$ 0
Accounts Payable	21,808	22,114	9,089	71	-
Salaries Payable	13,610	3,186	918	-	-
Due to Other Funds	6,384	631	524	1,928	-
Due to Component Units	41	13	1	-	-
Due to Other Governments	387	60,792	3,787	90,578	-
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	-	-	211	11	-
Amounts Held in Custody for Others	3	-	-	-	-
Compensated Absences	31	54	20	-	-
Total Liabilities	47,886	92,742	14,834	94,632	0
Fund Balances					
Reserved for:					
Encumbrances	6,879	5,456	479	-	-
Inventory	-	-	583	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	37,026	10,753	16,504	-	2,781
Total Fund Balances	43,905	16,209	25,442	0	2,781
TOTAL LIABILITIES AND FUND BALANCES	\$ 91,791	\$ 108,951	\$ 40,276	\$ 94,632	\$ 2,781

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 13,163	\$ 6,745	\$ 14,626	\$ 5,016	\$ 15,317	\$ 64,278	\$ 827,810	\$ 1,162,348
-	-	-	-	-	14	159,820	159,834
40	-	8	-	-	638	1,250	2,222
1,704	-	888	5	477	1,401	30,512	52,506
5	100	-	2	-	-	1,680	1,905
9	-	-	3	24	-	16,243	105,857
-	107,347	-	323	-	2,228	4,717	129,569
-	-	-	-	-	-	28	28
-	-	-	-	-	-	125	125
146	-	-	-	-	370	140	1,239
-	-	-	-	-	-	1,639	1,639
\$ 15,067	\$ 114,192	\$ 15,522	\$ 5,349	\$ 15,818	\$ 68,929	\$ 1,043,964	\$ 1,617,272
\$ 446	\$ 15	\$ 24	\$ 150	\$ 76	\$ 446	\$ 9,026	\$ 24,085
7,838	100	1,672	2,817	692	4,274	54,423	124,898
2,335	-	46	6,261	4,659	4,429	15,821	51,265
691	-	1,391	1,399	455	921	25,256	39,580
10	-	-	10	-	11	75	161
301	-	24	4	18	246	18,310	174,447
-	-	-	-	-	-	125	125
-	91,360	-	-	99	296	11,061	103,038
1	-	-	72	15	135	77,560	77,786
16	-	-	10	44	96	128	399
11,638	91,475	3,157	10,723	6,058	10,854	211,785	595,784
1,538	-	1	-	240	2,556	11,593	28,742
146	-	-	-	-	370	140	1,239
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
1,745	22,717	12,364	(5,374)	9,520	55,149	820,413	983,598
3,429	22,717	12,365	(5,374)	9,760	58,075	832,179	1,021,488
\$ 15,067	\$ 114,192	\$ 15,522	\$ 5,349	\$ 15,818	\$ 68,929	\$ 1,043,964	\$ 1,617,272

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 3,448	\$ 2,770	\$ 0	\$ 398,382	\$ 56,694
Licenses, Permits, and Fees	41,458	1,489	6	29,120	-
Fines, Forfeits, and Court Settlements	13	-	1,600	-	-
Investment Income	-	-	478	-	-
Federal Grants and Reimbursements	295,019	852,594	172,842	2,500	-
Other Revenues	39,592	10,957	3,444	-	27,857
Total Revenues	379,530	867,810	178,370	430,002	84,551
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	821,251	-	4,295	-
Natural Resources and Recreation	-	-	-	9,687	-
Health - Physical and Mental	459,316	-	-	378	58,180
Social Services	-	35,697	44,156	-	-
Protection of Persons and Property	-	-	22,004	-	-
Transportation	-	-	-	215,018	-
General Government	-	-	96,766	236,215	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	59	-	-	-
Debt Service - Interest and Other Charges	-	-	-	-	-
Total Expenditures	459,316	857,007	162,926	465,593	58,180
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(79,786)	10,803	15,444	(35,591)	26,371
OTHER FINANCING SOURCES (USES)					
Transfers In	109,339	3,022	8,795	35,591	3
Transfers Out	(35,130)	(2,450)	(17,594)	-	(27,857)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	-	3	3	-	-
Total Other Financing Sources (Uses)	74,209	575	(8,796)	35,591	(27,854)
Net Change in Fund Balances	(5,577)	11,378	6,648	0	(1,483)
Fund Balances, October 1, 2005, as Restated	49,482	4,831	18,723	-	4,264
Increase (Decrease) in Inventory	-	-	71	-	-
Fund Balances, September 30, 2006	\$ 43,905	\$ 16,209	\$ 25,442	\$ 0	\$ 2,781

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 136,788	\$ 0	\$ 94,763	\$ 4,197	\$ 10,312	\$ 42,034	\$ 749,388
-	-	-	2,093	97	19,039	225,913	319,215
1,392	-	-	89	31	996	13,328	17,449
-	-	-	-	256	595	23,046	24,375
72,769	-	-	1,409	55,861	19,571	397,468	1,870,033
2,401	437	47,260	3,159	1,531	28,403	92,944	257,985
76,562	137,225	47,260	101,513	61,973	78,916	794,733	3,238,445
-	-	-	-	-	-	63,279	63,279
7,518	130,000	-	-	-	-	41,982	1,005,046
-	-	-	-	-	120,341	20,466	150,494
-	-	1,588	-	-	-	96,514	615,976
89,557	-	25,716	-	61,637	-	87,082	343,845
-	-	12,068	-	8,531	-	416,061	458,664
-	-	-	-	-	-	31,944	246,962
-	-	2,969	107,264	-	-	86,832	530,046
-	-	-	-	-	-	16,034	16,034
-	-	-	154	-	158	15,006	15,377
-	533	-	25	-	6	2,956	3,520
97,075	130,533	42,341	107,443	70,168	120,505	878,156	3,449,243
(20,513)	6,692	4,919	(5,930)	(8,195)	(41,589)	(83,423)	(210,798)
25,518	567	-	6,260	12,219	49,353	545,850	796,517
(4,421)	-	(36,740)	(6,084)	(207)	(9,804)	(223,680)	(363,967)
-	-	-	-	-	-	1,989	1,989
18	-	-	-	-	5,593	949	6,566
21,115	567	(36,740)	176	12,012	45,142	325,108	441,105
602	7,259	(31,821)	(5,754)	3,817	3,553	241,685	230,307
2,833	15,458	44,186	380	5,943	54,499	590,494	791,093
(6)	-	-	-	-	23	-	88
\$ 3,429	\$ 22,717	\$ 12,365	\$ (5,374)	\$ 9,760	\$ 58,075	\$ 832,179	\$ 1,021,488

STATE OF ALABAMA

COMBINING BALANCE SHEET

Other Nonmajor Special Revenue Funds

September 30, 2006

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
ASSETS					
Cash and Cash Equivalents	\$ 11,912	\$ 24,664	\$ 1,601	\$ 44,413	\$ 3,627
Investments	208	10,327	-	7,438	-
Accounts Receivable	4	-	-	26	-
Due from Other Funds	12,676	1,721	8,093	66	160
Due from Component Units	-	1,665	-	-	-
Due from Other Governments	-	-	1,754	-	1,759
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	-	125	-	-	-
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 24,800	\$ 38,502	\$ 11,448	\$ 51,943	\$ 5,546
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 449	\$ 903	\$ 279	\$ 158	\$ 476
Accounts Payable	670	6,212	-	1,190	118
Salaries Payable	258	3,069	146	1,139	313
Due to Other Funds	874	10,952	1,376	388	61
Due to Component Units	-	8	-	-	-
Due to Other Governments	-	156	7,273	-	1,760
Securities Lending Obligation	-	125	-	-	-
Deferred Revenue	-	-	-	10,170	-
Amounts Held in Custody for Others	-	1	-	878	-
Compensated Absences	1	8	-	-	-
Total Liabilities	2,252	21,434	9,074	13,923	2,728
Fund Balances					
Reserved for:					
Encumbrances	1,821	395	3	478	1,792
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	20,727	16,673	2,371	37,542	1,026
Total Fund Balances	22,548	17,068	2,374	38,020	2,818
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,800	\$ 38,502	\$ 11,448	\$ 51,943	\$ 5,546

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Miscellaneous Special Revenue Funds	Totals
\$ 665	\$ 8,651	\$ 32,667	\$ 5,980	\$ 63,686	\$ 629,944	\$ 827,810
4,038	1,056	-	-	-	136,753	159,820
1,090	-	-	-	-	130	1,250
-	886	137	-	-	6,773	30,512
-	-	-	-	-	15	1,680
-	5,748	-	-	-	6,982	16,243
-	-	-	-	-	4,717	4,717
-	-	28	-	-	-	28
-	-	-	-	-	-	125
-	-	-	-	-	140	140
1,639	-	-	-	-	-	1,639
\$ 7,432	\$ 16,341	\$ 32,832	\$ 5,980	\$ 63,686	\$ 785,454	\$ 1,043,964
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,761	\$ 9,026
1,067	994	1	-	9,402	34,769	54,423
-	-	-	-	-	10,896	15,821
-	3,859	-	-	3,889	3,857	25,256
-	-	-	-	-	67	75
-	1,141	-	-	-	7,980	18,310
-	-	-	-	-	-	125
69	-	-	-	-	822	11,061
-	-	1	-	-	76,680	77,560
-	-	-	-	-	119	128
1,136	5,994	2	0	13,291	141,951	211,785
-	-	-	-	-	7,104	11,593
-	-	-	-	-	140	140
-	-	-	-	-	33	33
6,296	10,347	32,830	5,980	50,395	636,226	820,413
6,296	10,347	32,830	5,980	50,395	643,503	832,179
\$ 7,432	\$ 16,341	\$ 32,832	\$ 5,980	\$ 63,686	\$ 785,454	\$ 1,043,964

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, 2006

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
REVENUES					
Taxes	\$ 0	\$ 76	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	1,316	60,829	-	31,574	-
Fines, Forfeits, and Court Settlements	1,844	1,440	-	3,650	-
Investment Income	10	798	-	788	-
Federal Grants and Reimbursements	46	20,701	22,735	298	167,953
Other Revenues	14,727	1,298	80	1,355	3,640
Total Revenues	17,943	85,142	22,815	37,665	171,593
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	1,822	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	-	81,016	-	-	-
Social Services	-	-	55,877	-	-
Protection of Persons and Property	16,660	-	-	33,974	139,358
Transportation	-	-	-	-	-
General Government	-	-	-	28	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	614	64	-	-	-
Debt Service - Interest and Other Charges	235	775	-	-	-
Total Expenditures	17,509	81,855	55,877	35,824	139,358
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	434	3,287	(33,062)	1,841	32,235
OTHER FINANCING SOURCES (USES)					
Transfers In	9,247	7,751	40,568	150	2,980
Transfers Out	-	(3,230)	(5,445)	(1,165)	(33,278)
Capital Leases	-	1,944	-	-	-
Insurance Recovery Proceeds	395	-	-	15	-
Total Other Financing Sources (Uses)	9,642	6,465	35,123	(1,000)	(30,298)
Net Change in Fund Balances	10,076	9,752	2,061	841	1,937
Fund Balances, October 1, 2005, as Restated	12,472	7,316	313	37,179	881
Fund Balances, September 30, 2006	\$ 22,548	\$ 17,068	\$ 2,374	\$ 38,020	\$ 2,818

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,958	\$ 42,034
-	-	253	-	-	131,941	225,913
-	-	60	-	-	6,334	13,328
421	397	1,440	269	-	18,923	23,046
-	-	821	-	-	184,914	397,468
9,265	-	158	-	-	62,421	92,944
9,686	397	2,732	269	0	446,491	794,733
-	-	-	-	-	61,457	63,279
8,630	-	-	-	1,232	32,120	41,982
-	-	8,327	-	-	12,139	20,466
-	9,064	-	-	5,502	932	96,514
-	-	-	-	-	31,205	87,082
-	-	-	-	-	226,069	416,061
-	-	-	-	-	31,944	31,944
-	-	-	-	-	86,804	86,832
-	-	-	-	-	16,034	16,034
-	-	-	-	13,844	484	15,006
-	3	-	-	1,921	22	2,956
8,630	9,067	8,327	0	22,499	499,210	878,156
1,056	(8,670)	(5,595)	269	(22,499)	(52,719)	(83,423)
-	13,340	15,000	-	75,610	381,204	545,850
-	(2,585)	(1,743)	-	(88,529)	(87,705)	(223,680)
-	-	-	-	-	45	1,989
-	-	-	-	-	539	949
0	10,755	13,257	0	(12,919)	294,083	325,108
1,056	2,085	7,662	269	(35,418)	241,364	241,685
5,240	8,262	25,168	5,711	85,813	402,139	590,494
\$ 6,296	\$ 10,347	\$ 32,830	\$ 5,980	\$ 50,395	\$ 643,503	\$ 832,179



Nonmajor Debt Service Funds

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

Corrections Institution Finance Authority

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

Judicial Building Authority

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

Public Health Care Authority

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

General Obligation Bonds

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

Federal Aid Highway Finance Authority

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2006

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	\$ 461	\$ 4,031	\$ 0	\$ 0
Investments	-	-	374	-
TOTAL ASSETS	\$ 461	\$ 4,031	\$ 374	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities				
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances				
Unreserved, Designated for Debt Service	461	4,031	374	-
Total Fund Balances	461	4,031	374	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 461	\$ 4,031	\$ 374	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 4,492
-	374
<u>\$ 0</u>	<u>\$ 4,866</u>

<u>\$ 0</u>	<u>\$ 0</u>
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-	4,866
<u>0</u>	<u>4,866</u>
<u>\$ 0</u>	<u>\$ 4,866</u>

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
REVENUES				
Investment Income	\$ 0	\$ 121	\$ 83	\$ 0
Other Revenues	-	4,007	-	-
Total Revenues	0	4,128	83	0
EXPENDITURES				
Debt Service - Principal Retirement	5,975	3,880	4,992	13,675
Debt Service - Interest and Other Charges	783	94	2,843	19,434
Total Expenditures	6,758	3,974	7,835	33,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,758)	154	(7,752)	(33,109)
OTHER FINANCING SOURCES (USES)				
Transfers In	6,758	-	7,858	32,955
Debt Issuance Premiums	-	-	-	154
Total Other Financing Sources (Uses)	6,758	0	7,858	33,109
Net Change in Fund Balances	0	154	106	0
Fund Balances, October 1, 2005, as Restated	461	3,877	268	-
Fund Balances, September 30, 2006	\$ 461	\$ 4,031	\$ 374	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 204
-	4,007
0	4,211
10,910	39,432
8,123	31,277
19,033	70,709
(19,033)	(66,498)
19,033	66,604
-	154
19,033	66,758
0	260
-	4,606
\$ 0	\$ 4,866



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 Project Funds

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2006

(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	\$ 153,330	\$ 59,881	\$ 34,470	\$ 3,215	\$ 250,896
Investments	-	-	-	30,552	30,552
Accounts Receivable	4	-	-	-	4
Due from Other Funds	-	15	-	-	15
TOTAL ASSETS	\$ 153,334	\$ 59,896	\$ 34,470	\$ 33,767	\$ 281,467
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 787	\$ 13	\$ 0	\$ 1	\$ 801
Accounts Payable	-	2,002	-	747	2,749
Due to Other Funds	-	1,000	-	-	1,000
Total Liabilities	787	3,015	0	748	4,550
Fund Balances					
Reserved for:					
Encumbrances	8	1,381	-	-	1,389
Unreserved, Designated for Capital Projects	152,539	55,500	34,470	33,019	275,528
Total Fund Balances	152,547	56,881	34,470	33,019	276,917
TOTAL LIABILITIES AND FUND BALANCES	\$ 153,334	\$ 59,896	\$ 34,470	\$ 33,767	\$ 281,467

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
REVENUES					
Investment Income	\$ 6,202	\$ 3,066	\$ 2,423	\$ 1,491	\$ 13,182
Other Revenues	-	4	-	2	6
Total Revenues	6,202	3,070	2,423	1,493	13,188
EXPENDITURES					
Current:					
Education and Cultural Resources	-	-	-	98	98
Natural Resources and Recreation	-	18,608	-	-	18,608
Capital Outlay	38,898	-	-	1,903	40,801
Debt Service - Interest and Other Charges	62	-	-	11	73
Total Expenditures	38,960	18,608	0	2,012	59,580
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(32,758)	(15,538)	2,423	(519)	(46,392)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	3,603	3,603
Transfers Out	(1,296)	-	(32,375)	(3,839)	(37,510)
Bonds Issued	61,150	-	-	-	61,150
Debt Issuance Premiums	931	-	-	-	931
Total Other Financing Sources (Uses)	60,785	0	(32,375)	(236)	28,174
Net Change in Fund Balances	28,027	(15,538)	(29,952)	(755)	(18,218)
Fund Balances, October 1, 2005, as Restated	124,520	72,419	64,422	33,774	295,135
Fund Balances, September 30, 2006	\$ 152,547	\$ 56,881	\$ 34,470	\$ 33,019	\$ 276,917



Nonmajor Permanent Funds

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

Marine, Game and Fish Endowment

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

Alabama Research Institute

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

Senior Services Trust

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

Other Permanent Funds

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2006

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 2	\$ 1	\$ 0	\$ 6,641	\$ 6,644
Investments	12,997	13,400	12,029	106	38,532
Due from Other Funds	2	-	-	-	2
Interest and Dividends Receivable	3	7	98	-	108
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	2,440	-	1,594	-	4,034
TOTAL ASSETS	\$ 15,444	\$ 13,408	\$ 13,721	\$ 6,786	\$ 49,359
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 15	\$ 1	\$ 0	\$ 0	\$ 16
Securities Lending Obligation	2,440	-	1,594	-	4,034
Total Liabilities	2,455	1	1,594	0	4,050
Fund Balances					
Reserved for:					
Permanent Trust Principal	12,989	11,500	2,340	2,307	29,136
Unreserved, Undesignated	-	1,907	9,787	4,479	16,173
Total Fund Balances	12,989	13,407	12,127	6,786	45,309
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,444	\$ 13,408	\$ 13,721	\$ 6,786	\$ 49,359

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 758	\$ 0	\$ 0	\$ 309	\$ 1,067
Investment Income	624	502	493	253	1,872
Other Revenues	-	-	1,761	10	1,771
Total Revenues	1,382	502	2,254	572	4,710
EXPENDITURES					
Current:					
Education and Cultural Resources	-	18	-	-	18
Total Expenditures	0	18	0	0	18
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	1,382	484	2,254	572	4,692
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	918	918
Transfers Out	-	(3)	(192)	-	(195)
Total Other Financing Sources (Uses)	0	(3)	(192)	918	723
Net Change in Fund Balances	1,382	481	2,062	1,490	5,415
Fund Balances, October 1, 2005, as Restated	11,607	12,926	10,065	5,296	39,894
Fund Balances, September 30, 2006	\$ 12,989	\$ 13,407	\$ 12,127	\$ 6,786	\$ 45,309



Governmental Funds Supplementary Information

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

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	4,482	4,474	8
Alabama Sentencing Commission	474	474	-
Court Operations	119,375	119,370	5
DUI Court Referral	-	-	-
Juvenile Probation Officer Services	11,034	11,034	-
TOTAL Administrative Office of Courts	135,365	135,352	13
<u>Agriculture and Industries</u>			
Administrative Services	2,281	2,281	-
Agricultural Development Services	1,267	1,267	-
Agricultural Inspection Services	4,980	4,980	-
Lab Analysis and Disease Control	2,791	2,791	-
TOTAL Agriculture and Industries	11,319	11,319	-
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	610	610	-
Legal Advice and Legal Service: Attorney General - Operations	9,427	9,427	-
Legal Advice and Legal Service: Consumer Utility Fund	249	249	-
TOTAL Attorney General	10,286	10,286	-
<u>Auditor</u>			
Fiscal Management	734	664	70
TOTAL Auditor	734	664	70
<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	15,734	15,731	3
Correctional Industries	-	-	-
Institutional Service Corrections	307,003	306,998	5
TOTAL Corrections	322,737	322,729	8
<u>Economic and Community Affairs</u>			
Administrative Support Service	137	137	-
Energy Management	684	684	-
Law Enforcement Planning and Development	522	522	-
Planning	4,875	4,821	54
Skills Enhancement/Employment Opportunities	2,220	2,220	-
Surplus Property	819	818	1
Water Resources	3,850	3,392	458
TOTAL Economic and Community Affairs	13,107	12,594	513

