

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2009

Front cover: A northern pintail drake painted in acrylic by Clarence Stewart of Brewton, Ala., is the winner of the 2009 Alabama Waterfowl Stamp Art Contest. The winning artwork will adorn the 2010-2011 Alabama Waterfowl Stamp.

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, 2009



Bob Riley
Governor

Kay Ivey
State Treasurer

Bill Newton
Acting Director of Finance

Samantha Shaw
State Auditor

Prepared by the
Department of Finance, Office of the State Comptroller
Thomas L. White, Jr. • State Comptroller

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BOB RILEY
Governor

BILL NEWTON
Acting Director of Finance

STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

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THOMAS L. WHITE, JR.
CPA (Inactive)
State Comptroller

March 31, 2010

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, 2009. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Internal Controls

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

Audit

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

Management's Discussion and Analysis

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

Profile of the Government

Reporting Entity

This report presents financial information on all of State government as a single reporting entity. While state law allows many state organizations to operate largely independent of the daily central control and scrutiny of the Department of Finance, State Auditor, and State Treasurer, this report combines the financial data of all state organizations in order to present a comprehensive picture of state finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities, and other organizational units of the State are included in this report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations which are considered to be part of the primary government of the State and those which are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization, and the potential for the organization to be a financial benefit or financial burden to the State. The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges, or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government, but most of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Federal Aid Highway Finance Authority, State Parks Improvement Corporation, and the Building Renovation Finance Authority. The major discretely presented component units are the Alabama Public School and College Authority, the Department of Mental Health, 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 generally accepted accounting principles (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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Beginning Cash Balance, October 1	\$ 264,727	\$ 286,670	\$ 325,122	\$ 214,652	\$ 187,411
Receipts	1,602,572	1,814,313	1,634,581	1,656,451	1,437,230
Disbursements	<u>1,680,018</u>	<u>1,836,256</u>	<u>1,673,033</u>	<u>1,545,981</u>	<u>1,409,989</u>
Net Increase (Decrease) in Cash Balance	(77,446)	(21,943)	(38,452)	110,470	27,241
Ending Cash Balance, September 30	187,281	264,727	286,670	325,122	214,652
Cash Balance Reserved for Obligations	<u>46,971</u>	<u>44,424</u>	<u>46,335</u>	<u>60,686</u>	<u>45,945</u>
Unobligated Cash Balance, September 30	<u>\$ 140,310</u>	<u>\$ 220,303</u>	<u>\$ 240,335</u>	<u>\$ 264,436</u>	<u>\$ 168,707</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Beginning Cash Balance, October 1	\$ 48,003	\$ 315,967	\$ 739,687	\$ 587,114	\$ 216,210
Receipts	5,679,120	6,414,631	5,854,027	5,498,362	4,969,255
Disbursements	<u>5,675,843</u>	<u>6,682,595</u>	<u>6,277,747</u>	<u>5,345,789</u>	<u>4,598,351</u>
Net Increase (Decrease) in Cash Balance	3,277	(267,964)	(423,720)	152,573	370,904
Ending Cash Balance, September 30	51,280	48,003	315,967	739,687	587,114
Cash Balance Reserved for Obligations	<u>51,280</u>	<u>48,003</u>	<u>35,922</u>	<u>44,632</u>	<u>16,455</u>
Unobligated Cash Balance, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,045</u>	<u>\$ 695,055</u>	<u>\$ 570,659</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. However, in 2009 the Education Trust Fund used the provisions of Amendment 803 to the *Constitution of Alabama of 1901* to borrow \$437.4 million from the Alabama Trust Fund in order to avoid deeper cuts from proration. The resulting liability leaves the Education Trust Fund with a deficit fund balance.

FUND BALANCES - GAAP Basis (Amounts in Millions)					
	2009	2008	2007	2006	2005
General Fund	\$ 222.1	\$ 381.7	\$ 404.8	\$ 404.7	\$ 293.9
Education Trust Fund	(221.5)	186.8	528.4	1,029.5	1,016.1

Cash Management

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

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds earning interest. Interest earnings during the 2009 fiscal year were as follows:

Bank Deposits	\$ 11.4 million
US Treasury and Agency Securities	\$ 21.0 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 initiates investments for several state agencies, with interest earnings being credited to those agencies.