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	218	147	71	4,700	4,621	79
-	-	-	-	-	-	474	474	-
-	-	-	21,511	16,524	4,987	140,886	135,894	4,992
-	-	-	-	-	-	-	-	-
-	-	-	8,728	7,240	1,488	19,762	18,274	1,488
-	-	-	30,457	23,911	6,546	165,822	159,263	6,559
-	-	-	4,035	3,624	411	6,316	5,905	411
-	-	-	1,201	1,058	143	2,468	2,325	143
-	-	-	11,352	9,967	1,385	16,332	14,947	1,385
-	-	-	11,245	10,127	1,118	14,036	12,918	1,118
-	-	-	27,833	24,776	3,057	39,152	36,095	3,057
-	-	-	-	-	-	610	610	-
-	-	-	5,903	5,409	494	15,330	14,836	494
-	-	-	-	-	-	249	249	-
-	-	-	5,903	5,409	494	16,189	15,695	494
-	-	-	-	-	-	734	664	70
-	-	-	-	-	-	734	664	70
-	-	-	567	166	401	567	166	401
2,534	2,283	251	-	-	-	2,534	2,283	251
4,262	4,051	211	1,095	712	383	5,357	4,763	594
1,969	1,969	-	1,566	1,239	327	3,535	3,208	327
6,000	6,000	-	300	123	177	6,300	6,123	177
14,765	14,303	462	3,528	2,240	1,288	18,293	16,543	1,750
-	-	-	-	-	-	15,734	15,731	3
-	-	-	25,826	20,553	5,273	25,826	20,553	5,273
-	-	-	24,047	11,391	12,656	331,050	318,389	12,661
-	-	-	49,873	31,944	17,929	372,610	354,673	17,937
-	-	-	9,107	8,274	833	9,244	8,411	833
-	-	-	46,212	33,437	12,775	46,896	34,121	12,775
-	-	-	51,168	32,039	19,129	51,690	32,561	19,129
-	-	-	94,844	52,711	42,133	99,719	57,532	42,187
-	-	-	55,108	48,808	6,300	57,328	51,028	6,300
-	-	-	1,217	1,153	64	2,036	1,971	65
-	-	-	3,102	1,786	1,316	6,952	5,178	1,774
-	-	-	260,758	178,208	82,550	273,865	190,802	83,063

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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Information Technology Services	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	28,837	28,825	12
TOTAL Emergency Management Agency	28,837	28,825	12
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	10,393	10,393	-
TOTAL Examiners of Public Accounts	10,393	10,393	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,253	1,116	137
Fiscal Management: Comptroller's Office	3,873	3,785	88
Fiscal Management: Director's Office	1,263	950	313
Fiscal Management: Payroll Conversion	1,500	1,298	202
Fiscal Management: Purchasing	1,284	1,232	52
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex M and R	-	-	-
General Services: Service Division	1,394	1,325	69
Information Services	-	-	-
Risk Management	-	-	-
TOTAL Finance	10,567	9,706	861
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	80	22	58
Executive Direction	-	-	-
Executive Direction: Governor's Contingency Fund	591	566	25
Executive Direction: Governor's Mansion	349	346	3
Executive Direction: Governor's Office	2,323	2,323	-
Executive Direction: Governor's Proclamation Expense	500	84	416
Executive Direction: National Governors' Conference	192	178	14
TOTAL Governor	4,035	3,519	516

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
108,676	108,284	392	112,583	47,581	65,002	221,259	155,865	65,394
-	-	-	2,392	1,202	1,190	2,392	1,202	1,190
30,828	30,811	17	-	-	-	30,828	30,811	17
563	398	165	-	-	-	563	398	165
-	-	-	68,165	35,819	32,346	68,165	35,819	32,346
-	-	-	533	533	-	533	533	-
22,695	22,598	97	835,837	770,735	65,102	858,532	793,333	65,199
3,004,321	3,004,321	-	130,000	130,000	-	3,134,321	3,134,321	-
4,585	4,585	-	-	-	-	4,585	4,585	-
18,995	18,995	-	-	-	-	18,995	18,995	-
6,757	6,757	-	-	-	-	6,757	6,757	-
264,379	264,379	-	-	-	-	264,379	264,379	-
3,461,799	3,461,128	671	1,149,510	985,870	163,640	4,611,309	4,446,998	164,311
-	-	-	240,313	175,116	65,197	269,150	203,941	65,209
-	-	-	240,313	175,116	65,197	269,150	203,941	65,209
5,739	5,739	-	2,038	1,138	900	18,170	17,270	900
5,739	5,739	-	2,038	1,138	900	18,170	17,270	900
-	-	-	2,538	2,052	486	2,538	2,052	486
-	-	-	1,200	947	253	1,200	947	253
-	-	-	-	-	-	1,253	1,116	137
-	-	-	-	-	-	3,873	3,785	88
-	-	-	-	-	-	1,263	950	313
-	-	-	-	-	-	1,500	1,298	202
-	-	-	-	-	-	1,284	1,232	52
-	-	-	13,133	10,461	2,672	13,133	10,461	2,672
-	-	-	8,425	8,157	268	8,425	8,157	268
-	-	-	9,398	8,685	713	9,398	8,685	713
-	-	-	-	-	-	1,394	1,325	69
-	-	-	68,855	53,296	15,559	68,855	53,296	15,559
-	-	-	5,252	3,463	1,789	5,252	3,463	1,789
-	-	-	108,801	87,061	21,740	119,368	96,767	22,601
-	-	-	-	-	-	80	22	58
-	-	-	12,143	-	12,143	12,143	-	12,143
-	-	-	-	-	-	591	566	25
-	-	-	-	-	-	349	346	3
-	-	-	-	-	-	2,323	2,323	-
-	-	-	-	-	-	500	84	416
-	-	-	-	-	-	192	178	14
-	-	-	12,143	-	12,143	16,178	3,519	12,659

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Human Resources</u>			
Human Services	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	690	690	-
Regulation Workers Compensation	-	-	-
TOTAL Industrial Relations	690	690	-
<u>Legislature</u>			
Legislative Operations and Support	22,188	17,601	4,587
TOTAL Legislature	22,188	17,601	4,587
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid	430,781	430,781	-
TOTAL Medicaid Agency	430,781	430,781	-
<u>Mental Health and Retardation</u>			
Administrative Services	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Institutional Treatment and Care of Mentally Retarded	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health and Retardation	-	-	-
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Community Educational Programs: CITY Programs	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Small Business Institute of Commerce	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	8,969	8,516	453
Children's Health Insurance	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	37,212	35,361	1,851
TOTAL Public Health	46,181	43,877	2,304

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,411,900	1,255,865	156,035	1,411,900	1,255,865	156,035
-	-	-	1,411,900	1,255,865	156,035	1,411,900	1,255,865	156,035
-	-	-	19,646	12,362	7,284	19,646	12,362	7,284
-	-	-	60,671	48,792	11,879	60,671	48,792	11,879
-	-	-	5,495	4,029	1,466	6,185	4,719	1,466
-	-	-	5,760	4,539	1,221	5,760	4,539	1,221
-	-	-	91,572	69,722	21,850	92,262	70,412	21,850
-	-	-	-	-	-	22,188	17,601	4,587
-	-	-	-	-	-	22,188	17,601	4,587
-	-	-	3,798,196	3,787,205	10,991	4,228,977	4,217,986	10,991
-	-	-	3,798,196	3,787,205	10,991	4,228,977	4,217,986	10,991
-	-	-	24,800	20,866	3,934	24,800	20,866	3,934
-	-	-	299,961	285,683	14,278	299,961	285,683	14,278
-	-	-	298,873	276,155	22,718	298,873	276,155	22,718
-	-	-	44,093	33,774	10,319	44,093	33,774	10,319
-	-	-	667,727	616,478	51,249	667,727	616,478	51,249
-	-	-	10,795	8,905	1,890	10,795	8,905	1,890
12,280	12,257	23	-	-	-	12,280	12,257	23
4,882	4,882	-	-	-	-	4,882	4,882	-
6,092	6,092	-	-	-	-	6,092	6,092	-
2,740	2,740	-	-	-	-	2,740	2,740	-
4,284	4,284	-	-	-	-	4,284	4,284	-
-	-	-	3,515	2,812	703	3,515	2,812	703
3,851	3,835	16	-	-	-	3,851	3,835	16
8,005	8,005	-	-	-	-	8,005	8,005	-
1,000	1,000	-	-	-	-	1,000	1,000	-
2,500	2,500	-	-	-	-	2,500	2,500	-
-	-	-	1,400	1,383	17	1,400	1,383	17
289,132	289,132	-	-	-	-	289,132	289,132	-
11,159	11,159	-	-	-	-	11,159	11,159	-
345,925	345,886	39	15,710	13,100	2,610	361,635	358,986	2,649
750	750	-	19,739	15,103	4,636	29,458	24,369	5,089
-	-	-	133,285	113,527	19,758	133,285	113,527	19,758
897	866	31	-	-	-	897	866	31
12,978	12,974	4	387,665	366,580	21,085	437,855	414,915	22,940
14,625	14,590	35	540,689	495,210	45,479	601,495	553,677	47,818

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Public Safety</u>			
Administrative Services	6,802	6,796	6
Police Services	38,411	38,406	5
Public Safety Support Services	5,232	5,228	4
Readiness and Recovery	200	-	200
TOTAL Public Safety	50,645	50,430	215
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	990	990	-
TOTAL Rehabilitation Services	990	990	-
<u>Revenue</u>			
State Revenue Administration	114	82	32
TOTAL Revenue	114	82	32
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	355	217	138
Administrative Support Service: Printing of Acts/Journals	428	266	162
Administrative Support Service: Printing of Codes	117	116	1
Administrative Support Service: Secretary of State	1,625	1,446	179
Special Services: Training Elected Officials	70	-	70
TOTAL Secretary of State	2,595	2,045	550
<u>Transportation</u>			
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	2,266	2,038	228
TOTAL Treasurer	2,266	2,038	228
<u>Youth Services</u>			
Financial Assistance	-	-	-
Youth Services	11,982	11,852	130
Youth Services-Boot Camps	4,272	4,272	-
TOTAL Youth Services	16,254	16,124	130

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	29,928	22,768	7,160	36,730	29,564	7,166
-	-	-	51,079	30,566	20,513	89,490	68,972	20,518
-	-	-	17,385	14,687	2,698	22,617	19,915	2,702
-	-	-	-	-	-	200	-	200
-	-	-	98,392	68,021	30,371	149,037	118,451	30,586
-	-	-	17,504	13,849	3,655	17,504	13,849	3,655
-	-	-	17,504	13,849	3,655	17,504	13,849	3,655
31,249	31,248	1	111,222	103,819	7,403	143,461	136,057	7,404
31,249	31,248	1	111,222	103,819	7,403	143,461	136,057	7,404
-	-	-	109,337	108,413	924	109,451	108,495	956
-	-	-	109,337	108,413	924	109,451	108,495	956
-	-	-	2,507	1,137	1,370	2,507	1,137	1,370
-	-	-	40,518	25,090	15,428	40,518	25,090	15,428
-	-	-	-	-	-	355	217	138
-	-	-	-	-	-	428	266	162
-	-	-	-	-	-	117	116	1
-	-	-	439	-	439	2,064	1,446	618
-	-	-	-	-	-	70	-	70
-	-	-	43,464	26,227	17,237	46,059	28,272	17,787
-	-	-	154,859	127,718	27,141	154,859	127,718	27,141
-	-	-	35,801	31,282	4,519	35,801	31,282	4,519
-	-	-	1,424,713	1,204,469	220,244	1,424,713	1,204,469	220,244
-	-	-	1,615,373	1,363,469	251,904	1,615,373	1,363,469	251,904
-	-	-	3,275	2,574	701	5,541	4,612	929
-	-	-	3,275	2,574	701	5,541	4,612	929
7,249	7,247	2	944	513	431	8,193	7,760	433
39,555	39,546	9	20,498	17,562	2,936	72,035	68,960	3,075
-	-	-	-	-	-	4,272	4,272	-
46,804	46,793	11	21,442	18,075	3,367	84,500	80,992	3,508

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Colleges and Universities</u>			
Alabama Agricultural and Mechanical University			
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Urban Affairs and Non-Trade Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
AIDB Adult Programs	-	-	-
AIDB Children and Youth Programs	-	-	-
AIDB Industries for Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University - Desegregation Planning	-	-	-
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
Total Alabama State University	-	-	-
Auburn University			
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/UAB	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: University of Alabama-Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities	25	25	-
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	25	25	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
300	300	-	-	-	-	300	300	-
855	855	-	-	-	-	855	855	-
273	273	-	-	-	-	273	273	-
32,805	32,805	-	-	-	-	32,805	32,805	-
3,601	3,601	-	-	-	-	3,601	3,601	-
37,834	37,834	-	-	-	-	37,834	37,834	-
9,585	9,585	-	-	-	-	9,585	9,585	-
25,879	25,879	-	-	-	-	25,879	25,879	-
7,369	7,369	-	-	-	-	7,369	7,369	-
42,833	42,833	-	-	-	-	42,833	42,833	-
185	185	-	-	-	-	185	185	-
32,720	32,720	-	-	-	-	32,720	32,720	-
1,657	1,657	-	-	-	-	1,657	1,657	-
34,562	34,562	-	-	-	-	34,562	34,562	-
161,812	161,812	-	-	-	-	161,812	161,812	-
23,140	23,140	-	-	-	-	23,140	23,140	-
29,081	29,081	-	-	-	-	29,081	29,081	-
31,476	31,476	-	-	-	-	31,476	31,476	-
245,509	245,509	-	-	-	-	245,509	245,509	-
34,813	34,813	-	-	-	-	34,813	34,813	-
34,813	34,813	-	-	-	-	34,813	34,813	-
43,460	43,460	-	-	-	-	43,460	43,460	-
43,460	43,460	-	-	-	-	43,460	43,460	-
-	-	-	58	58	-	58	58	-
4,032	4,032	-	-	-	-	4,032	4,032	-
256,143	256,143	-	-	-	-	256,143	256,143	-
260,175	260,175	-	58	58	-	260,233	260,233	-
43,292	43,292	-	-	-	-	43,292	43,292	-
43,292	43,292	-	-	-	-	43,292	43,292	-
145,801	145,801	-	-	-	-	145,801	145,801	-
145,801	145,801	-	-	-	-	145,801	145,801	-
-	-	-	-	-	-	25	25	-
18,216	18,216	-	-	-	-	18,216	18,216	-
18,216	18,216	-	-	-	-	18,241	18,241	-

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
University of North Alabama			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
University of South Alabama			
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
Total University of South Alabama	-	-	-
University of West Alabama			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
Total University of West Alabama	-	-	-
TOTAL Colleges and Universities	25	25	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
25,853	25,853	-	-	-	-	25,853	25,853	-
25,853	25,853	-	-	-	-	25,853	25,853	-
101,203	101,203	-	-	-	-	101,203	101,203	-
101,203	101,203	-	-	-	-	101,203	101,203	-
11,687	11,687	-	-	-	-	11,687	11,687	-
11,687	11,687	-	-	-	-	11,687	11,687	-
1,045,238	1,045,238	-	58	58	-	1,045,321	1,045,321	-

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	-	-	-
Total Agricultural Museum Board	-	-	-
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	125	125	-
Agricultural Development Services: Livestock Coliseum	240	240	-
Agricultural Development Services: Operations	253	253	-
Total Agriculture Center Board	618	618	-
Alabama Law Institute			
Support - Other Educational Activities	625	623	2
Total Alabama Law Institute	625	623	2
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Trusts			
Alabama Natural Heritage	-	-	-
Fiscal Management	17	16	1
Total Alabama Trusts	17	16	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	1,620	1,620	-
Total Archives and History	1,620	1,620	-
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	-	-	-
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	-	-	-
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	-	-	-
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,081	920	161	1,081	920	161
-	-	-	1,081	920	161	1,081	920	161
-	-	-	57	55	2	57	55	2
-	-	-	57	55	2	57	55	2
-	-	-	-	-	-	125	125	-
-	-	-	501	471	30	741	711	30
-	-	-	-	-	-	253	253	-
-	-	-	501	471	30	1,119	1,089	30
138	137	1	-	-	-	763	760	3
138	137	1	-	-	-	763	760	3
-	-	-	400	362	38	400	362	38
-	-	-	400	362	38	400	362	38
-	-	-	300	206	94	300	206	94
-	-	-	-	-	-	17	16	1
-	-	-	300	206	94	317	222	95
-	-	-	6,124	5,432	692	6,124	5,432	692
-	-	-	38,466	36,727	1,739	38,466	36,727	1,739
-	-	-	11,136	10,446	690	11,136	10,446	690
-	-	-	55,726	52,605	3,121	55,726	52,605	3,121
-	-	-	403	335	68	403	335	68
-	-	-	403	335	68	403	335	68
2,039	2,039	-	474	413	61	4,133	4,072	61
2,039	2,039	-	474	413	61	4,133	4,072	61
-	-	-	86	81	5	86	81	5
-	-	-	86	81	5	86	81	5
-	-	-	33	1	32	33	1	32
-	-	-	33	1	32	33	1	32
-	-	-	48	37	11	48	37	11
-	-	-	48	37	11	48	37	11
-	-	-	165	147	18	165	147	18
-	-	-	165	147	18	165	147	18

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	7	7	-
Special Services: Death Claims-Board of Adjustment	725	700	25
Total Board of Adjustment	732	707	25
Board of Control-Public Employee Contribution			
Employee Benefits	-	-	-
Total Board of Control-Public Employee Contribution	-	-	-
Board of Prosthetists and Orthostists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthostists	-	-	-
Board of Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Respiratory Therapy	-	-	-
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	163	160	3
Total Building Commission	163	160	3
Child Abuse Prevention			
Social Services	-	-	-
Total Child Abuse Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	336	335	1
Total Children's Affairs	336	335	1
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	267	267	-
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	267	267	-
Clerk of the House			
Legislative Operations and Support	483	228	255
Total Clerk of the House	483	228	255
Commision on Uniform State Laws			
Special Services	41	40	1
Total Commision on Uniform State Laws	41	40	1

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	11,998	9,949	2,049	11,998	9,949	2,049
-	-	-	11,998	9,949	2,049	11,998	9,949	2,049
-	-	-	-	-	-	7	7	-
-	-	-	-	-	-	725	700	25
-	-	-	-	-	-	732	707	25
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	1,000	1,000	-	1,000	1,000	-
-	-	-	140	96	44	140	96	44
-	-	-	140	96	44	140	96	44
-	-	-	122	81	41	122	81	41
-	-	-	122	81	41	122	81	41
-	-	-	205	114	91	205	114	91
-	-	-	1,480	1,132	348	1,643	1,292	351
-	-	-	1,685	1,246	439	1,848	1,406	442
-	-	-	6,749	6,088	661	6,749	6,088	661
-	-	-	6,749	6,088	661	6,749	6,088	661
-	-	-	3,940	3,756	184	3,940	3,756	184
-	-	-	3,940	3,756	184	3,940	3,756	184
-	-	-	248	238	10	248	238	10
4,391	4,379	12	259	257	2	4,986	4,971	15
4,391	4,379	12	507	495	12	5,234	5,209	25
-	-	-	299	237	62	299	237	62
-	-	-	299	237	62	299	237	62
-	-	-	84	56	28	351	323	28
-	-	-	84	56	28	351	323	28
-	-	-	-	-	-	483	228	255
-	-	-	-	-	-	483	228	255
-	-	-	-	-	-	41	40	1
-	-	-	-	-	-	41	40	1

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-
Cosmetology Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Cosmetology Board	-	-	-
Council on the Arts			
Fine Arts	-	-	-
Total Council on the Arts	-	-	-
Counseling Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Counseling Examiners Board	-	-	-
Court of Civil Appeals			
Court Operations	3,435	3,372	63
Total Court of Civil Appeals	3,435	3,372	63
Court of Criminal Appeals			
Court Operations	3,869	3,864	5
Total Court of Criminal Appeals	3,869	3,864	5
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	2,163	2,153	10
Total Criminal Justice Information Center	2,163	2,153	10

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	10,121	8,184	1,937	10,121	8,184	1,937
-	-	-	29,898	27,548	2,350	29,898	27,548	2,350
-	-	-	7,811	7,289	522	7,811	7,289	522
-	-	-	8,093	7,450	643	8,093	7,450	643
-	-	-	11,713	8,695	3,018	11,713	8,695	3,018
-	-	-	29,690	25,663	4,027	29,690	25,663	4,027
-	-	-	97,326	84,829	12,497	97,326	84,829	12,497
-	-	-	2,179	1,560	619	2,179	1,560	619
-	-	-	2,179	1,560	619	2,179	1,560	619
3,920	3,875	45	781	656	125	4,701	4,531	170
3,920	3,875	45	781	656	125	4,701	4,531	170
-	-	-	372	282	90	372	282	90
-	-	-	372	282	90	372	282	90
-	-	-	-	-	-	3,435	3,372	63
-	-	-	-	-	-	3,435	3,372	63
-	-	-	-	-	-	3,869	3,864	5
-	-	-	-	-	-	3,869	3,864	5
-	-	-	1,432	689	743	1,432	689	743
-	-	-	1,432	689	743	1,432	689	743
-	-	-	3,242	1,676	1,566	3,242	1,676	1,566
-	-	-	3,242	1,676	1,566	3,242	1,676	1,566
-	-	-	12,239	8,596	3,643	14,402	10,749	3,653
-	-	-	12,239	8,596	3,643	14,402	10,749	3,653

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001E Docks/Local Match Bonds	-	-	-
Debt Service: 2002A GO Bonds	-	-	-
Debt Service: 2005A Go Bonds	-	-	-
Debt Service: Administration Office of Court	-	-	-
Debt Service: AL Building Renovation Fin Aut	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: Department of Transportation	-	-	-
Debt Service: General Obligation 1999-A Refunding	-	-	-
Debt Service: General Obligation 1999-B Refunding	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	-	-	-
Debt Service: GO 2001-D Historic Site Bonds	-	-	-
Debt Service: GO 2006 Debt Service	-	-	-
Debt Service: GO2001-a Agriculture Dev Bond	-	-	-
Total Debt Service and Reserve	-	-	-
Development Office			
Industrial Development: Alabama Development Office	3,499	3,472	27
Promotional Development: ADO-Alabama Film Commission	201	198	3
Total Development Office	3,700	3,670	30
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	31,645	31,489	156
Total District Attorneys	31,645	31,489	156
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	-	-	-
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	-	-	-
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	24,165	18,306	5,859	24,165	18,306	5,859
-	-	-	4,690	4,690	-	4,690	4,690	-
-	-	-	4,143	4,143	-	4,143	4,143	-
-	-	-	7,972	7,972	-	7,972	7,972	-
-	-	-	4,006	4,006	-	4,006	4,006	-
-	-	-	1,400	1,400	-	1,400	1,400	-
-	-	-	6,758	6,758	-	6,758	6,758	-
-	-	-	7,728	5,502	2,226	7,728	5,502	2,226
-	-	-	2,291	2,291	-	2,291	2,291	-
-	-	-	18,139	18,139	-	18,139	18,139	-
8,869	8,869	-	13,975	13,975	-	22,844	22,844	-
-	-	-	1,790	1,790	-	1,790	1,790	-
-	-	-	1,346	1,346	-	1,346	1,346	-
-	-	-	8,472	8,472	-	8,472	8,472	-
-	-	-	472	472	-	472	472	-
-	-	-	1,320	1,166	154	1,320	1,166	154
-	-	-	4,694	4,694	-	4,694	4,694	-
8,869	8,869	-	113,361	105,122	8,239	122,230	113,991	8,239
-	-	-	1,506	1,201	305	5,005	4,673	332
-	-	-	-	-	-	201	198	3
-	-	-	1,506	1,201	305	5,206	4,871	335
-	-	-	125	99	26	125	99	26
-	-	-	125	99	26	125	99	26
-	-	-	-	-	-	31,645	31,489	156
-	-	-	-	-	-	31,645	31,489	156
7,519	7,519	-	1,055	260	795	8,574	7,779	795
7,519	7,519	-	1,055	260	795	8,574	7,779	795
-	-	-	425	275	150	425	275	150
-	-	-	425	275	150	425	275	150
-	-	-	224	195	29	224	195	29
-	-	-	224	195	29	224	195	29
-	-	-	50,264	46,994	3,270	50,264	46,994	3,270
-	-	-	50,264	46,994	3,270	50,264	46,994	3,270

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Marion Military Institute	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	1,059	1,011	48
Total Ethics Commission	1,059	1,011	48
Farmers' Market Authority			
Agricultural Development Services	568	568	-
Total Farmers' Market Authority	568	568	-
Finance Special Appropriations			
Administration Service and Logistical Supply: Removal of Prisoners	748	748	-
Criminal Investigation: Arrest of Absconding Felons	58	13	45
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	500	245	255
Institutional Service Corrections: Feeding of Prisoners	8,112	8,112	-
Legal Advice and Legal Service: Automatic Appeal Expense	50	-	50
Legal Advice and Legal Service: Court Assessed Cost not Provided	291	234	57
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	3,870	3,870	-
Special Services: Election Expenses	7,070	4,935	2,135
Special Services: Emergency Fund, Departmental	4,506	4,506	-
Special Services: Freddie Lee Gaines	100	100	-
Special Services: Registration of Voters	2,702	2,474	228
Total Finance Special Appropriations	28,023	25,251	2,772
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	12,008	12,005	3
Total Forensic Sciences	12,008	12,005	3
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
800	569	231	-	-	-	800	569	231
4,808	4,808	-	-	-	-	4,808	4,808	-
113	101	12	-	-	-	113	101	12
305	305	-	-	-	-	305	305	-
3,264	3,264	-	-	-	-	3,264	3,264	-
9,372	9,129	243	-	-	-	9,372	9,129	243
193	193	-	-	-	-	193	193	-
414	414	-	-	-	-	414	414	-
685	685	-	-	-	-	685	685	-
7,688	7,688	-	-	-	-	7,688	7,688	-
8,980	8,980	-	-	-	-	8,980	8,980	-
-	-	-	-	-	-	1,059	1,011	48
-	-	-	-	-	-	1,059	1,011	48
-	-	-	2,058	1,444	614	2,626	2,012	614
-	-	-	2,058	1,444	614	2,626	2,012	614
-	-	-	-	-	-	748	748	-
-	-	-	-	-	-	58	13	45
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	500	245	255
-	-	-	-	-	-	8,112	8,112	-
-	-	-	-	-	-	50	-	50
-	-	-	-	-	-	291	234	57
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	3,870	3,870	-
-	-	-	-	-	-	7,070	4,935	2,135
-	-	-	-	-	-	4,506	4,506	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	2,702	2,474	228
-	-	-	-	-	-	28,023	25,251	2,772
-	-	-	146,107	146,107	-	146,107	146,107	-
-	-	-	67,740	32,376	35,364	67,740	32,376	35,364
-	-	-	1,129	1,129	-	1,129	1,129	-
-	-	-	214,976	179,612	35,364	214,976	179,612	35,364
-	-	-	11,430	8,309	3,121	23,438	20,314	3,124
-	-	-	11,430	8,309	3,121	23,438	20,314	3,124
-	-	-	180	136	44	180	136	44
-	-	-	180	136	44	180	136	44

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - GF Share	1,653	1,653	-
Total Fringe Benefit Accounts	1,653	1,653	-
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			
Water Resource Development: Choccolocco Creek Watershed	18	18	-
Water Resource Development: Tennessee-Tombigbee Waterway	100	100	-
Total General Fund Direct Disbursements	118	118	-
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	504	504	-
Non-State: Network of Children's Advocacy Centers	841	841	-
Total General Fund Non-State	1,345	1,345	-
Geological Survey			
Mineral, Energy, and Water Resources	1,852	1,842	10
Total Geological Survey	1,852	1,842	10
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	84	78	6
Total Governor's Office of Faith-Based and Community Initiatives	84	78	6
Governor's Office on Disability			
Executive Direction	162	153	9
Total Governor's Office on Disability	162	153	9
Health Planning and Development			
Health Planning Development and Regulation	272	272	-
Total Health Planning and Development	272	272	-
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating and Air Conditioning Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating and Air Conditioning Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	45,151	34,745	10,406	45,151	34,745	10,406
-	-	-	45,151	34,745	10,406	45,151	34,745	10,406
-	-	-	5,742	1,752	3,990	5,742	1,752	3,990
-	-	-	5,742	1,752	3,990	5,742	1,752	3,990
-	-	-	-	-	-	1,653	1,653	-
-	-	-	-	-	-	1,653	1,653	-
-	-	-	247	208	39	247	208	39
-	-	-	247	208	39	247	208	39
-	-	-	1,535	1,100	435	1,535	1,100	435
-	-	-	1,535	1,100	435	1,535	1,100	435
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	118	118	-
-	-	-	-	-	-	504	504	-
-	-	-	-	-	-	841	841	-
-	-	-	-	-	-	1,345	1,345	-
-	-	-	1,359	1,080	279	3,211	2,922	289
-	-	-	1,359	1,080	279	3,211	2,922	289
150	147	3	2,998	1,593	1,405	3,232	1,818	1,414
150	147	3	2,998	1,593	1,405	3,232	1,818	1,414
-	-	-	-	-	-	162	153	9
-	-	-	-	-	-	162	153	9
-	-	-	850	566	284	1,122	838	284
-	-	-	850	566	284	1,122	838	284
-	-	-	54	25	29	54	25	29
-	-	-	54	25	29	54	25	29
-	-	-	916	794	122	916	794	122
-	-	-	916	794	122	916	794	122
5,887	5,886	1	-	-	-	5,887	5,886	1
5,887	5,886	1	-	-	-	5,887	5,886	1

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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Total Historical Commission	-	-	-
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-
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	250	246	4
Total Homeland Security Office	250	246	4
Indian Affairs Commission			
Social Services	156	155	1
Total Indian Affairs Commission	156	155	1
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Translators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Translators	-	-	-
Judicial Inquiry Commission			
Administrative Services	352	350	2
Total Judicial Inquiry Commission	352	350	2
Knight vs. Alabama Financial Obligation			
Support of State Universities: ASU-PHD Microbiology Program	-	-	-
Support of State Universities: Attorney's Fees	-	-	-
Support of State Universities: Doctoral Prog in Educ-ASU	-	-	-
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	340	332	8
Total Labor	340	332	8

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4,179	3,784	395	4,179	3,784	395
-	-	-	268	226	42	268	226	42
-	-	-	322	279	43	322	279	43
-	-	-	4,769	4,289	480	4,769	4,289	480
-	-	-	2,161	1,923	238	2,161	1,923	238
-	-	-	2,161	1,923	238	2,161	1,923	238
-	-	-	90	88	2	90	88	2
-	-	-	90	88	2	90	88	2
-	-	-	46,187	45,253	934	46,437	45,499	938
-	-	-	46,187	45,253	934	46,437	45,499	938
-	-	-	64	57	7	220	212	8
-	-	-	64	57	7	220	212	8
-	-	-	11,507	8,068	3,439	11,507	8,068	3,439
-	-	-	11,507	8,068	3,439	11,507	8,068	3,439
-	-	-	40	12	28	40	12	28
-	-	-	40	12	28	40	12	28
-	-	-	29	9	20	29	9	20
-	-	-	29	9	20	29	9	20
-	-	-	-	-	-	352	350	2
-	-	-	-	-	-	352	350	2
604	604	-	-	-	-	604	604	-
69	69	-	-	-	-	69	69	-
2,008	2,008	-	-	-	-	2,008	2,008	-
383	383	-	-	-	-	383	383	-
141	141	-	-	-	-	141	141	-
472	472	-	-	-	-	472	472	-
1,083	1,083	-	-	-	-	1,083	1,083	-
428	428	-	-	-	-	428	428	-
56	56	-	-	-	-	56	56	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
301	301	-	-	-	-	301	301	-
868	868	-	-	-	-	868	868	-
8,413	8,413	-	-	-	-	8,413	8,413	-
-	-	-	1,146	492	654	1,486	824	662
-	-	-	1,146	492	654	1,486	824	662

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Council			
Legislative Operations and Support	490	355	135
Total Legislative Council	490	355	135
Legislative Fiscal Office			
Legislative Operations and Support	1,794	1,514	280
Total Legislative Fiscal Office	1,794	1,514	280
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	147	63	84
Legislative Operations and Support: Legislative Reference Service	2,486	2,388	98
Total Legislative Reference Service	2,633	2,451	182
Lieutenant Governor			
Legislative Operations and Support	678	417	261
Total Lieutenant Governor	678	417	261
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	-	-	-
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	-	-	-
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	-	-	-
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	-	-	-
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	-	-	-
Military			
Military Operations: Active Military Service	911	898	13
Military Operations: Dropping Allowance	1	-	1
Military Operations: Operations	1,057	1,051	6
Military Operations: Operations and Maintenance	1,528	1,523	5
Military Operations: Quarters Allowance to Headquarters	1,093	1,091	2
Military Operations: State Defense Force	23	17	6
Total Military	4,613	4,580	33
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	64	50	14	64	50	14
-	-	-	64	50	14	64	50	14
-	-	-	-	-	-	490	355	135
-	-	-	-	-	-	490	355	135
255	254	1	-	-	-	2,049	1,768	281
255	254	1	-	-	-	2,049	1,768	281
100	100	-	200	35	165	300	135	165
-	-	-	-	-	-	147	63	84
-	-	-	-	-	-	2,486	2,388	98
100	100	-	200	35	165	2,933	2,586	347
-	-	-	-	-	-	678	417	261
-	-	-	-	-	-	678	417	261
-	-	-	1,323	923	400	1,323	923	400
-	-	-	1,323	923	400	1,323	923	400
-	-	-	3,594	1,951	1,643	3,594	1,951	1,643
-	-	-	3,594	1,951	1,643	3,594	1,951	1,643
-	-	-	60	28	32	60	28	32
-	-	-	60	28	32	60	28	32
-	-	-	125	96	29	125	96	29
-	-	-	125	96	29	125	96	29
-	-	-	400	215	185	400	215	185
-	-	-	400	215	185	400	215	185
-	-	-	-	-	-	911	898	13
-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	1,057	1,051	6
190	94	96	21,930	20,662	1,268	23,648	22,279	1,369
-	-	-	-	-	-	1,093	1,091	2
-	-	-	-	-	-	23	17	6
190	94	96	21,930	20,662	1,268	26,733	25,336	1,397
-	-	-	4,332	3,951	381	4,332	3,951	381
-	-	-	4,332	3,951	381	4,332	3,951	381
-	-	-	110	66	44	110	66	44
-	-	-	110	66	44	110	66	44

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	353	353	-
Total Office of Prosecution Services	353	353	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	2,503	2,491	12
Total Oil and Gas Board	2,503	2,491	12
Pardons and Paroles			
Administration of Pardons and Paroles	30,875	30,875	-
Total Pardons and Paroles	30,875	30,875	-
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	1,897	1,220	677
Total President Pro Tempore Senate	1,897	1,220	677
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
-	-	-	130	97	33	130	97	33
-	-	-	130	97	33	130	97	33
-	-	-	4,150	2,986	1,164	4,503	3,339	1,164
-	-	-	4,150	2,986	1,164	4,503	3,339	1,164
-	-	-	1,356	1,079	277	3,859	3,570	289
-	-	-	1,356	1,079	277	3,859	3,570	289
-	-	-	11,575	10,361	1,214	42,450	41,236	1,214
-	-	-	11,575	10,361	1,214	42,450	41,236	1,214
-	-	-	526	416	110	526	416	110
-	-	-	526	416	110	526	416	110
466	466	-	450	360	90	916	826	90
318	317	1	1,201	1,181	20	1,519	1,498	21
784	783	1	1,651	1,541	110	2,435	2,324	111
-	-	-	8,102	7,205	897	8,102	7,205	897
-	-	-	8,102	7,205	897	8,102	7,205	897
409	404	5	15	3	12	424	407	17
409	404	5	15	3	12	424	407	17
-	-	-	325	228	97	325	228	97
-	-	-	325	228	97	325	228	97
-	-	-	1,721	1,524	197	1,721	1,524	197
-	-	-	1,721	1,524	197	1,721	1,524	197
-	-	-	25	22	3	25	22	3
-	-	-	25	22	3	25	22	3
-	-	-	-	-	-	1,897	1,220	677
-	-	-	-	-	-	1,897	1,220	677
-	-	-	1,182	922	260	1,182	922	260
-	-	-	1,182	922	260	1,182	922	260
-	-	-	75	35	40	75	35	40
-	-	-	75	35	40	75	35	40
-	-	-	225	119	106	225	119	106
-	-	-	225	119	106	225	119	106

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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, 2006

(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 Services			
Elderly Medication Program	2,000	2,000	-
Medicaid Waiver Services	10,417	9,312	1,105
Planning and Advocacy for Elderly	5,006	5,006	-
Total Senior Services	17,423	16,318	1,105
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Water Resource Development	2,136	2,130	6
Total Soil and Water Conservation Commission	2,136	2,130	6
Speaker of the House			
Speaker of House, Office of	669	552	117
Total Speaker of the House	669	552	117
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,258	2,489	769	3,258	2,489	769
-	-	-	3,258	2,489	769	3,258	2,489	769
11,001	11,000	1	4,266	3,050	1,216	15,267	14,050	1,217
11,001	11,000	1	4,266	3,050	1,216	15,267	14,050	1,217
-	-	-	4	2	2	4	2	2
-	-	-	4	2	2	4	2	2
-	-	-	726	517	209	726	517	209
-	-	-	726	517	209	726	517	209
-	-	-	3,708	2,713	995	3,708	2,713	995
-	-	-	3,708	2,713	995	3,708	2,713	995
-	-	-	34,840	26,814	8,026	34,840	26,814	8,026
-	-	-	34,840	26,814	8,026	34,840	26,814	8,026
-	-	-	6,386	5,032	1,354	6,386	5,032	1,354
-	-	-	6,386	5,032	1,354	6,386	5,032	1,354
-	-	-	-	-	-	2,000	2,000	-
-	-	-	39,232	36,481	2,751	49,649	45,793	3,856
-	-	-	29,000	24,404	4,596	34,006	29,410	4,596
-	-	-	68,232	60,885	7,347	85,655	77,203	8,452
1,444	1,444	-	-	-	-	1,444	1,444	-
1,444	1,444	-	-	-	-	1,444	1,444	-
-	-	-	264	199	65	264	199	65
-	-	-	264	199	65	264	199	65
-	-	-	5	-	5	5	-	5
-	-	-	3,482	1,757	1,725	5,618	3,887	1,731
-	-	-	3,487	1,757	1,730	5,623	3,887	1,736
-	-	-	-	-	-	669	552	117
-	-	-	-	-	-	669	552	117
-	-	-	251	120	131	251	120	131
-	-	-	251	120	131	251	120	131
-	-	-	4,584	3,707	877	4,584	3,707	877
-	-	-	4,584	3,707	877	4,584	3,707	877

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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, 2006

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	-	-	-
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	-	-	-
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	8,148	8,073	75
Total Supreme Court	8,148	8,073	75
Supreme Court Law Library			
Court Operations	1,368	1,367	1
Law Enforcement Planning and Development	-	-	-
Total Supreme Court Law Library	1,368	1,367	1
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism and Travel			
Tourism and Travel Promotion	-	-	-
Total Tourism and Travel	-	-	-
Veterans Affairs			
Administration of Veterans Affairs	2,838	2,788	50
Student Financial Aid	-	-	-
Total Veterans Affairs	2,838	2,788	50
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	15	15	-
Total Women's Commission	15	15	-
TOTAL Other	176,389	170,040	6,349
TOTAL EXPENDITURES	\$ 1,296,498	\$ 1,280,110	\$ 16,388