Economic Condition and Outlook

The recession hit Alabama hard in 2009. Alabama's gross domestic product (ALGDP) declined by 2.1 percent. After being below the national rate from 2002 through 2008, the State's unemployment rate rose above the nation's in February 2009. The average unemployment rate for 2009 was 10.1 percent. State tax revenue fell 7.2 percent for the fiscal year ended September 30, 2009. The lower tax revenues resulted in cuts in both the General Fund and the Education Trust Fund.

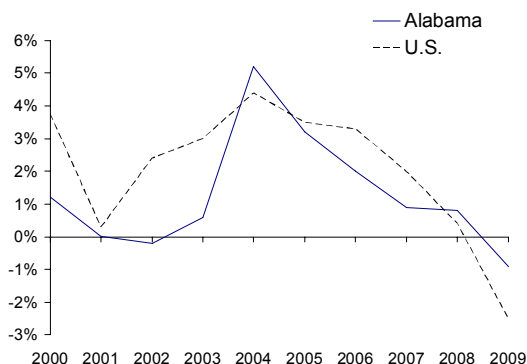
Alabama lost 95,600 jobs during the 12-month period ending in October 2009. All industries lost jobs except for educational and healthcare services. Sectors that shed the most jobs during the year include manufacturing, construction, professional and business services, and retail trade.

Manufacturing sector output shrank by 8.8 percent during 2009, with some double-digit percentage declines for motor vehicles and parts, petroleum and coal products, and computer and related products. Construction sector output dropped 4.9 percent in 2009. While some major commercial projects already in the pipeline cushioned a slowdown in residential construction early in 2009, commercial activity dropped sharply toward the end of the year. Wholesale trade output fell 7.0 percent and retail trade output slid 1.3 percent in 2009. Declining consumer and business spending, together with fierce competition among firms, has resulted in a particularly difficult retail environment in recent years.

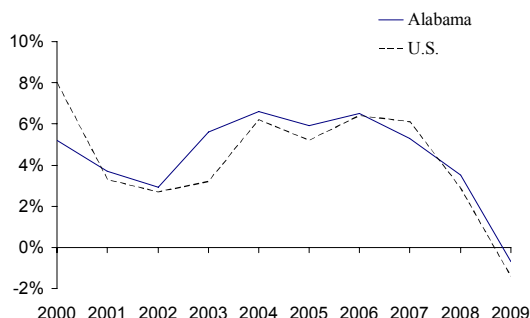
Exports are down significantly. An 11 percent jump to \$15.8 billion in 2008 was followed by a 28 percent decline for the first three quarters of 2009 compared to the same period in 2008. Exports to Germany, Alabama's largest trade partner, slipped from \$3.3 billion in 2007 to \$3.1 billion in 2008, but were down almost 50 percent for the first three quarters of 2009. Other major export destinations for Alabama products included Canada, Mexico, China, Japan, the United Kingdom, Brazil, and South Korea. Transportation equipment was the state's top export in 2008 at \$5.7 billion. For the first three quarters of 2009, transportation equipment exports amounted to \$2.8 billion, a 37.0 percent drop from the same period in 2008. Other major exports in 2008 were chemicals, paper products, primary metals, machinery, and computers and electronic products.

Alabama's economy is expected to be recovering at a slow pace with 1.9 percent growth in 2010. Non agricultural employment will continue to decline for most sectors at least through the first half of 2010. The unemployment rate will still remain high. Tax revenues are projected to rise just 0.3 percent in fiscal year 2010 with a slightly better 1.7 percent increase in fiscal year 2011. Further cutbacks in consumer and business spending, tight lending conditions, and weakness in both commercial and residential real estate markets will continue to dampen growth. However, improvements in the State's automotive sector – which was hit exceptionally hard during the current recession – together with stimulus funds and programs will provide a boost to the economy during 2010.