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	5,174	3,494	1,680	5,174	3,494	1,680
-	-	-	664	562	102	664	562	102
-	-	-	5,838	4,056	1,782	5,838	4,056	1,782
6,400	6,314	86	-	-	-	6,400	6,314	86
7,005	6,993	12	-	-	-	7,005	6,993	12
13,405	13,307	98	-	-	-	13,405	13,307	98
-	-	-	350	62	288	350	62	288
-	-	-	350	62	288	350	62	288
-	-	-	11,539	10,785	754	11,539	10,785	754
-	-	-	11,539	10,785	754	11,539	10,785	754
-	-	-	-	-	-	8,148	8,073	75
-	-	-	-	-	-	8,148	8,073	75
-	-	-	-	-	-	1,368	1,367	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,368	1,367	1
-	-	-	3,858	3,350	508	3,858	3,350	508
-	-	-	3,858	3,350	508	3,858	3,350	508
-	-	-	10,246	10,178	68	10,246	10,178	68
-	-	-	10,246	10,178	68	10,246	10,178	68
2,612	2,611	1	29,635	25,934	3,701	35,085	31,333	3,752
15,850	15,850	-	-	-	-	15,850	15,850	-
18,462	18,461	1	29,635	25,934	3,701	50,935	47,183	3,752
-	-	-	402	349	53	402	349	53
-	-	-	402	349	53	402	349	53
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	15	15	-
105,728	105,220	508	978,888	839,140	139,748	1,261,005	1,114,400	146,605
\$ 5,071,872	\$ 5,070,145	\$ 1,727	\$ 11,415,906	\$ 10,296,898	\$ 1,119,008	\$ 17,784,276	\$ 16,647,153	\$ 1,137,123

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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, 2006

(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	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-
<u>General Fund Transfers</u>			
ABI Cost of Evidence	90	90	-
ADEM-Hazardous Substance Fund	25	25	-
ADEM-Operations	4,610	4,610	-
Bd of Control Pub Emp Contribu	1,000	1,000	-
Child Health Insurance Program	18,700	18,700	-
Children's Policy Council	20	20	-
Fair Trial Tax Transfer	18,961	18,961	-
Finance - Telephone Revolving	1,000	1,000	-
Forestry Commission	10,463	10,463	-
Historical Commission	2,334	2,334	-
Human Resources	98,951	98,951	-
Mental Health	125,893	125,893	-
Penny Trust Fund	459	459	-
Pollution Grant	517	517	-
Revenue-Ad Valorem Equalization	250	250	-
Surface Mining Commission	451	451	-
Treasurer-Unclaimed Property	238	238	-
TOTAL General Fund Transfers	283,962	283,962	-
TOTAL TRANSFERS OUT	\$ 283,962	\$ 283,962	\$ -
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,580,460	\$ 1,564,072	\$ 16,388

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
501	501	-	-	-	-	501	501	-
1,865	1,865	-	-	-	-	1,865	1,865	-
2,215	2,215	-	-	-	-	2,215	2,215	-
4,617	4,617	-	-	-	-	4,617	4,617	-
1,400	1,400	-	-	-	-	1,400	1,400	-
9,717	9,717	-	-	-	-	9,717	9,717	-
20,682	20,682	-	-	-	-	20,682	20,682	-
459	459	-	-	-	-	459	459	-
252,876	252,876	-	-	-	-	252,876	252,876	-
533	533	-	-	-	-	533	533	-
8,447	8,447	-	-	-	-	8,447	8,447	-
303,312	303,312	-	-	-	-	303,312	303,312	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	4,610	4,610	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	18,700	18,700	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	18,961	18,961	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	10,463	10,463	-
-	-	-	-	-	-	2,334	2,334	-
-	-	-	-	-	-	98,951	98,951	-
-	-	-	-	-	-	125,893	125,893	-
-	-	-	-	-	-	459	459	-
-	-	-	-	-	-	517	517	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	451	451	-
-	-	-	-	-	-	238	238	-
-	-	-	-	-	-	283,962	283,962	-
\$ 303,312	\$ 303,312	\$ -	\$ -	\$ -	\$ -	\$ 587,274	\$ 587,274	\$ -
\$ 5,375,184	\$ 5,373,457	\$ 1,727	\$ 11,415,906	\$ 10,296,898	\$ 1,119,008	\$ 18,371,550	\$ 17,234,427	\$ 1,137,123

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, 2006

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	1,969,656	11.6%
General Use Tax	256,106	1.50%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,206,533	18.9%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	37,664	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	249,533	1.5%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	408,046	2.4%
Utilities Tax (6% telephone, 4% other)	398,318	2.4%
Insurance Premium Tax (1% to 6%)	272,229	1.6%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	87,838	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	154,321	0.9%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	53,185	0.3%
State Beer Tax (5¢ per 12 oz.)	54,900	0.3%
Public Utilities (2.2%)	107,294	0.6%
Motor Fuel Tax (diesel 17¢ per gallon)	157,698	0.9%
Tennessee Valley Authority (payments in-lieu of all state taxes)	92,960	0.5%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	68,733	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	177,269	1.0%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	74,825	0.4%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	80,975	0.5%
Coal Severance Tax (33.5¢ per ton)	6,202	0.0%
Forestry Severance Tax	5,507	0.0%
Inheritance Tax (amount of federal credit)	1,865	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	33,318	0.2%
Lodgings Tax (4% or 5% of charge)	40,962	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	2,684	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,988	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	3,207	0.0%
Court Cost Taxes	30,323	0.2%
Medicaid Taxes	56,803	0.3%
Cellular Telephones (6%)	90,919	0.5%
Ground Materials Severance Tax	5,842	0.0%
Miscellaneous Taxes	6,966	0.0%
TOTAL TAXES	8,194,669	48.4%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	20,141	0.1%
Drivers Licenses and Fees	46,493	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,270	0.4%
Agricultural Licenses and Fees	10,141	0.1%
Wholesale Oil Company License	5,394	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	180,132	1.1%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	66,307	0.4%
Court Fees	64,536	0.4%
Alcoholic Beverage Licenses	2,496	0.0%
Insurance Corporation Licenses and Fees	1,214	0.0%
Miscellaneous License and Fees	151,615	0.9%
TOTAL LICENSES AND FEES	608,739	3.6%

FINES AND FORFEITS

Court Fines and Forfeits	30,240	0.2%
Tobacco Settlement	94,554	0.6%
Miscellaneous Fines and Forfeits	10,777	0.1%
TOTAL FINES AND FORFEITS	135,571	0.8%

INVESTMENT INCOME

317,396	1.9%
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FEDERAL REVENUES

6,478,252	38.3%
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OTHER REVENUES

Rents and Royalties	387,765	2.3%
Reimbursements	43,895	0.3%
Sales of Property or Services	41,755	0.2%
Contributions	14,221	0.1%
Intragovernmental Services	44,258	0.3%
Local Revenues	24,125	0.1%
Other Revenues	640,377	3.8%
TOTAL OTHER REVENUES	1,196,396	7.0%

TOTAL REVENUES

\$16,931,023	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, 2006

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 1,969,656	\$ 35,307	\$ 1,934,349	\$ 31,816	\$ 139,552	\$ -	\$ 1,641,812	\$ -
General Use Tax	256,106	3,063	253,043	500	3,203	-	247,778	-
Income Tax	3,206,533	33,236	3,173,297	-	-	-	3,173,297	-
Property Tax Relief	37,664	-	37,664	5,563	15,413	16,688	-	-
General Property Tax	249,533	1,097	248,436	37,295	94,013	117,128	-	-
Gasoline Taxes	408,046	11,507	396,539	-	-	-	-	-
Utilities Tax	398,318	6,846	391,472	-	-	-	376,872	-
Insurance Premium Tax	272,229	-	272,229	-	235,634	-	30,962	-
Liquor & Wine Tax	87,838	-	87,838	31,507	43,919	-	-	-
Tobacco & Cigarette Taxes	154,321	388	153,933	3,498	134,428	-	-	-
Corporation Taxes	53,185	-	53,185	6	16,724	-	-	-
State Beer Tax	54,900	-	54,900	10,980	16,470	-	21,960	-
Public Utilities	107,294	-	107,294	-	16,094	-	-	-
Motor Fuel Tax	157,698	2,346	155,352	-	-	-	-	-
Tennessee Valley Authority	92,960	-	92,960	-	-	-	-	-
Leasing/Renting Personal Property	68,733	-	68,733	-	68,733	-	-	-
Production Privilege Tax	177,269	-	177,269	-	139,957	-	-	-
Financial Institutions Excise Tax	74,825	534	74,291	-	25,483	-	-	-
Documentary Filing Taxes	80,975	1	80,974	-	80,974	-	-	-
Coal Severance Tax	6,202	-	6,202	-	-	-	-	-
Forestry Severance Tax	5,507	197	5,310	-	-	-	-	-
Inheritance Tax	1,865	-	1,865	-	1,865	-	-	-
Contractors Gross Receipts Tax	33,318	70	33,248	4,968	-	-	-	-
Lodgings Tax	40,962	11	40,951	-	29,792	-	-	-
Hydroelectric Companies	2,684	5	2,679	-	-	-	1,125	-
Lubricating Oil Tax	1,988	8	1,980	-	662	-	-	-
Pari-mutuel Betting	3,207	-	3,207	-	3,207	-	-	-
Court Cost Taxes	30,323	-	30,323	-	8,967	-	-	-
Medicaid Provider Taxes	56,803	109	56,694	-	-	-	-	-
Cellular Telephone Tax	90,919	-	90,919	-	58,304	-	31,398	-
Ground Materials Severance Tax	5,842	-	5,842	-	-	-	-	-
Hazardous Waste	-	-	-	-	-	-	-	-
Miscellaneous Taxes	6,966	-	6,966	27	2,463	76	-	-
TOTAL TAXES	8,194,669	94,725	8,099,944	126,160	1,135,857	133,892	5,525,204	0
LICENSES AND FEES								
Conservation Licenses	20,141	-	20,141	-	-	-	-	38
Drivers Licenses and Fees	46,493	-	46,493	-	30,178	-	-	-
Petroleum Products Inspection Fee	60,270	-	60,270	-	-	-	-	-
Agricultural License and Fees	10,141	-	10,141	-	-	-	-	-
Wholesale Oil Company License	5,394	-	5,394	-	5,394	-	-	-
Motor Vehicle License	180,132	722	179,410	-	40,944	-	-	-
Privilege License	66,307	1,234	65,073	-	10,056	-	525	-
Court Fees	64,536	-	64,536	-	47,920	-	-	-
Alcoholic Beverage Licenses	2,496	-	2,496	-	2,496	-	-	-
Insurance Corp Licenses and Fees	1,214	-	1,214	-	570	-	31	-
Miscellaneous License and Fees	151,615	146	151,469	303	4,748	-	-	-
TOTAL LICENSES AND FEES	608,739	2,102	606,637	303	142,306	0	556	38
FINES AND FORFEITS								
Court Fines and Forfeits	30,240	-	30,240	-	20,912	-	-	-
Tobacco Settlement	94,554	-	94,554	-	-	-	-	-
Miscellaneous Fines and Forfeits	10,777	89	10,688	-	1,467	-	-	-
TOTAL FINES AND FORFEITS	135,571	89	135,482	0	22,379	-	0	0
INVESTMENT INCOME	317,396	-	317,396	107	109,462	-	-	161,056
FEDERAL REVENUES	6,478,252	1,406	6,476,846	932,620	-	-	-	-
Other Revenues	1,196,396	3,607	1,192,789	6,735	(592)	678	309	370,561
TOTAL REVENUES	\$ 16,931,023	\$ 101,929	\$ 16,829,094	\$ 1,065,925	\$ 1,409,412	\$ 134,570	\$ 5,526,069	\$ 531,655

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 4,645	\$ 111,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,562	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
176,533	-	-	215,812	-	-	-	4,194	Conservation 3.7M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,108	Insurance Dept
-	-	-	-	12,412	-	-	-	-
266	1,500	-	-	10,743	-	-	3,498	State Parks
35,845	-	-	-	-	-	-	610	Secretary of State
5,490	-	-	-	-	-	-	-	-
-	-	-	-	91,200	-	-	-	-
2,757	-	-	152,595	-	-	-	-	-
74,368	18,592	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
37,312	-	-	-	-	-	-	-	-
48,808	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,595	-	-	-	-	-	-	2,607	State Port Authority
-	-	-	-	-	-	-	5,310	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	28,280	-	-	-	-
1,513	-	-	-	-	-	-	9,646	Tourism & Travel
-	-	-	-	1,554	-	-	-	-
725	-	-	593	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,762	-	18,594	Fair Trial Fd 16.1M
-	-	56,694	-	-	-	-	-	-
-	1,217	-	-	-	-	-	-	-
5,842	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
79	-	-	48	-	-	-	4,273	Industrial Relations 4.2M
397,778	132,833	56,694	369,048	163,314	2,762	0	56,402	
-	-	-	-	-	-	-	20,103	Conservation 19.3M
-	-	-	-	-	-	262	16,053	Public Safety
9,305	-	-	47,939	-	-	-	3,026	Agriculture
-	-	-	-	-	-	-	10,141	Agriculture
-	-	-	-	-	-	-	-	-
27,819	-	-	109,171	-	-	-	1,476	-
-	-	-	3,552	2,492	1,476	-	46,972	Prof & Occup Bds 22.8 M
-	-	-	-	143	-	-	16,473	AOC 8.1M; DPS 3.5; DFS 2.7
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	613	Insurance Dept
-	-	-	1,482	43,987	-	-	100,949	ADEM 55.8M; PSC 14.8; Bank 8.9
37,124	0	0	162,144	46,622	1,476	262	215,806	
-	-	-	-	-	-	1,597	7,731	Forensics 2.7M
-	-	-	-	-	-	-	94,554	21st Century Fund
-	-	2,069	-	(6)	-	-	7,158	-
-	0	2,069	0	(6)	0	1,597	109,443	
-	3,133	148	2,132	5	-	478	40,875	-
2,500	-	2,906,221	761,298	337,096	824,622	172,933	539,556	Rehab 73M; EMA 166; DIR 56
261	4,097	581,649	53,051	49,307	10,818	3,299	112,616	DOC 14; Cons 29; Uncl Prop 31
\$ 437,663	\$ 140,063	\$ 3,546,781	\$ 1,347,673	\$ 596,338	\$ 839,678	\$ 178,569	\$ 1,074,698	



Nonmajor Enterprise Funds

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

Alabama Health Insurance Plan

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

Motor Sports Hall of Fame

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

Corrections Canteen

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

National Guard Canteen

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

Other Enterprise Funds

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2006

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 13,524	\$ 9	\$ 564	\$ 1,075
Accounts Receivable	47	10	-	136
Due from Other Funds	-	-	1	-
Inventory	-	-	475	67
Other Current Assets	387	-	-	-
Total Current Assets	13,958	19	1,040	1,278
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	31	1,871	-	712
Capital Assets Not Depreciated	-	2,630	-	-
Total Noncurrent Assets	31	4,501	0	712
TOTAL ASSETS	13,989	4,520	1,040	1,990
LIABILITIES				
Current Liabilities				
Warrants Payable	-	-	-	-
Accounts Payable	100	261	-	28
Salaries Payable	-	4	-	2
Due to Other Funds	-	-	398	-
Due to Component Units	147	-	-	-
Due to Other Governments	-	-	-	5
Deferred Revenue	473	-	-	-
Claims Payable	5,934	-	-	-
Notes Payable	-	100	-	-
Total Current Liabilities	6,654	365	398	35
Long-term Liabilities				
Compensated Absences	-	43	-	-
Notes Payable	-	1,311	-	-
Total Long-term Liabilities	0	1,354	0	0
Total Liabilities	6,654	1,719	398	35
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	31	3,318	-	712
Unrestricted	7,304	(517)	642	1,243
TOTAL NET ASSETS	\$ 7,335	\$ 2,801	\$ 642	\$ 1,955

Other Nonmajor Enterprise Funds	Totals
\$ 3,993	\$ 19,165
10	203
7	8
-	542
-	387
4,010	20,305
704	3,318
-	2,630
704	5,948
4,714	26,253
7	7
227	616
117	123
38	436
1	148
1	6
-	473
-	5,934
-	100
391	7,843
244	287
-	1,311
244	1,598
635	9,441
704	4,765
3,375	12,047
\$ 4,079	\$ 16,812

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
OPERATING REVENUES				
Charges for Goods and Services	\$ 0	\$ 288	\$ 15,850	\$ 6,107
Investment Earnings	-	-	-	-
Premiums and Contributions	19,876	-	-	-
Rents and Leases	-	47	-	-
Total Operating Revenues	19,876	335	15,850	6,107
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	234	-	23
Utilities and Communications	-	78	-	-
Professional Services	345	137	-	-
Supplies, Materials, and Operating Expenses	1	79	10,592	5,628
Depreciation	1	157	-	31
Claims and Benefits	28,426	-	-	-
Other	-	9	1	-
Total Operating Expenses	28,773	694	10,593	5,682
Operating Income (Loss)	(8,897)	(359)	5,257	425
NONOPERATING REVENUES (EXPENSES)				
Taxes	6,887	-	-	-
Grants	2,826	-	-	-
Investment Income	266	-	-	26
Insurance Recovery Proceeds	-	-	-	-
Other Nonoperating Revenues	-	243	-	-
Interest Expense	-	(56)	-	-
Total Nonoperating Revenues (Expenses)	9,979	187	0	26
Income (Loss) Before Contributions and Transfers	1,082	(172)	5,257	451
Transfers In	-	-	-	-
Transfers Out	-	-	(5,053)	(51)
Increase (Decrease) in Net Assets	1,082	(172)	204	400
Total Net Assets, October 1, 2005, as Restated	6,253	2,973	438	1,555
Total Net Assets, September 30, 2006	\$ 7,335	\$ 2,801	\$ 642	\$ 1,955

Other Nonmajor Enterprise Funds		Totals	
\$	2,366	\$	24,611
	44		44
	-		19,876
	631		678
	3,041		45,209
	1,114		1,371
	136		214
	128		610
	1,051		17,351
	72		261
	-		28,426
	672		682
	3,173		48,915
	(132)		(3,706)
	-		6,887
	76		2,902
	-		292
	28		28
	69		312
	-		(56)
	173		10,365
	41		6,659
	56		56
	-		(5,104)
	97		1,611
	3,982		15,201
\$	4,079	\$	16,812

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	\$ 26,749	\$ 278	\$ 15,849	\$ 6,128
Receipts from Interfund Services	-	47	-	-
Receipts from Other Operating Activities	-	215	-	-
Payments for Goods Held for Resale	(291)	-	(10,659)	(5,307)
Payments for Other Goods & Services	(26,716)	(185)	-	(147)
Payments for Employees Services	-	(230)	-	(23)
Payments for Interfund Services	-	-	-	-
Payments for Other Operating Activities	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(258)	125	5,190	651
Cash Flows from Noncapital Financing Activities:				
Receipts from Noncapital Financing Grants & Donations	2,826	-	-	-
Transfers from Other Funds for Noncapital Financing	-	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	(5,062)	(51)
Net Cash Provided By (Used In)				
Noncapital Financing Activities	2,826	0	(5,062)	(51)
Cash Flows From Capital & Related Financing Activities:				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	28	-	-
Payments to Acquire, Construct, & Improve Capital Assets	(32)	-	-	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	(110)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(56)	-	-
Net Cash Provided by (Used in)				
Capital and Related Financing Activities	(32)	(138)	0	0
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	266	-	-	26
Net Cash Provided By (Used In) Investing Activities	266	0	0	26
Net Increase (Decrease) In Cash and Cash Equivalents	2,802	(13)	128	626
Cash Balance, October 1, 2005	10,722	22	436	449
Cash Balance, September 30, 2006	13,524	9	564	1,075
Add: Warrants Payable	-	-	-	-
Cash and Cash Equivalents,				
as Reported on Balance Sheet	\$ 13,524	\$ 9	\$ 564	\$ 1,075

Other Nonmajor Enterprise Funds		Totals	
\$	2,798	\$	51,802
	12		59
	84		299
	-		(16,257)
	(1,576)		(28,624)
	(1,057)		(1,310)
	(155)		(155)
	(2)		(2)
	104		5,812
	-		2,826
	56		56
	-		(5,113)
	56		(2,231)
	28		56
	(100)		(132)
	-		(110)
	-		(56)
	(72)		(242)
	44		336
	44		336
	132		3,675
	3,854		15,483
	3,986		19,158
	7		7
\$	3,993	\$	19,165

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	(8,897)	(359)	5,257	425
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Accounts Receivable	12	(10)	(1)	22
Due from Other Funds	-	-	-	-
Inventory	-	-	(66)	173
Other Assets	(40)	-	-	-
Equipment	-	-	-	-
Accounts Payable	(19)	118	-	138
Salaries Payable	-	-	-	-
Due to Other Funds	55	-	-	-
Claims Payable	1,748	-	-	-
Deferred Revenue	(5)	-	-	-
Amounts Held in Custody for Others	-	-	-	-
Compensated Absences	-	4	-	-
Investment Income	-	-	-	-
Depreciation	1	157	-	31
Nonoperating Revenues	6,887	215	-	-
Nonoperating Expenses	-	-	-	(138)
Total Adjustments	8,639	484	(67)	226
Net Cash Provided (Used) by Operating Activities	\$ (258)	\$ 125	\$ 5,190	\$ 651
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Transfers and Donations of Capital Assets	-	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	-

Other Nonmajor Enterprise Funds	Totals
(132)	(3,706)
(177)	(154)
(1)	(1)
-	107
-	(40)
(1)	(1)
216	453
31	31
32	87
-	1,748
-	(5)
1	1
24	28
(44)	(44)
72	261
83	7,185
-	(138)
236	9,518
<u>\$ 104</u>	<u>\$ 5,812</u>

289	289
(233)	(233)



Internal Service Funds

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

Telecommunications Fund

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

Service Division

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

Correctional Industries

Accounts for the 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, 2006

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 22,432	\$ 3,897	\$ 8,648	\$ 38,947	\$ 5,662
Investments, Short-term	-	-	-	-	8,186
Accounts Receivable	922	-	-	-	6,150
Interest and Dividends Receivable	-	-	-	-	786
Due from Other Funds	7,942	1,364	1,542	495	4,187
Due from Component Units	241	108	77	-	122
Due from Other Governments	-	163	-	-	-
Inventory	-	1,535	3,345	-	-
Other Current Assets	-	-	-	-	6,352
Total Current Assets	31,537	7,067	13,612	39,442	31,445
Noncurrent Assets					
Investments, Long-term	-	-	-	-	80,116
Due From Other Funds, Noncurrent	-	-	-	-	9,240
Due From Component Unit, Noncurrent	-	-	-	-	35,445
Other Noncurrent Assets	-	-	-	1,052	-
Capital Assets, Net of Accumulated Depreciation	7,727	1,515	2,138	30,655	139
Capital Assets Not Depreciated	-	-	650	18,731	-
Total Noncurrent Assets	7,727	1,515	2,788	50,438	124,940
TOTAL ASSETS	39,264	8,582	16,400	89,880	156,385
LIABILITIES					
Current Liabilities					
Warrants Payable	1	12	28	14	1,979
Accounts Payable	3,753	586	770	655	216
Salaries Payable	1,123	95	465	274	226
Due to Other Funds	980	144	104	39	3,227
Due to Component Units	8	-	5	2	847
Due to Other Governments	730	200	2	21	-
Compensated Absences	57	-	-	35	-
Claims Payable	-	-	-	-	20,543
Revenue Bonds Payable	-	-	-	5,405	-
Capital Leases	-	90	-	-	-
Total Current Liabilities	6,652	1,127	1,374	6,445	27,038
Long-term Liabilities					
Compensated Absences	2,059	98	910	260	318
Revenue Bonds Payable	-	-	-	91,944	-
Capital Leases Payable	-	72	-	-	-
Claims Payable	-	-	-	-	35,990
Total Long-term Liabilities	2,059	170	910	92,204	36,308
Total Liabilities	8,711	1,297	2,284	98,649	63,346
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	7,727	1,354	2,788	(4,360)	139
Restricted for:					
Capital Projects	-	-	-	29,445	-
Unrestricted	22,826	5,931	11,328	(33,854)	92,900
TOTAL NET ASSETS	\$ 30,553	\$ 7,285	\$ 14,116	\$ (8,769)	\$ 93,039

Other Internal Service Funds	Totals
\$ 1,093	\$ 80,679
-	8,186
-	7,072
-	786
19	15,549
62	610
-	163
-	4,880
-	6,352
1,174	124,277
-	80,116
-	9,240
-	35,445
-	1,052
28	42,202
-	19,381
28	187,436
1,202	311,713
-	2,034
10	5,990
179	2,362
19	4,513
-	862
-	953
-	92
-	20,543
-	5,405
-	90
208	42,844
361	4,006
-	91,944
-	72
-	35,990
361	132,012
569	174,856
28	7,676
-	29,445
605	99,736
\$ 633	\$ 136,857

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 37,960	\$ 9,826	\$ 14,409	\$ 12	\$ 1,267
Investment Earnings	-	-	-	-	5,154
Premiums and Contributions	-	-	-	-	35,370
Rents and Leases	-	-	-	15,006	-
Interest from Mortgages and Loans Receivable	-	-	-	-	1,304
Total Operating Revenues	37,960	9,826	14,409	15,018	43,095
OPERATING EXPENSES					
Salaries, Wages, and Benefits	12,546	1,159	5,605	2,798	2,598
Utilities and Communications	13,830	35	559	3,578	106
Professional Services	4,814	259	166	1,271	6,125
Supplies, Materials, and Operating Expenses	10,100	7,232	7,503	346	15,038
Interest	-	-	-	3,800	-
Depreciation	3,257	655	392	2,393	69
Claims and Benefits	-	-	-	-	16,072
Other	3,304	1,260	1,417	1,475	2,959
Total Operating Expenses	47,851	10,600	15,642	15,661	42,967
Operating Income (Loss)	(9,891)	(774)	(1,233)	(643)	128
NONOPERATING REVENUES (EXPENSES)					
Grants	-	31	-	-	-
Investment Income	-	-	-	227	-
Insurance Recovery Proceeds	-	17	17	-	-
Other Nonoperating Revenues	6	32	5	137	273
Interest Expense	-	(15)	-	-	-
Other Nonoperating Expenses	(18)	(61)	(224)	-	-
Total Nonoperating Revenues (Expenses)	(12)	4	(202)	364	273
Income (Loss) Before Contributions and Transfers	(9,903)	(770)	(1,435)	(279)	401
Capital Contributions	-	-	-	-	-
Transfers In	32,036	-	2,485	1,985	-
Transfers Out	(25,050)	(5)	(17)	(600)	(7)
Increase (Decrease) in Net Assets	(2,917)	(775)	1,033	1,106	394
Total Net Assets, October 1, 2005, as Restated	33,470	8,060	13,083	(9,875)	92,645
Total Net Assets, September 30, 2006	\$ 30,553	\$ 7,285	\$ 14,116	\$ (8,769)	\$ 93,039

Other Internal Service Funds		Totals	
\$	3,068	\$	66,542
	-		5,154
	-		35,370
	-		15,006
	-		1,304
	3,068		123,376
	2,490		27,196
	28		18,136
	382		13,017
	43		40,262
	-		3,800
	15		6,781
	-		16,072
	150		10,565
	3,108		135,829
	(40)		(12,453)
	250		281
	-		227
	-		34
	-		453
	-		(15)
	-		(303)
	250		677
	210		(11,776)
	5		5
	-		36,506
	(5)		(25,684)
	210		(949)
	423		137,806
\$	633	\$	136,857

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 2,795	\$ 1,077	\$ 6,005	\$ 135	\$ 35,873
Receipts from Interfund Services	29,451	6,907	6,793	14,019	15,367
Receipts from Other Operating Activities	5,435	5	5	96	4,041
Payments for Goods Held for Resale	(1,371)	(5,639)	(6,696)	-	-
Payments for Other Goods & Services	(23,739)	(893)	(2,544)	(5,517)	(23,883)
Payments for Employees Services	(12,168)	(1,118)	(5,357)	(2,704)	(2,461)
Payments for Taxes, Fines, Penalties, & Similar Fees	(1,134)	(4)	-	-	-
Payments for Interfund Services	(1,286)	(426)	(39)	(659)	(1,327)
Payments for Other Operating Activities	(6,605)	(6)	(133)	(5)	(6,486)
Payments for Claims	-	-	-	-	(32,805)
Net Cash Provided by (Used In) Operating Activities	(8,622)	(97)	(1,966)	5,365	(11,681)
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	32,036	-	2,485	1,400	-
Transfers to Other Funds for Noncapital Financing	(25,031)	(6)	(17)	(16)	(7)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	7,005	(6)	2,468	1,384	(7)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	25,918	-
Receipts from Sale of Capital Assets & Insurance Proceeds	3	40	20	1	-
Payments to Acquire, Construct, & Improve Capital Assets	(5,396)	(404)	(442)	(1,386)	(56)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(70)	-	(1,020)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(12)	-	(3,730)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(5,393)	(446)	(422)	19,783	(56)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	295,049
Receipts from Interest & Dividends on Investments & Loans	-	-	-	227	5,504
Purchase of Investments	-	-	-	-	(290,513)
Net Cash Provided By (Used In) Investing Activities	0	0	0	227	10,040
Net Increase (Decrease) In Cash and Cash Equivalents	(7,010)	(549)	80	26,759	(1,704)
Cash Balance, October 1, 2005	29,441	4,434	8,540	12,174	5,387
Cash Balance, September 30, 2006	22,431	3,885	8,620	38,933	3,683
Add: Warrants Payable	1	12	28	14	1,979
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 22,432	\$ 3,897	\$ 8,648	\$ 38,947	\$ 5,662

Other Internal Service Funds	Totals
\$ 1	\$ 45,886
3,008	75,545
71	9,653
(1)	(13,707)
(224)	(56,800)
(2,381)	(26,189)
-	(1,138)
(316)	(4,053)
(52)	(13,287)
-	(32,805)
106	(16,895)
200	36,121
(5)	(25,082)
195	11,039
-	25,918
-	64
(13)	(7,697)
-	(1,090)
-	(3,742)
(13)	13,453
-	295,049
-	5,731
-	(290,513)
0	10,267
288	17,864
805	60,781
1,093	78,645
-	2,034
\$ 1,093	\$ 80,679

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, 2006

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	(9,891)	(774)	(1,233)	(643)	128
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	1,025	-	-	-	8,296
Due from Other Funds	(7,980)	(1,588)	(825)	(840)	(3,617)
Inventory	-	1,306	(446)	-	-
Other Assets	-	-	-	-	(1,714)
Accounts Payable	5,857	162	626	430	89
Salaries Payable	322	31	148	110	79
Due to Other Funds	(137)	101	(727)	41	3,817
Due to Other Governments	(1,134)	-	-	-	-
Claims Payable	-	-	-	-	(12,639)
Amounts Held Pending Distribution	5	-	-	-	-
Deferred Revenue	-	-	-	-	(829)
Amounts Held in Custody for Others	-	-	-	-	-
Compensated Absences	53	9	98	(19)	57
Investment Income	-	-	-	-	(5,686)
Operating Interest Expense	-	-	-	3,800	-
Depreciation	3,257	655	392	2,393	69
Nonoperating Revenues	1	1	1	93	269
Total Adjustments	1,269	677	(733)	6,008	(11,809)
Net Cash Provided (Used) by Operating Activities	\$ (8,622)	\$ (97)	\$ (1,966)	\$ 5,365	\$ (11,681)
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	3,957	83	159	608	1
Disposals, Write-offs, and Other Reductions to Capital Asset	(7,301)	(363)	(524)	(666)	(62)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	(278)	-
Interest Accruals and Other Adjustments	-	-	-	-	(588)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	1,428
Transfers In (Out)	18	-	-	-	-

Other Internal Service Funds	Totals
(40)	(12,453)
-	9,321
(76)	(14,926)
(1)	859
-	(1,714)
48	7,212
73	763
13	3,108
-	(1,134)
-	(12,639)
-	5
-	(829)
(30)	(30)
54	252
-	(5,686)
-	3,800
15	6,781
50	415
146	(4,442)
<u>\$ 106</u>	<u>\$ (16,895)</u>

24	4,832
(23)	(8,939)
-	(278)
-	(588)
-	1,428
-	18



Pension (and Other Employee Benefit) Trust Funds

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

Employees' Retirement System

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

Teachers' Retirement System

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

Judicial Retirement Fund

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

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

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

State Port Authority Railway Plan

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

Clerks and Registers Supernumerary

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

Flexible Employees' Benefits Board

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

Employee Savings Plans

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

STATE OF ALABAMA

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

September 30, 2006

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 17,415	\$ 32,009	\$ 1,539	\$ 272	\$ 0
Investments					
U.S. Treasury Securities	128,344	273,482	7,252	3,090	572
U.S. Agency Securities	318,379	780,503	19,514	1,481	1,087
Mortgage Backed Securities	27,921	72,707	778	1,702	6
Corporate Stocks	4,345,437	9,157,003	153,064	57	1,343
Corporate Bonds	1,839,504	3,864,054	40,564	2,172	2,553
Real Estate	583,690	1,206,840	2,494	-	-
Commercial Paper	277,716	570,520	16,497	-	1,230
International Stocks	1,293,473	2,940,891	-	-	-
International Bonds	14,342	26,729	-	-	-
Mutual and Money Market Funds	48,095	67,570	3,608	10,804	604
Other	2,958	8,053	-	-	-
Receivables					
Accounts Receivable	49	-	-	1	-
Due from Primary Government	48	-	-	-	-
Employer Contributions Receivable	22,663	38,912	303	-	-
Member Contributions Receivable	14,553	23,814	112	-	-
Interest and Dividends Receivable	73,728	154,801	1,319	93	-
Securities Lending Collateral	864,409	1,922,021	25,393	-	1,168
Capital Assets, Net of Accumulated Depreciation	5,628	10,173	-	4	-
Capital Assets Not Depreciated	2,997	5,702	-	-	-
TOTAL ASSETS	9,881,349	21,155,784	272,437	19,676	8,563
LIABILITIES					
Warrants Payable	\$ 12,340	\$ 22,356	\$ 461	\$ 150	\$ 0
Accounts Payable	221	226	2	8	-
Salaries Payable	730	853	34	23	-
Due to Other Funds	-	-	-	3	-
Due to Primary Government	2	42	-	-	-
Securities Lending Obligation	864,409	1,922,021	25,393	-	1,168
Deferred Revenue	513	1,021	-	-	-
Compensated Absences	1,033	1,665	49	71	-
TOTAL LIABILITIES	879,248	1,948,184	25,939	255	1,168
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	9,002,101	19,207,600	246,498	19,421	7,395
TOTAL NET ASSETS	\$ 9,002,101	\$ 19,207,600	\$ 246,498	\$ 19,421	\$ 7,395

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Totals
\$ 0	\$ 19	\$ 888	\$ 508	\$ 52,650
43	732	-	89,664	503,179
82	1,673	-	198,634	1,321,353
-	8	-	4,072	107,194
102	-	-	155,090	13,812,096
195	3,299	-	403,782	6,156,123
-	-	-	-	1,793,024
93	1,572	-	128,740	996,368
-	-	-	-	4,234,364
-	-	-	-	41,071
46	422	-	25,389	156,538
-	-	-	-	11,011
-	-	726	-	776
-	-	-	-	48
-	-	-	-	61,878
-	-	-	5	38,484
-	-	-	12,196	242,137
26	1,478	-	159,726	2,974,221
-	-	-	-	15,805
-	-	-	-	8,699
587	9,203	1,614	1,177,806	32,527,019
\$ 0	\$ 19	\$ 0	\$ 508	\$ 35,834
-	-	1,614	-	2,071
-	-	-	-	1,640
-	-	-	-	3
-	-	-	-	44
26	1,478	-	159,726	2,974,221
-	-	-	-	1,534
-	-	-	-	2,818
26	1,497	1,614	160,234	3,018,165
561	7,706	-	1,017,572	29,508,854
\$ 561	\$ 7,706	\$ 0	\$ 1,017,572	\$ 29,508,854

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, 2006

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Plan members	\$ 184,177	\$ 278,220	\$ 2,338	\$ 750	\$ 0
Employer	242,094	435,097	8,914	-	537
Total Contributions	426,271	713,317	11,252	750	537
Investment Earnings					
Investment Interest and Dividends	329,459	703,189	9,598	555	306
Net Increase (Decrease) in Fair Value of Investments	374,997	878,686	11,215	735	92
Securities Lending Income	35,407	84,052	908	-	24
Total Investment Earnings	739,863	1,665,927	21,721	1,290	422
Less:					
Investment Expense	3,216	4,947	2	38	-
Securities Lending Interest and Fees	33,071	78,678	868	-	24
Net Investment Income	703,576	1,582,302	20,851	1,252	398
Other Additions					
Licenses and Fees	-	-	-	2,818	-
Miscellaneous	3,085	3,379	158	33	-
Total Other Additions	3,085	3,379	158	2,851	0
Total Additions	1,132,932	2,298,998	32,261	4,853	935
DEDUCTIONS					
Benefit Payments	583,572	1,243,934	18,820	3,926	-
Return of Contributions	-	-	-	122	-
Administrative Expense	11,654	14,755	333	380	-
Other Nonoperating Expenses	40	514	-	-	-
Transfers Out	-	-	-	1	-
Total Deductions	595,266	1,259,203	19,153	4,429	0
Changes in Net Assets	537,666	1,039,795	13,108	424	935
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2005, as Restated	8,464,435	18,167,805	233,390	18,997	6,460
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2006	\$ 9,002,101	\$ 19,207,600	\$ 246,498	\$ 19,421	\$ 7,395

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Totals
\$ 0	\$ 307	\$ 5,352	\$ 74,100	\$ 545,244
1	-	839	-	687,482
1	307	6,191	74,100	1,232,726
23	483	-	52,666	1,096,279
(16)	(35)	-	(1,461)	1,264,213
2	31	-	6,561	126,985
9	479	0	57,766	2,487,477
-	-	-	-	8,203
2	30	-	6,259	118,932
7	449	0	51,507	2,360,342
-	-	-	-	2,818
-	-	-	1,000	7,655
0	0	0	1,000	10,473
8	756	6,191	126,607	3,603,541
-	215	5,378	67,553	1,923,398
-	-	-	-	122
-	-	813	-	27,935
-	-	-	-	554
-	-	-	-	1
0	215	6,191	67,553	1,952,010
8	541	0	59,054	1,651,531
553	7,165	-	958,518	27,857,323
\$ 561	\$ 7,706	\$ 0	\$ 1,017,572	\$ 29,508,854



Private-Purpose Trust

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

Prepaid Affordable College Tuition

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

Local Education Endowments

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

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, 2006

(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	\$ 43,100	\$ 297	\$ 0	\$ 1,138	\$ 44,535
Investments					
Time Deposits	-	132	-	-	132
U.S. Treasury Securities	23,830	-	56	-	23,886
U.S. Agency Securities	27,042	-	142	-	27,184
Mortgage Backed Securities	114,431	-	1	-	114,432
Corporate Stocks	355,499	4,115	-	-	359,614
Corporate Bonds	41,320	1,639	295	-	43,254
Real Estate	-	849	-	-	849
International Stocks	158,383	-	-	-	158,383
International Bonds	4,511	-	-	-	4,511
Mutual and Money Market Funds	1,998	302	108	531,793	534,201
Receivables					
Accounts Receivable	504	-	-	544	1,048
Due from Other Funds	31	-	-	-	31
Interest and Dividends Receivable	2,143	-	-	-	2,143
Securities Lending Collateral	-	393	154	-	547
TOTAL ASSETS	772,792	7,727	756	533,475	1,314,750
LIABILITIES					
Warrants Payable	411	-	-	-	411
Accounts Payable	57,923	-	-	1,026	58,949
Salaries Payable	24	-	-	6	30
Due to Other Funds	106	-	-	-	106
Securities Lending Obligation	-	393	154	-	547
Compensated Absences	72	-	-	-	72
TOTAL LIABILITIES	58,536	393	154	1,032	60,115
NET ASSETS					
Held in Trust for Beneficiaries	714,256	7,334	602	532,443	1,254,635
TOTAL NET ASSETS	\$ 714,256	\$ 7,334	\$ 602	\$ 532,443	\$ 1,254,635