**Annual Growth of Gross Product
Last Ten Years**



**Annual Growth in Personal Income
Last Ten Years**



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

Awards

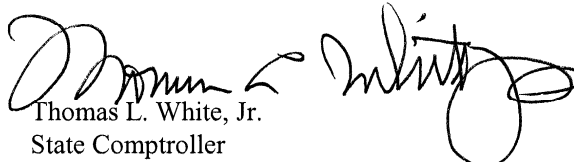
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008. This was the eleventh consecutive 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 wish to express my appreciation to the 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,


Thomas L. White, Jr.
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, 2008

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 stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

STATE OF ALABAMA

PRINCIPAL STATE OFFICIALS

September 30, 2009

EXECUTIVE BRANCH

Bob Riley
Governor

Jim Folsom, Jr.
Lt. Governor

Kay Ivey
State Treasurer

Beth Chapman
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Sue Bell Cobb
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Rodger M. Smitherman
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

Bill Newton
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation
and Natural Resources

Col. J. Christopher Murphy
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Doni Ingram
ADECA

Adjutant General Abner C. Blalock
State Military Department

Nancy Buckner
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health

Lee Sentell
Tourism Department

Dr. Marquita Davis
Department of Children's Affairs

Richard Allen
Department of Corrections

Brock Long
Emergency Management Agency

Joe McInnes
Department of Transportation

Tom Surtees
Department of Industrial
Relations

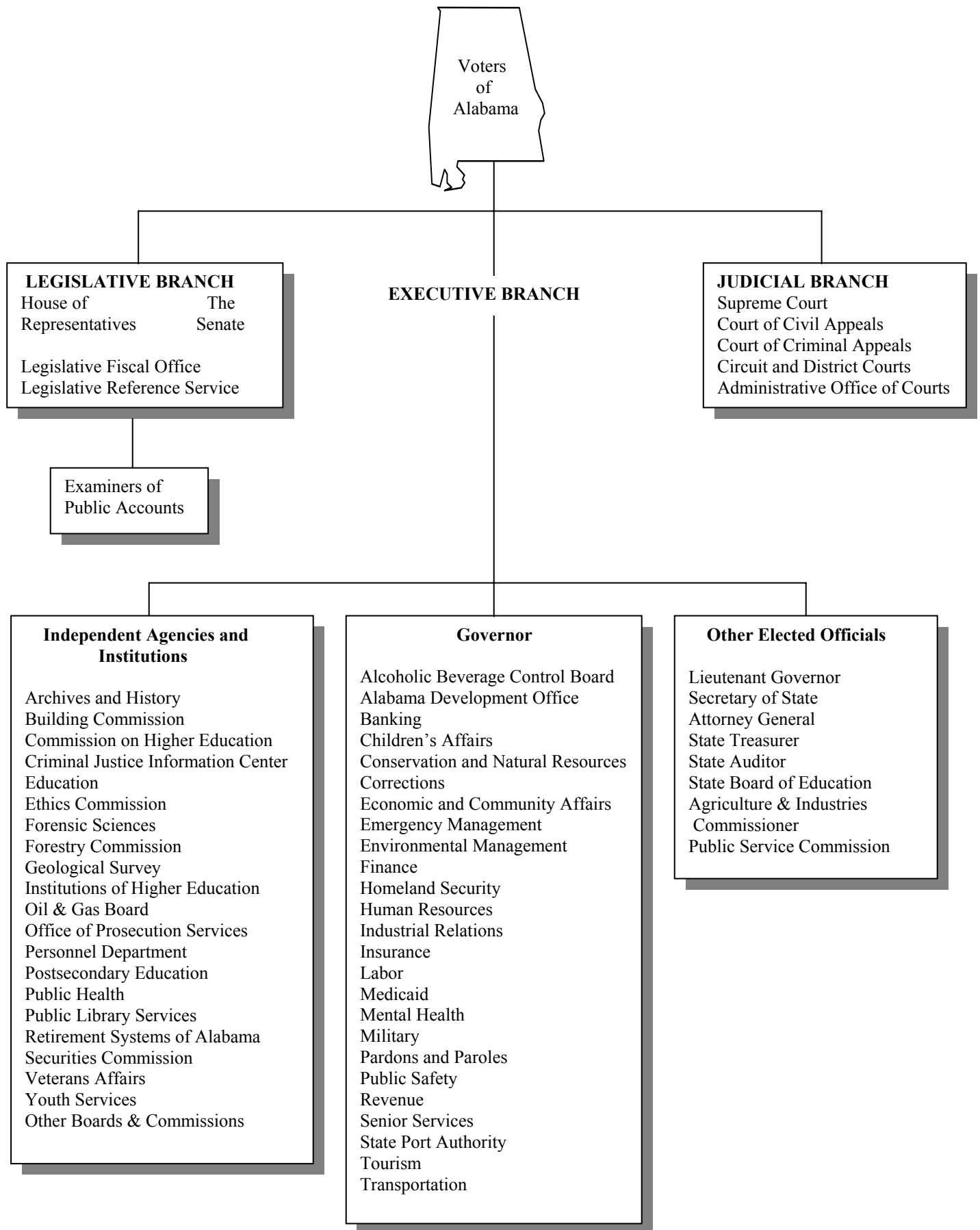
Carol Herrmann-Steckel
Alabama Medicaid Agency