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation for Local Schools	Alabama College Education Savings Plan	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 24,320	\$ 0	\$ 0	\$ 194,200	\$ 218,520
Total Contributions	24,320	0	0	194,200	218,520
Investment Earnings					
Investment Interest and Dividends	19,523	210	30	25,435	45,198
Net Increase (Decrease) in Fair Value of Investments	47,271	381	(7)	12,509	60,154
Securities Lending Income	-	6	3	-	9
Total Investment Earnings	66,794	597	26	37,944	105,361
Less:					
Securities Lending Interest and Fees	-	5	3	-	8
Net Investment Income	66,794	592	23	37,944	105,353
Other Additions					
Miscellaneous	754	-	-	-	754
Total Other Additions	754	0	0	0	754
Total Additions	91,868	592	23	232,144	324,627
DEDUCTIONS					
Benefit Payments	48,525	655	-	112,920	162,100
Return of Contributions	65	-	-	-	65
Administrative Expense	3,705	-	-	3,569	7,274
Total Deductions	52,295	655	0	116,489	169,439
Changes in Net Assets	39,573	(63)	23	115,655	155,188
Net Assets Held in Trust					
for Beneficiaries, October 1, 2005, as Restated	674,683	7,397	579	416,788	1,099,447
Net Assets Held in Trust					
for Beneficiaries, September 30, 2006	\$ 714,256	\$ 7,334	\$ 602	\$ 532,443	\$ 1,254,635



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, 2006

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 118,619	\$ 9,118	\$ 8,407	\$ 18,347	\$ 154,491
Investments	-	-	-	52,987	52,987
Accounts Receivable	23	-	-	-	23
Due from Other Funds	3	-	3	-	6
Due from Component Units	-	-	5	-	5
TOTAL ASSETS	\$ 118,645	\$ 9,118	\$ 8,415	\$ 71,334	\$ 207,512
LIABILITIES					
Warrants Payable	\$ 15,660	\$ 62	\$ 2,744	\$ 6,432	\$ 24,898
Accounts Payable	469	-	-	535	1,004
Due to Other Governments	765	8,178	-	64	9,007
Amounts Held in Custody for Others	101,751	878	5,671	64,303	172,603
TOTAL LIABILITIES	\$ 118,645	\$ 9,118	\$ 8,415	\$ 71,334	\$ 207,512



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	124,002	17,065,666	17,071,049	118,619
Accounts Receivable	16	26	19	23
Due from Other Funds	1	1,608	1,606	3
Due from Component Units	-	1	1	-
Taxes Receivable	-	938,761	938,761	-
TOTAL ASSETS	\$ 124,019	\$ 18,006,062	\$ 18,011,436	\$ 118,645
LIABILITIES				
Warrants Payable	9,935	544,584	538,859	15,660
Accounts Payable	34	30,648	30,213	469
Due to Other Funds	-	509,880	509,880	-
Due to Other Governments	849	14,440	14,524	765
Amounts Held Pending Distribution	(1)	30,055,275	30,055,274	-
Deferred Revenue	-	2,687	2,687	-
Amounts Held in Custody for Others	113,201	388,567	400,017	101,751
TOTAL LIABILITIES	\$ 124,018	\$ 31,546,081	\$ 31,551,454	\$ 118,645
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	4,555	253,420	248,857	9,118
TOTAL ASSETS	\$ 4,555	\$ 253,420	\$ 248,857	\$ 9,118
LIABILITIES				
Warrants Payable	145	230,856	230,939	62
Accounts Payable	-	13,276	13,276	-
Due to Other Governments	3,444	253,593	248,859	8,178
Amounts Held Pending Distribution	-	5	5	-
Amounts Held in Custody for Others	966	904	992	878
TOTAL LIABILITIES	\$ 4,555	\$ 498,634	\$ 494,071	\$ 9,118
PAYROLL				
ASSETS				
Cash and Cash Equivalents	6,534	1,957,596	1,955,723	8,407
Due from Other Funds	5	34	36	3
Due from Component Units	-	9	4	5
TOTAL ASSETS	\$ 6,539	\$ 1,957,639	\$ 1,955,763	\$ 8,415
LIABILITIES				
Warrants Payable	2,591	1,551,993	1,551,840	2,744
Accounts Payable	-	599,450	599,450	-
Due to Other Funds	-	189	189	-
Amounts Held Pending Distribution	-	460,633	460,633	-
Amounts Held in Custody for Others	3,948	544,422	542,699	5,671
TOTAL LIABILITIES	\$ 6,539	\$ 3,156,687	\$ 3,154,811	\$ 8,415

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	17,284	664,124	663,061	18,347
Investments	54,034	3,552	4,599	52,987
TOTAL ASSETS	\$ 71,318	\$ 667,676	\$ 667,660	\$ 71,334
LIABILITIES				
Warrants Payable	5,668	289,357	288,593	6,432
Accounts Payable	145	15,969	15,579	535
Due to Other Funds	-	5	5	-
Due to Other Governments	98	712	746	64
Amounts Held Pending Distribution	-	312,709	312,709	-
Amounts Held in Custody for Others	65,406	352,768	353,871	64,303
TOTAL LIABILITIES	\$ 71,317	\$ 971,520	\$ 971,503	\$ 71,334
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	152,375	19,940,806	19,938,690	154,491
Investments	54,034	3,552	4,599	52,987
Accounts Receivable	16	26	19	23
Due from Other Funds	6	1,642	1,642	6
Due from Component Units	-	10	5	5
Taxes Receivable	-	938,761	938,761	-
TOTAL ASSETS	\$ 206,431	\$ 20,884,797	\$ 20,883,716	\$ 207,512
LIABILITIES				
Warrants Payable	18,339	2,616,790	2,610,231	24,898
Accounts Payable	179	659,343	658,518	1,004
Due to Other Funds	-	510,074	510,074	-
Due to Other Governments	4,391	268,745	264,129	9,007
Amounts Held Pending Distribution	(1)	30,828,622	30,828,621	-
Deferred Revenue	-	2,687	2,687	-
Amounts Held in Custody for Others	183,521	1,286,661	1,297,579	172,603
TOTAL LIABILITIES	\$ 206,429	\$ 36,172,922	\$ 36,171,839	\$ 207,512



Nonmajor Component Units

Higher Education Loan Corporation

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

Drinking Water Finance Authority

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

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy University

Reports the operations and balances of the University.

Space Science Exhibit Commission

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

Historical Commission

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

Incentives Finance Authority

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

Twenty-first Century Authority

Finances economic development and industrial recruitment 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, 2006

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
ASSETS					
Cash and Cash Equivalents	\$ 13,084	\$ 26,095	\$ 824	\$ 21,245	\$ 17,900
Investments	34,973	103,144	7,417	118,360	36,446
Accounts Receivable	-	94	21,585	6,558	16,096
Due from Primary Government	-	-	-	-	-
Due from Other Governments	-	211,901	-	2,707	-
Interest and Dividends Receivable	375	1,028	-	257	-
Mortgages, Notes, and Loans Receivable	6,027	-	-	2,205	1,737
Securities Lending Collateral	-	-	-	-	-
Inventory	-	-	138	832	-
Other Assets	357	4,523	11,624	3,252	589
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	285	99,093	56,271	52,172
Capital Assets Not Depreciated	-	-	7,564	29,190	7,762
TOTAL ASSETS	54,816	347,070	148,245	240,877	132,702
LIABILITIES					
Warrants Payable	-	-	-	-	-
Accounts Payable	178	136	691	6,887	4,032
Salaries Payable	-	-	-	-	2,493
Interest Payable	123	1,168	714	-	-
Due to Primary Government	-	455	-	-	-
Due to Other Governments	-	60,192	-	-	11
Securities Lending Obligation	-	-	-	-	-
Deferred Revenue	-	-	22,599	9,714	14,352
Amounts Held in Custody for Others	-	-	389	-	2,676
Noncurrent Liabilities:					
Due Within One Year	2,940	5,060	2,837	5,025	2,382
Due In More Than One Year	40,449	191,216	56,002	98,326	22,032
TOTAL LIABILITIES	43,690	258,227	83,232	119,952	47,978
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	285	48,443	53,713	40,455
Restricted for:					
Permanent - Expendable	1,824	-	6,027	18,751	25,111
Permanent - Non-expendable	-	-	-	31,268	8,887
Debt Service	-	88,558	7,672	2,697	-
Other Purposes	-	-	3,359	-	-
Unrestricted	9,302	-	(488)	14,496	10,271
TOTAL NET ASSETS	\$ 11,126	\$ 88,843	\$ 65,013	\$ 120,925	\$ 84,724

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 41,063	\$ 95,072	\$ 82	\$ 1,542	\$ 39,206	\$ 39,108	\$ 45,445	\$ 340,666
18,615	27,560	-	8,018	-	-	51,538	406,071
6,319	37,185	1,340	-	-	72,683	13,081	174,941
-	-	-	8	-	-	30	38
-	-	-	-	-	-	-	214,608
9	-	-	-	-	-	257	1,926
1,705	2,683	-	-	-	-	391	14,748
-	-	-	4,075	-	-	-	4,075
79	130	286	157	-	-	7,361	8,983
1,745	4,678	454	-	-	-	3,320	30,542
-	-	4,675	-	-	-	1,667	6,342
52,248	108,881	26,766	235	9,039	702	86,431	492,123
4,761	13,486	11,676	71,549	596	-	7,292	153,876
126,544	289,675	45,279	85,584	48,841	112,493	216,813	1,848,939
-	-	-	24	-	135	68	227
1,187	12,306	1,942	182	-	-	9,799	37,340
546	-	-	274	-	-	155	3,468
499	-	402	-	3,124	2,852	185	9,067
-	-	-	49	35,445	-	70	36,019
-	-	-	6	-	-	525	60,734
-	-	-	4,075	-	-	-	4,075
9,837	30,534	1,797	-	-	-	10,077	98,910
509	6,249	-	-	-	-	1,135	10,958
747	3,012	3,401	-	2,010	5,100	11,226	43,740
25,673	51,926	15,711	433	107,435	133,157	39,836	782,196
38,998	104,027	23,253	5,043	148,014	141,244	73,076	1,086,734
31,353	67,935	21,650	71,784	9,635	702	75,911	421,866
7,896	19,445	-	-	-	-	10,934	89,988
13,354	1,000	-	8,018	-	-	16,010	78,537
2,230	-	-	-	-	-	-	101,157
-	-	2,475	-	-	-	-	5,834
32,713	97,268	(2,099)	739	(108,808)	(29,453)	40,882	64,823
\$ 87,546	\$ 185,648	\$ 22,026	\$ 80,541	\$ (99,173)	\$ (28,751)	\$ 143,737	\$ 762,205

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 2,216	\$ 11,992	\$ 123,860	\$ 101,013	\$ 96,142
Program Revenues					
Charges for Services	623	5,976	36,649	34,738	38,974
Operating Grants and Contributions	72	7,231	44,504	39,620	21,116
Capital Grants and Contributions	-	-	-	-	-
Total Program Revenues	695	13,207	81,153	74,358	60,090
Net (Expense) Revenue	(1,521)	1,215	(42,707)	(26,655)	(36,052)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	2,247	5,166	63	3,668	2,911
Miscellaneous	-	954	-	-	-
Payments from State of Alabama	-	-	37,835	34,563	34,813
Total General Revenues, Special Items, and Transfers	2,247	6,120	37,898	38,231	37,724
Change in Net Assets	726	7,335	(4,809)	11,576	1,672
Net Assets, October 1, 2005, as Restated	10,400	81,508	69,822	109,349	83,052
Net Assets, September 30, 2006	\$ 11,126	\$ 88,843	\$ 65,013	\$ 120,925	\$ 84,724

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 65,405	\$ 187,227	\$ 25,041	\$ 4,878	\$ 8,888	\$ 109,393	\$ 186,213	\$ 922,268
32,814	119,065	22,847	1,464	-	86,314	70,554	450,018
11,512	41,637	-	968	-	-	30,840	197,500
178	-	1,825	-	67	-	1,603	3,673
44,504	160,702	24,672	2,432	67	86,314	102,997	651,191
(20,901)	(26,525)	(369)	(2,446)	(8,821)	(23,079)	(83,216)	(271,077)
-	-	-	-	-	-	1,217	1,217
-	-	-	-	-	-	1,500	1,500
2,924	6,322	158	1,046	1,723	1,653	3,613	31,494
69	35	-	(10)	18,092	-	969	20,109
25,853	43,460	1,033	3,000	1,703	-	85,971	268,231
28,846	49,817	1,191	4,036	21,518	1,653	93,270	322,551
7,945	23,292	822	1,590	12,697	(21,426)	10,054	51,474
79,601	162,356	21,204	78,951	(111,870)	(7,325)	133,683	710,731
\$ 87,546	\$ 185,648	\$ 22,026	\$ 80,541	\$ (99,173)	\$ (28,751)	\$ 143,737	\$ 762,205

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2006

(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	\$ 3,575	\$ 555	\$ 422	\$ 3,674	\$ 16,708
Investments	-	637	-	1,029	29,191
Accounts Receivable	-	-	-	3,222	4,301
Due from Primary Government	30	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	391
Inventory	-	149	47	686	-
Other Assets	121	25	-	1,617	1,391
Restricted Assets	-	-	-	-	1,667
Capital Assets, Net of Accumulated Depreciation	1,169	12,472	1,744	11,901	29,227
Capital Assets Not Depreciated	174	255	2,042	493	1,466
TOTAL ASSETS	5,069	14,093	4,255	22,622	84,342
LIABILITIES					
Warrants Payable	5	-	-	-	-
Accounts Payable	734	193	129	-	3,408
Salaries Payable	-	-	28	-	-
Interest Payable	-	22	-	-	-
Due to Primary Government	2	-	-	-	-
Due to Other Governments	7	5	-	-	513
Deferred Revenue	-	-	-	3,565	6,296
Amounts Held in Custody for Others	-	-	-	349	563
Noncurrent Liabilities:					
Due Within One Year	-	3,288	38	235	1,093
Due In More Than One Year	162	107	639	3,535	11,737
TOTAL LIABILITIES	910	3,615	834	7,684	23,610
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,343	12,727	3,786	9,396	19,505
Restricted for:					
Permanent - Expendable	-	-	-	-	8,774
Permanent - Non-expendable	-	-	-	421	12,695
Unrestricted	2,816	(2,249)	(365)	5,121	19,758
TOTAL NET ASSETS	\$ 4,159	\$ 10,478	\$ 3,421	\$ 14,938	\$ 60,732

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
\$ 13,278	\$ 297	\$ 500	\$ 3,516	\$ 0	\$ 23	\$ 2,897	\$ 45,445
13,159	-	-	-	-	-	7,522	51,538
4,735	823	-	-	-	-	-	13,081
-	-	-	-	-	-	-	30
257	-	-	-	-	-	-	257
-	-	-	-	-	-	-	391
6,274	177	-	-	-	28	-	7,361
156	-	10	-	-	-	-	3,320
-	-	-	-	-	-	-	1,667
21,011	7,761	-	-	-	632	514	86,431
2,042	659	-	-	-	161	-	7,292
60,912	9,717	510	3,516	0	844	10,933	216,813
-	-	-	-	-	-	63	68
5,312	3	-	-	-	-	20	9,799
-	-	-	-	-	-	127	155
-	-	-	94	69	-	-	185
-	-	-	62	-	-	6	70
-	-	-	-	-	-	-	525
216	-	-	-	-	-	-	10,077
123	98	-	-	-	2	-	1,135
896	785	470	3,115	405	-	901	11,226
2,861	1,019	702	8,930	9,760	113	271	39,836
9,408	1,905	1,172	12,201	10,234	115	1,388	73,076
20,475	7,444	-	-	-	721	514	75,911
1,948	212	-	-	-	-	-	10,934
2,894	-	-	-	-	-	-	16,010
26,187	156	(662)	(8,685)	(10,234)	8	9,031	40,882
\$ 51,504	\$ 7,812	\$ (662)	\$ (8,685)	\$ (10,234)	\$ 729	\$ 9,545	\$ 143,737

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 9,981	\$ 2,731	\$ 1,691	\$ 34,762	\$ 42,456
Program Revenues					
Charges for Services	2,475	2,414	1,469	16,197	20,010
Operating Grants and Contributions	594	363	133	5,687	7,222
Capital Grants and Contributions	-	50	45	1,508	-
Total Program Revenues	3,069	2,827	1,647	23,392	27,232
Net (Expense) Revenue	(6,912)	96	(44)	(11,370)	(15,224)
General Revenues:					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	-	34	3	21	1,955
Miscellaneous	-	-	-	129	-
Payments from State of Alabama	8,447	-	50	11,687	18,216
Total General Revenues, Special Items, and Transfers	8,447	34	53	11,837	20,171
Change in Net Assets	1,535	130	9	467	4,947
Net Assets, October 1, 2005, as Restated	2,624	10,348	3,412	14,471	55,785
Net Assets, September 30, 2006	\$ 4,159	\$ 10,478	\$ 3,421	\$ 14,938	\$ 60,732

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
\$ 75,095	\$ 8,940	\$ 53	\$ 1,953	\$ 844	\$ 365	\$ 7,342	\$ 186,213
21,070	1,987	-	389	-	105	4,438	70,554
11,055	4,308	-	-	-	90	1,388	30,840
-	-	-	-	-	-	-	1,603
32,125	6,295	0	389	0	195	5,826	102,997
(42,970)	(2,645)	(53)	(1,564)	(844)	(170)	(1,516)	(83,216)
-	-	-	-	1,217	-	-	1,217
-	-	-	1,500	-	-	-	1,500
1,119	18	-	1	-	-	462	3,613
331	-	500	-	-	-	9	969
42,833	3,264	-	1,232	-	225	17	85,971
44,283	3,282	500	2,733	1,217	225	488	93,270
1,313	637	447	1,169	373	55	(1,028)	10,054
50,191	7,175	(1,109)	(9,854)	(10,607)	674	10,573	133,683
\$ 51,504	\$ 7,812	\$ (662)	\$ (8,685)	\$ (10,234)	\$ 729	\$ 9,545	\$ 143,737



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, 2006

(Amounts in Thousands)

	Land	Buildings	Equipment	Historical Exhibits	Construction In Progress
Economic Development and Regulation					
Agricultural	\$ 422	\$ 7,697	\$ 1,396	\$ 0	\$ 138
Forestry Commission	1,698	9,687	26,847	-	559
Geological	-	1,573	1,687	-	-
Other	-	187	3,480	-	-
Total Economic Development and Regulation	2,120	19,144	33,410	0	697
Education and Cultural Resources					
Department of Education	-	-	2,727	-	-
Educational Television Commission	330	1,203	27,197	-	-
Public Library Service	138	1,695	8,167	-	-
Sports Hall of Fame	-	-	270	2,255	-
Veterans Affairs	223	6,515	192	-	3,042
Youth Services	568	2,511	164	-	-
Other	2,068	73	1,644	-	-
Total Education and Cultural Resources	3,327	11,997	40,361	2,255	3,042
Natural Resources and Recreation					
Conservation and Natural Resources	45,194	61,489	33,680	-	12,402
Other	38	1,991	163	-	26,066
Total Natural Resources and Recreation	45,232	63,480	33,843	0	38,468
Health - Physical and Mental					
Environmental Management	-	11,105	12,502	-	-
Medicaid Agency	-	-	1,781	-	-
Public Health	3,079	40,283	13,990	-	2,062
Other	-	-	47	-	-
Total Health - Physical and Mental	3,079	51,388	28,320	0	2,062
Social Services					
Human Resources	-	41,645	8,476	-	-
Industrial Relations	1,102	12,084	7,311	-	-
Rehabilitation Services	65	717	3,915	-	-
Veterans Affairs	448	13,106	385	-	6,118
Other	-	9	2,648	-	-
Total Social Services	1,615	67,561	22,735	0	6,118
Protection of Persons and Property					
Agriculture and Industries	-	9,221	7,969	-	-
Corrections	5,611	222,779	18,075	-	5,050
Emergency Management	45	2,855	1,971	-	-
Forensic Sciences	76	9,648	9,568	-	4,334
Judicial	3,264	39,877	174	-	-
Military	5,414	191,110	769	-	18,630
Professional and Occupational Boards	310	1,050	2,318	-	862
Public Safety	-	11,533	43,551	-	-
Youth Services	5,510	24,362	1,582	-	-
Other	415	1,840	10,300	-	1,527
Total Protection of Persons and Property	20,645	514,275	96,277	0	30,403
Transportation					
Transportation Department	3,734	90,682	201,586	-	15,816
Total Transportation	3,734	90,682	201,586	0	15,816
General Government					
Executive	78,092	3,470	11,868	-	-
Judicial	-	144	9,527	403	-
Legislative	-	401	2,581	-	-
Total General Government	78,092	4,015	23,976	403	0
Total Governmental Capital Assets	\$ 157,844	\$ 822,542	\$ 480,508	\$ 2,658	\$ 96,606

Construction In Progress - Infrastructure	Infrastructure	Totals
\$ 0	\$ 0	\$ 9,653
-	-	38,791
-	-	3,260
-	-	3,667
0	0	55,371
-	-	2,727
-	-	28,730
-	-	10,000
-	-	2,525
-	-	9,972
-	-	3,243
-	-	3,785
0	0	60,982
-	-	152,765
-	-	28,258
0	0	181,023
-	-	23,607
-	-	1,781
-	-	59,414
-	-	47
0	0	84,849
-	-	50,121
-	-	20,497
-	-	4,697
-	-	20,057
-	-	2,657
0	0	98,029
-	-	17,190
-	-	251,515
-	-	4,871
-	-	23,626
-	-	43,315
-	-	215,923
-	-	4,540
-	-	55,084
-	-	31,454
-	-	14,082
0	0	661,600
4,121,676	11,713,468	16,146,962
4,121,676	11,713,468	16,146,962
-	-	93,430
-	-	10,074
-	-	2,982
0	0	106,486
\$ 4,121,676	\$ 11,713,468	\$ 17,395,302



Supplemental Statements and Schedules

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

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2006

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 406
Agriculture and Industries	3,797
Attorney General	1,588
Child Abuse Prevention	1,287
Children's Affairs	210
Choctawhatchee, Pea & Yellow Rivers Watershed Mgt Authority	20
Commission On Higher Education	1,687
Conservation and Natural Resources	19,571
Corrections	121
Council on the Arts	656
Crime Victims Compensation Commission	1,282
Criminal Justice Information Center	805
Development Office	404
Drinking Water Finance Authority	7,005
Economic and Community Affairs	172,901
Education	852,594
Emergency Management	168,147
Environmental Management	20,701
Farmers' Market Authority	1,361
Finance Special Funds	7,538
Forensic Sciences	996
Forestry Commission	18,645
Forever Wild Land Trust	821
Geological Survey	581
Governor's Office of Faith Based and Community Initiatives	1,262
High School of Math and Science	7
Higher Education Loan Corporation	72
Historical Commission	610
Human Resources	932,700
Industrial Relations	82,861
Labor	146
Land Recycling Finance Authority	62
Manufactured Housing Commission	298
Medicaid	3,057,684
Mental Health and Retardation	40,113
Military	33,881
Office of Homeland Security	45,106
Postsecondary Education	9,241
Public Health	295,019
Public Library Service	2,559
Public Safety	11,092
Public Service Commission	502
Rehabilitation Services	72,769
Revenue	1,409
School of Fine Arts	1,844
Senior Services	22,735
Soil and Water Conservation Commission	553
State Employees Insurance Board	2,826
State Port Authority	24,571
Supercomputer Authority	594
Surface Mining Commission	1,087
Transportation	812,174
Veterans Affairs	9,894
Water Pollution Control Authority	26,059
Youth Services	413
Total Federal Revenues	\$ 6,773,267

STATISTICAL SECTION

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

Financial Trends

Page 262

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

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

Revenue Capacity

Page 270

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

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

Debt Capacity

Page 275

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

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

Demographic and Economic Information

Page 280

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

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

Operating Information

Page 284

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

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

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

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

STATE OF ALABAMA

NET ASSETS BY COMPONENT

For the Last Five Fiscal Years Ended September 30

(Amounts in Thousands)

	2006	2005	2004	2003	2002
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	16,129,141	15,717,808	15,192,120	14,721,726	3,814,155
Restricted	5,933,667	5,004,105	4,245,991	3,869,559	3,145,156
Unrestricted	417,693	402,749	359,627	238,603	600,401
Total Governmental Activities Net Assets	\$ 22,480,501	\$ 21,124,662	\$ 19,797,738	\$ 18,829,888	\$ 7,559,712
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	631,374	508,280	459,250	425,588	433,667
Restricted	502,982	352,524	351,847	365,594	470,196
Unrestricted	244,630	330,692	204,790	182,270	117,372
Total Business-type Activities Net Assets	\$ 1,378,986	\$ 1,191,496	\$ 1,015,887	\$ 973,452	\$ 1,021,235
Primary government					
Invested in Capital Assets, Net of Related Debt	16,760,515	16,226,088	15,651,370	15,147,314	4,247,822
Restricted	6,436,649	5,356,629	4,597,838	4,235,153	3,615,352
Unrestricted	662,323	733,441	564,417	420,873	717,773
Total Primary Government Net Assets	\$ 23,859,487	\$ 22,316,158	\$ 20,813,625	\$ 19,803,340	\$ 8,580,947

STATE OF ALABAMA

CHANGES IN NET ASSETS

For the Last Five Fiscal Years Ended September 30

(Amounts in Thousands)

	2006	2005	2004	2003	2002
Expenses					
Governmental Activities					
Economic Development and Regulation	100,617	63,016	59,894	63,623	66,746
Education and Cultural Resources	5,653,710	5,092,756	4,724,935	4,648,126	4,553,598
Natural Resources and Recreation	144,058	82,841	95,032	101,811	94,449
Health - Physical and Mental	4,654,044	4,479,828	4,296,802	4,227,236	4,173,401
Social Services	1,630,902	1,606,588	1,496,160	1,511,438	1,425,124
Protection of Persons and Property	1,036,668	1,031,731	746,763	692,104	650,341
Transportation	1,025,936	882,823	856,603	772,935	1,059,637
General Government	853,906	776,791	726,150	770,431	641,869
Debt Service - Interest and Other Charges	42,672	43,052	42,083	43,493	64,538
Total Governmental Activities Expenses	\$ 15,142,513	\$ 14,059,426	\$ 13,044,422	\$ 12,831,197	\$ 12,729,703
Business-type Activities					
Unemployment Compensation	232,447	251,137	308,281	410,384	404,133
State Port Authority	89,939	85,984	74,679	74,894	66,988
Alabama College System	683,660	646,868	627,846	593,278	545,491
Alcoholic Beverage Control Board	215,832	192,278	184,391	177,003	170,550
Public Education Employees Health Insurance	-	-	736,669	667,564	581,877
Nonmajor Proprietary Funds	48,972	47,838	144,714	127,559	114,199
Total Business-type Activities Expenses	\$ 1,270,850	\$ 1,224,105	\$ 2,076,580	\$ 2,050,682	\$ 1,883,238
Program Revenues					
Governmental Activities					
Economic Development and Regulation	52,014	49,332	52,618	46,564	45,844
Education and Cultural Resources	10,070	10,952	8,352	7,853	12,647
Natural Resources and Recreation	54,121	60,111	52,059	369,582	72,072
Health - Physical and Mental	194,339	206,017	142,941	121,827	298,783
Social Services	6,127	4,141	118,185	114,269	111,610
Protection of Persons and Property	187,327	183,281	176,256	173,417	162,981
Transportation	192,458	174,509	168,153	172,801	167,467
General Government	562,624	460,047	436,115	198,426	324,839
Debt Service - Interest and Other Charges	-	450	3,030	9,398	8,311
Operating Grants and Contributions	6,612,934	6,315,902	5,584,314	5,427,425	5,106,726
Capital Grants and contributions	801,902	673,977	565,871	593,673	802,218
Total Governmental Activities Program Revenues	\$ 8,673,916	\$ 8,138,719	\$ 7,307,894	\$ 7,235,235	\$ 7,113,498
Business-type Activities					
Unemployment Compensation	264,895	307,724	263,229	239,871	191,825
State Port Authority	90,998	87,022	77,870	66,749	59,832
Alabama College System	145,714	146,194	142,786	137,015	123,472
Alcoholic Beverage Control Board	219,429	202,959	198,482	184,758	184,182
Public Education Employees Health Insurance	-	-	717,546	627,094	600,646
Operating Grants and Contributions	277,667	269,667	297,858	324,201	265,425
Capital Grants and contributions	32,685	22,776	6,479	21,121	12,960
Nonmajor Proprietary Funds	52,384	167,257	154,604	133,868	109,990
Total Business-type Activities Program Revenues	\$ 1,083,772	\$ 1,203,599	\$ 1,858,854	\$ 1,734,677	\$ 1,548,332

	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,073,000	1,975,512	1,765,035	1,714,618	1,606,149
Income Taxes	3,172,117	2,938,046	2,494,384	2,520,393	2,049,460
Motor Fuels Taxes	567,370	534,696	564,031	530,255	510,342
Utility Taxes	492,694	447,191	413,553	425,686	378,983
Insurance Premium Tax	270,379	269,496	238,607	226,307	218,712
Property Tax	266,916	251,960	232,057	213,908	340,557
Liquor Taxes	135,189	125,160	117,014	117,438	111,611
Tobacco and Cigarette Taxes	144,204	146,374	-	-	-
Grants & Contributions Not Restricted to Specific Programs	-	6,159	75,741	84,231	7,018
Investment Earnings	284,215	236,191	173,657	210,143	113,966
Miscellaneous	739,372	643,724	858,777	859,220	811,940
Contributions to Permanent Funds and Endowments	-	2	-	204	680
Transfers	(321,020)	(261,067)	(229,114)	(226,788)	(216,423)
Total Governmental Activities	\$ 7,824,436	\$ 7,313,444	\$ 6,703,742	\$ 6,675,615	\$ 5,932,995
Business-type Activities					
Liquor Taxes	9,314	8,598	8,492	7,790	7,440
Grants & Contributions Not Restricted to Specific Programs	-	-	-	1,806	112,684
Investment Earnings	34,056	25,124	22,658	29,605	27,253
Miscellaneous	10,056	4,330	2,765	2,026	2,045
Contributions to Permanent Funds and Endowments	122	201	6	207	174
Transfers	321,020	261,067	229,114	226,788	216,423
Total Business-type Activities	\$ 374,568	\$ 299,320	\$ 263,035	\$ 268,222	\$ 366,019

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Five Fiscal Years Ended September 30

(Amounts in Thousands)

	2006	2005	2004	2003	2002
General Fund					
Reserved	3,314	6,003	4,228	4,699	4,087
Unreserved	401,393	317,879	232,501	158,346	147,941
Total General Fund	\$ 404,707	\$ 323,882	\$ 236,729	\$ 163,045	\$ 152,028
All Other Governmental Funds					
Reserved	3,165,956	2,888,340	2,667,067	2,528,464	2,452,710
Unreserved, Designated for Capital Projects	275,528	-	-	-	-
Unreserved, Designated for Debt Service	4,866	-	-	-	-
Special Revenue Funds	2,607,528	2,105,050	1,480,649	1,226,798	733,488
Debt Service Funds	-	4,606	8,208	8,979	9,249
Capital Projects Funds	-	292,934	381,579	465,437	498,935
Permanent Funds	16,173	12,147	4,538	4,708	2,123
Total All Other Governmental Funds	\$ 6,070,051	\$ 5,303,077	\$ 4,542,041	\$ 4,234,386	\$ 3,696,505

STATE OF ALABAMA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Five Fiscal Years Ended September 30

(Amounts in Thousands)

	2006	2005	2004	2003	2002
Revenues					
Taxes	\$ 7,833,276	\$ 7,272,895	\$ 6,431,299	\$ 6,267,772	\$ 5,699,382
Licenses, Permits, and Fees	608,770	562,461	532,118	502,493	497,191
Fines, Forfeits, and Court Settlements	42,347	47,168	40,221	64,204	34,593
Investment Income	300,993	227,980	183,922	204,596	100,127
Federal Grants and Reimbursements	6,643,162	6,216,771	5,675,945	5,515,520	5,321,974
Other Revenues	1,379,482	1,309,343	1,347,930	1,511,073	1,335,183
Total Revenues	16,808,030	15,636,618	14,211,435	14,065,658	12,988,450
Expenditures					
Economic Development and Regulation	\$ 70,554	\$ 62,894	\$ 59,263	\$ 64,414	\$ 66,362
Education and Cultural Resources	5,644,208	5,087,885	4,706,847	4,653,854	4,502,307
Natural Resources and Recreation	171,825	120,188	118,835	107,471	95,352
Health - Physical and Mental	4,653,398	4,477,717	4,294,969	4,215,859	4,150,746
Social Services	1,625,180	1,610,677	1,496,323	1,510,823	1,411,889
Protection of Persons and Property	1,011,393	1,005,967	730,780	680,605	610,113
Transportation	1,512,116	1,399,903	1,130,039	1,073,470	1,216,388
General Government	840,293	726,704	500,666	522,539	501,996
Distributions to Local Governments	-	-	410,514	367,462	378,404
Capital Outlay	56,835	66,823	55,833	48,636	38,983
Debt Service - Principal Retirement	81,727	78,195	73,650	81,963	63,716
Debt Service - Interest and Other Charges	40,319	37,201	38,282	40,125	86,902
Total Expenditures	15,707,848	14,674,154	13,616,001	13,367,221	13,123,158
Other financing sources (uses)					
Transfers In	1,460,110	1,254,049	993,669	1,004,619	712,776
Transfers Out	(1,791,969)	(1,527,416)	(1,239,110)	(1,239,551)	(917,652)
Bonds Issued	61,150	103,920	-	4,305	345,708
Refunding Bonds Issued	-	57,975	-	17,553	-
Other Debt Refunding Proceeds	-	-	600	-	-
Payments to Refunded Bond Escrow Agent	-	(27,949)	-	-	-
Current Refunding to Bondholders	-	-	-	(17,162)	-
Other Debt Refunding Uses	-	-	(600)	-	-
Capital Leases	1,989	659	1,152	618	2,048
Other Debt Proceeds	-	-	-	3,634	4,696
Debt Issuance Premiums	1,085	-	-	-	-
Premiums on Debt	-	5,242	-	-	-
Discounts on Debt	-	(580)	-	-	-
Insurance Recovery Proceeds	7,725	-	-	-	-
Total Other financing sources (uses)	(259,910)	(134,100)	(244,289)	(225,984)	147,576

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Nine Years

(Amounts in Thousands)

<u>Industry</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Mining	968,308	822,837	720,906	720,973
Utilities	1,393,576	1,445,744	1,399,576	1,260,088
Construction	6,340,387	5,723,431	5,272,852	5,156,208
Manufacturing	17,324,589	16,311,175	15,557,429	15,171,752
Wholesale trade	4,924,155	4,587,029	4,197,065	4,098,860
Retail trade	7,245,993	6,845,997	6,556,458	6,356,529
Transportation and warehousing	3,091,714	2,879,863	2,650,292	2,616,496
Finance and insurance	4,896,312	4,522,475	4,277,493	3,957,916
Professional and technical services	7,514,947	7,123,284	6,601,064	6,123,024
Government and government enterprises	19,940,673	18,895,070	17,840,396	16,850,710
All Other	61,376,925	57,797,635	53,511,126	51,522,667
Total Personal Income	135,017,579	126,954,540	118,584,657	113,835,223
State Income taxes	2,569,516	2,297,828	2,075,774	2,068,453
Average Effective Rate*	<u>1.90%</u>	<u>1.81%</u>	<u>1.75%</u>	<u>1.82%</u>

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

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

Year 2005 is the most recent year for which data are available.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
672,891	715,509	715,972	714,680	689,892
1,231,889	1,125,194	1,053,408	1,034,176	982,279
5,251,085	5,069,034	4,781,902	4,390,247	4,053,975
14,799,501	14,667,696	14,556,404	14,088,756	13,178,357
3,983,352	3,889,059	3,672,705	3,450,285	3,373,360
6,128,947	5,817,505	5,658,971	5,298,095	4,967,457
2,599,463	2,522,933	2,424,956	2,288,287	2,106,857
3,660,909	3,433,269	3,293,536	3,083,590	3,086,325
6,041,702	5,457,540	5,224,192	4,928,606	4,333,897
15,837,865	15,231,615	14,600,865	14,232,221	13,711,927
50,213,333	47,877,339	44,679,515	43,502,845	40,935,055
110,420,937	105,806,693	100,662,426	97,011,788	91,419,381
2,097,557	2,066,893	2,012,519	1,835,536	1,746,975
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>1.90%</u>	<u>1.95%</u>	<u>2.00%</u>	<u>1.89%</u>	<u>1.91%</u>

STATE OF ALABAMA

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status	1996 - 1999	2000 - 2005
Taxable Net Income Level	Rate	Rate
Single, Head of family, Married filing separate	Adjusted Gross Income of \$1,500 or more	Adjusted Gross Income of \$1,875 or more
Not Over \$500	2%	2%
Over \$500 But Not Over \$3000	4%	4%
Over \$3,000	5%	5%
Married filing Jointly	Adjusted Gross Income of \$3,000 or more	Adjusted Gross Income of \$3,750 or more
Not over \$1,000	2%	2%
Over \$1,000 But Not Over \$6,000	4%	4%
Over \$6,000	5%	5%
	1996 - 1999	2000 - 2005
Corporate Income Tax Rates	5%	6.5%

Source: Alabama Department of Revenue

STATE OF ALABAMA

REVENUE CAPACITY

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

For Tax Year 2005

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Total Income (In Thousands)</u>	<u>Percentage of Total</u>	<u>Tax Liability (In Thousands)</u>	<u>Percentage of Total</u>
Less Than 10,000	382,264	24%	1,846,134	3%	23,678	1%
10,001- 20,000	325,968	20%	4,795,552	7%	114,997	6%
20,001- 40,000	396,010	24%	11,383,672	17%	328,108	17%
40,001- 60,000	206,285	13%	10,121,727	16%	302,402	16%
60,001- 80,000	125,030	8%	8,670,249	13%	267,624	14%
Over 80,000	185,030	11%	28,459,458	44%	895,822	46%
TOTAL	<u>1,620,587</u>	<u>100%</u>	<u>65,276,792</u>	<u>100%</u>	<u>1,932,631</u>	<u>100%</u>

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

Source: Alabama Department of Revenue

STATE OF ALABAMA

REVENUE CAPACITY

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

For Tax Year 2005

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	28,371	89%	\$94,487	2%	\$6,141	2%
50,001 ~100,000	1,166	4%	\$82,080	1%	\$5,209	1%
100,001 ~ 500,000	1,392	4%	\$306,367	5%	\$20,079	5%
500,001 ~ 1,000,000	362	1%	\$257,795	4%	\$16,642	4%
1,000,001 and higher	545	2%	\$5,224,215	88%	\$339,126	88%
Total	31,836	100%	\$5,964,944	100%	\$387,197	100%

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

Source: Alabama Department of Revenue

STATE OF ALABAMA

DEBT CAPACITY Ratios of Outstanding Debt

Last Five Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	<u>2006</u>	<u>2005</u>	<u>Fiscal Year</u> <u>2004</u>	<u>2003</u>	<u>2002</u>
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 516,973	\$ 507,503	\$ 445,211	\$ 490,085	\$ 535,080
Revenue Bonds	355,698	351,139	347,429	369,327	386,891
Capital Leases/Notes/Mortgages	25,643	32,100	38,370	42,316	33,059
Total Governmental Activities	<u>898,314</u>	<u>890,742</u>	<u>831,010</u>	<u>901,728</u>	<u>955,030</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	394,044	411,633	337,291	308,061	299,508
Capital Leases/Notes/Mortgages	39,228	33,986	17,918	14,948	12,346
Total Business-Type Activities	<u>433,272</u>	<u>445,619</u>	<u>355,209</u>	<u>323,009</u>	<u>311,854</u>
Total Primary Government	<u>\$ 1,331,586</u>	<u>\$ 1,336,361</u>	<u>\$ 1,186,219</u>	<u>\$ 1,224,737</u>	<u>\$ 1,266,884</u>
Debt as a percentage of Personal Income	0.99%	0.99%	0.93%	1.03%	1.11%
Amount of Debt per Capita †	28.95%	29.32%	26.21%	27.21%	28.28%

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

Fiscal year 2006 personal income and population data are estimated.

† See the Schedule of Demographic and Economic Statistics on page 281 for personal income and population data.

STATE OF ALABAMA

DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Five Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Primary Government

Fiscal	General	Revenue	Less: Amounts		Percentage of	Per
Year	Obligation		Available in Debt		Personal Income †	Capita †
	Bonds Payable	Bonds	Service Fund	Total		
2006	\$ 516,973	\$ 749,742	\$ -	\$ 1,266,715	0.94%	27.54%
2005	507,503	762,772	-	1,270,275	0.94%	27.87%
2004	445,211	684,720	-	1,129,931	0.89%	24.97%
2003	490,085	677,388	-	1,167,473	0.98%	25.93%
2002	535,079	686,398	-	1,221,477	1.07%	27.26%

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

Fiscal	Revenue	Less: Amounts		Percentage of	Per
Year	Bonds	Available in Debt		Personal Income †	Capita †
		Service Fund	Total		
2006	\$ 1,734,825	\$ 27,922	\$ 1,706,903	1.26%	37.11%
2005	1,822,135	36,043	1,786,092	1.32%	39.19%
2004	1,832,695	27,487	1,805,208	1.42%	39.89%
2003	1,844,164	19,376	1,824,788	1.54%	40.53%
2002	1,886,421	4,870	1,881,551	1.65%	42.00%

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

† See the Schedule of Demographic and Economic Statistics on page 281 for personal income and population data.

Fiscal year 2006 personal income and population data are estimated.

Debt Limitations

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



STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage

Last Three Fiscal Years

(Amounts in Thousands)

	<u>Fiscal Year</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Primary Government</u>			
Revenue Bonds-State Port Authority			
Revenue-Charges for facilities usage	88,155	87,022	77,871
Debt Service			
Principal	5,910	5,575	5,280
Interest	10,124	10,459	10,749
Coverage ¹	5.50	5.43	4.86
Revenue Bonds-Alabama College System			
Revenue-Tuition and Fees	137,133	185,013	101,333
Debt Service			
Principal	12,045	9,112	7,527
Interest	9,968	6,521	5,589
Coverage ¹	6.23	11.83	7.73
Revenue Bonds-Federal Highway Finance Authority			
Revenue-Federal Revenue	812,174	657,138	567,900
Debt Service			
Principal	10,910	10,430	9,970
Interest	8,123	8,550	8,983
Coverage ¹	42.67	34.62	29.96
<u>Component Units (Only includes issues that the State has pledged revenue for principal payment)</u>			
Revenue Bonds-Alabama Incentives Financing Authority			
 Tennessee Valley Exhibit Authority			
Revenue-Tennessee Valley Electric Payment	18,592	17,462	16,169
Debt Service			
Principal	2,340	2,205	2,095
Interest	7,920	7,508	7,001
Coverage ¹	1.81	1.80	1.78
Revenue Bonds-Alabama Public School and College Authority (Excludes Pool Bonds)			
Revenue-General Sales Tax	2,224,033	2,109,000	1,894,489
Debt Service			
Principal	90,890	56,880	53,245
Interest	53,616	56,024	56,303
Coverage ¹	15.39	18.68	17.29

	<u>2006</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2004</u>
Revenue Bonds-State Industrial Development Authority			
Revenue-Cigarette Tax	5,247	5,197	3,494
Debt Service			
Principal	3,050	3,050	3,050
Interest	647	776	927
Coverage ¹	1.42	1.36	0.88
Revenue Bonds-Mental Health Financing Authority			
Revenue-Cigarette Tax	6,996	6,929	4,659
Debt Service			
Principal	4,420	5,590	5,400
Interest	1,145	2,544	2,302
Coverage ¹	1.26	0.85	0.60
Revenue Bonds-Alabama Revolving Fund Authority			
Revenue-Mobile Telecommunications Tax	93,446	86,126	75,895
Debt Service			
Principal	370	345	315
Interest	847	876	903
Coverage ¹	76.78	70.54	62.31
Revenue Bonds-Alabama Twenty-first Century Authority			
Revenue-Tobacco Settlement	13,000	13,000	13,000
Debt Service			
Principal	4,855	4,660	4,490
Interest	7,773	8,022	8,262
Coverage ¹	1.03	1.03	1.02

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

¹ Coverage equals revenue divided by debt service.

STATE OF ALABAMA

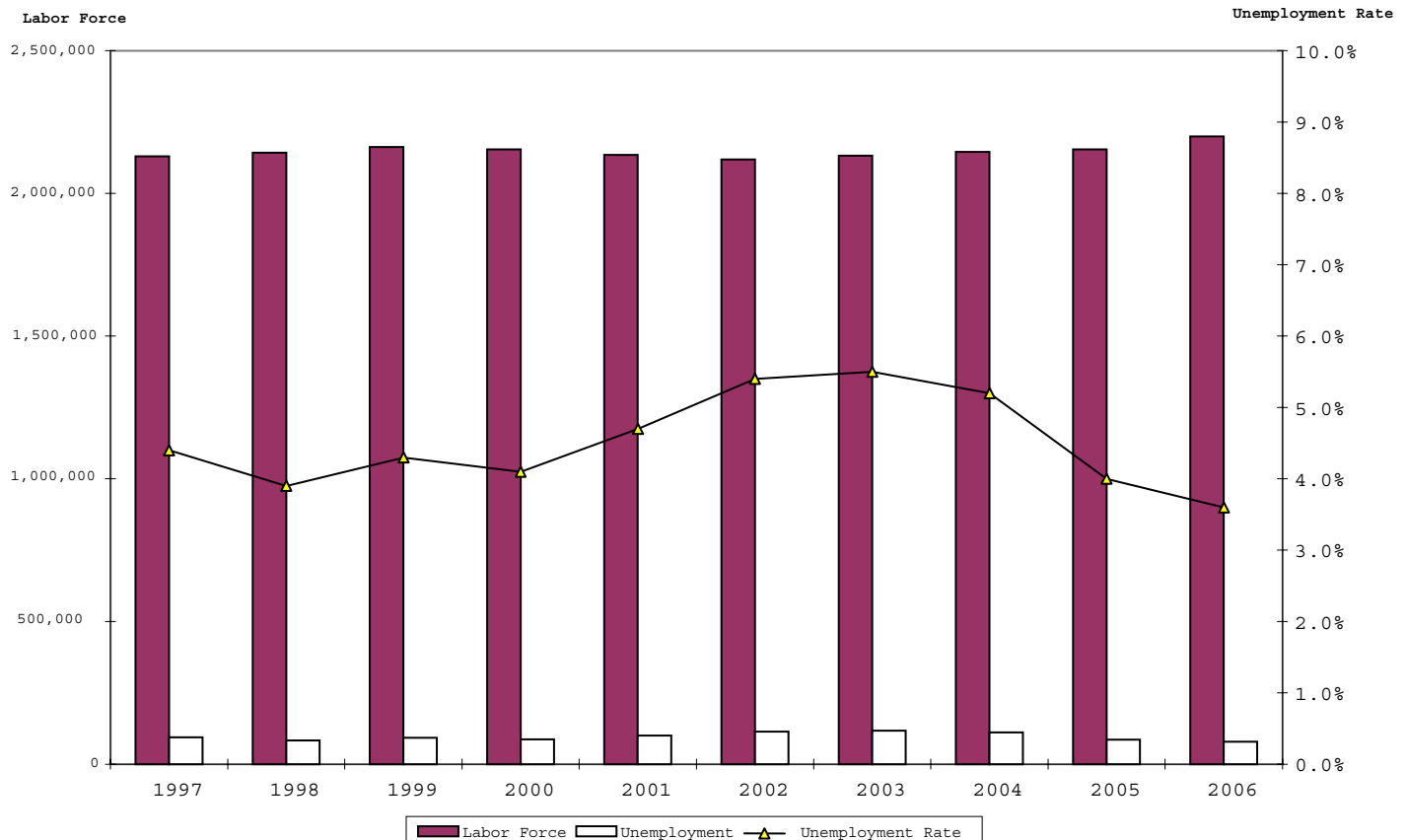
DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1997	2,129,797	2,035,156	94,641	4.4%
1998	2,142,512	2,059,310	83,202	3.9%
1999	2,162,603	2,070,210	92,393	4.3%
2000	2,154,545	2,067,147	87,398	4.1%
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,119,159	2,004,835	114,324	5.4%
2003	2,132,910	2,015,361	117,549	5.5%
2004	2,145,022	2,033,542	111,480	5.2%
2005	2,154,897	2,069,173	85,724	4.0%
2006	2,199,562	2,120,573	78,989	3.6%

Civilian Labor Force Trend with Unemployment Rates



Note: Data were not seasonally adjusted
2006 data were estimates, prepared by the Alabama Department of Industrial Relations in cooperation with the Bureau of Labor Statistics, based on 2006 benchmark.

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

STATE OF ALABAMA

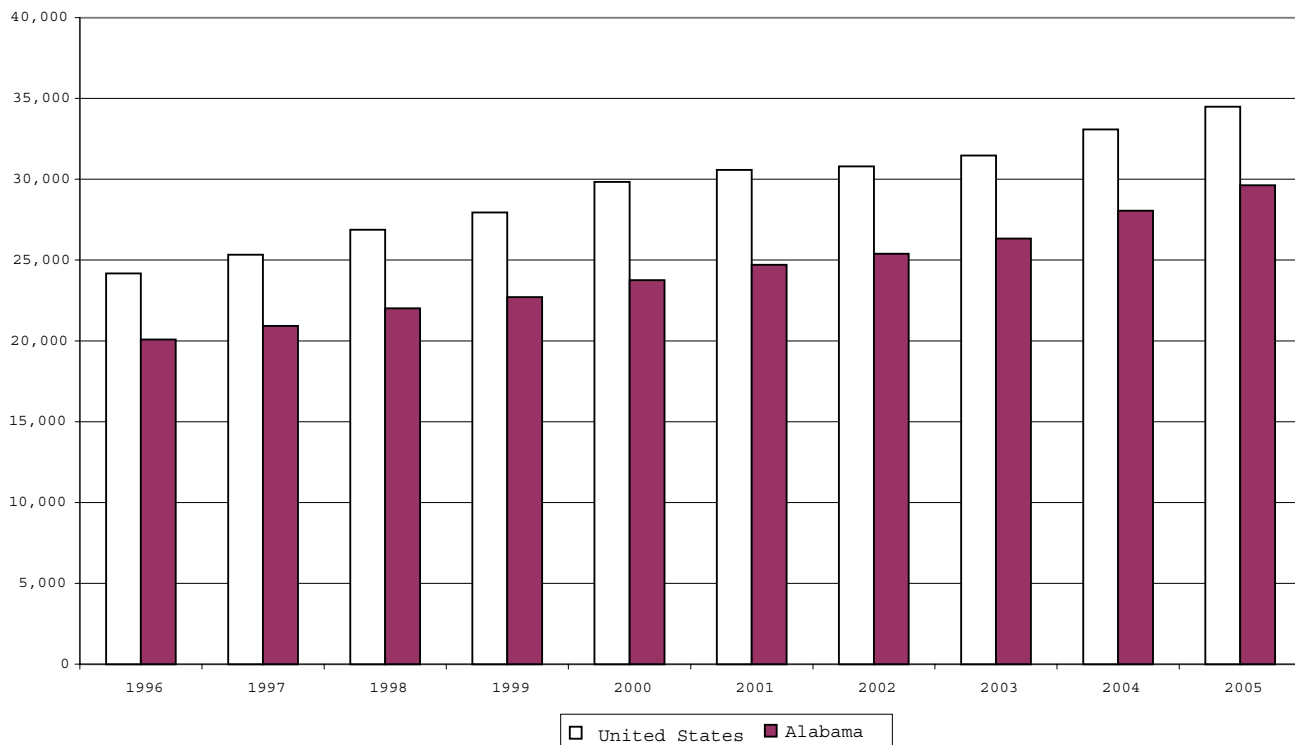
DEMOGRAPHIC AND ECONOMIC INFORMATION

Population/Per Capita Personal Income Statistics

Last Ten Years

	Population		Per Capita Personal Income		Personal income (in Thousands)	
	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>
1996	269,394,284	4,331,102	24,175	20,081	6,512,485,000	86,972,050
1997	272,646,925	4,367,935	25,334	20,930	6,907,332,000	91,419,381
1998	275,854,104	4,404,701	26,883	22,025	7,415,709,000	97,011,788
1999	279,040,168	4,430,141	27,939	22,722	7,796,137,000	100,662,426
2000	282,193,477	4,452,339	29,845	23,764	8,422,074,000	105,806,693
2001	285,107,923	4,467,461	30,574	24,717	8,716,992,000	110,420,937
2002	287,984,799	4,480,139	30,810	25,409	8,872,871,000	113,835,223
2003	290,850,005	4,501,862	31,463	26,341	9,150,908,000	118,584,657
2004	293,656,842	4,525,375	33,090	28,054	9,717,173,000	126,954,540
2005	296,410,404	4,557,808	34,495	29,623	10,224,761,000	135,017,579

**Per Capita Income
Alabama Compared to United States**



Note: Year 2005 is the most recent year for which data are available.

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

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers In Alabama

Last Ten Years

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

Employer	2004			2003		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.91%	30,000-39,999	1	1.92%
ARMY	20,000-29,999	2	1.36%	15,000-19,999	2	0.96%
MOBILE EDUCATION BOARD	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
UNIV OF ALA IN BHAM ED	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%
ALABAMA POWER CO ELECTRIC	5,000-9,999	6	0.41%	5,000-9,999	7	0.41%
UNIV OF ALA IN BHAM MED	5,000-9,999	9	0.41%	5,000-9,999	10	0.41%
U S POSTAL SERVICE	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%
GOLD KIST INC	5,000-9,999	10	0.41%	-	-	-
WINN DIXIE MONTGOMERY	5,000-9,999	7	0.41%	5,000-9,999	6	0.41%
REGIONS BANK	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	4	0.41%	5,000-9,999	4	0.41%
BELLSOUTH TELECOMMUNICATIONS	-	-	-	5,000-9,999	9	0.41%
RUSSELL CORPORATION	-	-	-	-	-	-
	90,000-149,990		6.54%	85,000-139,990		6.18%

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

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

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers In Alabama

Last Ten Years

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

Employer	1999			1998			1997		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	20,000-29,999	1	1.34%	20,000-29,999	1	1.36%	20,000-29,999	1	1.39%
ARMY	15,000-19,999	2	0.94%	15,000-19,999	2	0.95%	15,000-19,999	2	0.97%
MOBILE EDUCATION BOARD	5,000-9,999	5	0.40%	5,000-9,999	6	0.41%	5,000-9,999	7	0.42%
UNIV OF ALA IN BHAM ED	5,000-9,999	7	0.40%	5,000-9,999	8	0.41%	5,000-9,999	9	0.42%
ALABAMA POWER CO									
ELECTRIC	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%	5,000-9,999	10	0.42%
UNIV OF ALA IN BHAM MED	-	-	-	-	-	-	-	-	-
U S POSTAL SERVICE	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%	5,000-9,999	8	0.42%
GOLD KIST INC	-	-	-	-	-	-	-	-	-
WINN DIXIE MONTGOMERY	10,000-14,999	3	0.67%	10,000-14,999	4	0.68%	5,000-9,999	5	0.42%
REGIONS BANK	-	-	-	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%	10,000-14,999	3	0.69%
BELLSOUTH									
TELECOMMUNICATIONS	5,000-9,999	9	0.40%	5,000-9,999	9	0.41%	5,000-9,999	6	0.42%
RUSSELL CORPORATION	5,000-9,999	8	0.40%	10,000-14,999	3	0.68%	10,000-14,999	4	0.69%
	75,000-129,990		5.78%	75,000-129,990		6.14%	75,000-129,990		6.25%

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

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

STATE OF ALABAMA

OPERATING INFORMATION

State Government Employment by Function

Last Five Years

	<u>Fiscal Year</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Primary Government					
Governmental Activities:					
Economic Development and Regulation	836	824	835	893	899
Education and Cultural Resources	1,117	1,104	1,086	1,092	1,111
Natural Resources and Recreation	1,460	1,383	1,486	1,575	1,622
Health-Physical and Mental	5,167	4,890	4,818	5,081	4,931
Social Services	6,277	6,313	6,323	6,488	6,768
Protection of Person and Property	7,842	7,733	7,690	7,583	7,395
Transportation	5,169	5,138	5,013	4,981	4,688
General Government	4,119	4,055	4,114	4,431	4,446
Total Governmental Activities	31,987	31,440	31,365	32,124	31,860
Business-type Activities:					
Alcoholic Beverage Control Board	851	778	753	746	760
State Port Authority	165	150	142	119	119
Alabama College System	2,179	1,766	1,796	1,750	1,702
Total Business-Type Activities	3,195	2,694	2,691	2,615	2,581
Total Primary Government	35,182	34,134	34,056	34,739	34,441

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

Sources: Alabama Personnel Department

Alabama Commission on Higher Education

Alabama Administrative Office of the Courts

Alabama House of Representatives

Alabama Senate

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Fiscal Year

	<u>2006</u>
Economic Development and Regulation	
Forestry Commission	
Acres managed	2,525,211
Number of fires	4,932
Average acres burned	15
Educational and Cultural Resources	
Education Department	
Teacher certificates issued	52,024
Process fingerprint cards for background checks	24,296
Natural Resources and Recreation	
Conservation and Natural Resources	
Number of guests to outdoor recreational sites	2,961,506
Number of wildlife and freshwater fisheries licenses	640,929
Number of registered boats	243,483
Health - Physical and Mental	
Public Health	
Number of lab tests	1,979,633
Vital records issued	501,984
Medicaid	
Number of claims for hospital care	4,419,711
Physician visits	9,207,219
Pharmaceutical claims	8,452,990
Other claims	9,355,966
Social Services	
Industrial Relations	
Employment Security claims	237,389
Number of employers	88,665
Individuals registered with employment services	310,470
Human Resources	
Number of visits to licensed child care centers	2,946
Child support caseload	229,078
Households receiving food assistance	209,316
Number of children under DHR care	6,929
Number of child abuse/neglect investigations	27,216
Protection of Persons and Property	
Department of Corrections	
Number of inmates	24,159
Public Safety	
Arrest tickets issued	324,627
Accidents investigated	36,147
Pardons and Paroles	
Number of board decisions	13,375
Number of offenders supervised	49,269
Forensic Sciences	
Number of death cases investigated	3,756
Transportation	
Transportation Department	
Roadway miles	10,846
Bridges	5,328
General Government	
Administrative Office of Courts	
Caseload	2,041,982

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Three Fiscal Years

(Amounts In Thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Economic Development and Regulation			
Forestry Commission			
Buildings	142	142	142
Vehicles	326	322	307
Heavy Equipment	682	741	715
Natural Resources and Recreation			
Conservation and Natural Resources			
Buildings	611	609	604
Vehicles	689	672	645
Heavy Equipment	212	210	213
Health - Physical and Mental			
Environmental Management			
Vehicles	196	192	172
Social Services			
Human Resources			
Buildings	30	30	30
Protection of Persons and Property			
Agriculture and Industries			
Vehicles	236	222	186
Corrections			
Buildings	362	362	345
Vehicles	404	332	332
Military			
Buildings	688	688	688
Public Safety			
Vehicles	1,159	1,287	1,062
Youth Services			
Buildings	118	118	118
Vehicles	89	82	74
Pardons and Paroles			
Vehicles	252	248	211
Transportation			
Transportation			
Buildings	472	472	471
Vehicles	2,356	2,389	2,241
Heavy Equipment	1,130	1,184	1,138

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