Tim Russell
Department of Revenue

Jim L. Ridling
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART





State of Alabama
Department of
Examiners of Public Accounts

Ronald L. Jones
Chief Examiner

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2009, 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	0.13%	0.06%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	35%	7%
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	81%	74%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama College Education Savings Plan Alabama Public Health Care Authority	92%	37%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Retirement Systems of Alabama, the Employees' Savings Plans (Public Employees' Individual Retirement Account Fund and the RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, the Retired State Employees' Health Care Trust, the Alabama Higher Education Loan Corporation, the Space Science Exhibit Commission, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2010, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



RONALD L. JONES

Chief Examiner

Department of Examiners of Public Accounts

March 31, 2010



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, 2009. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net assets decreased by \$294 million during fiscal year 2009. The assets of the State exceeded its liabilities at the close of the fiscal year by \$23.3 billion (*net assets*). Of this amount, \$19.0 billion was invested in capital assets (net of related debt), and \$2.9 billion was in the Alabama Trust Fund Capital.
- The Change in Net Assets in governmental activities was \$73 million.
- Governmental activities have \$3.1 billion in investments, \$2.5 billion of which is in the Alabama Trust Fund.
- Tax receipts were down \$567 million, or 7.2 percent, reflecting the sharp downturn in the economy.
- Investment earnings were \$262 million, a marked improvement over last year's \$107 million loss.
- The business-type activities reported net assets at year-end of \$1.2 billion, a decrease of \$367 million for the fiscal year as recession caused the Unemployment Compensation Trust to experience a 205 percent increase in expenses. .
- The State's total bonded debt at the end of the fiscal year was \$1.61 billion, a decrease of \$52 million, which represents the net difference between new issuances and payments.
- During the year the State issued \$28 million in new revenue bonds. The State made payments on general obligation bonds of \$34 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$4.7 billion, a decrease of \$448 million from last year. Approximately \$1.4 billion of the fund balance is unreserved, undesignated fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$79 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$159 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

Proprietary funds

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds report activities that provide supplies and services to the general public in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, Alabama College System, and the Alcoholic Beverage Control Board. Individual fund data for each of the nonmajor enterprise funds can be found in the combining and individual fund statements and schedules section of this report.

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

Fiduciary funds

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedule reconciling the budgetary fund balances and generally accepted accounting principles fund balances at fiscal year-end, (2) ten year loss development information for the State Insurance Fund, (3) a schedule of funding progress for the Employees' Retirement System, (4) a schedule of funding progress for the Retired State Employees' Health Care Trust, and (5) information about infrastructure assets reported using the modified approach.

Other Supplementary Information

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$23.3 billion as of September 30, 2009.

The largest component (82 percent) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased \$685 million. Of that amount \$466 million was infrastructure and infrastructure construction in progress.

Long-term liabilities increased 4.7 percent, or \$99 million. The increase in long-term liabilities was primarily from increasing liabilities for Other Post Employment Benefits in the amount of \$98 million.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The State's net assets that are unrelated to capital assets include \$4.5 billion in restricted net assets. Unrestricted net assets represent the remaining amount of net assets that may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. The State has a deficit in unrestricted net assets of \$290 million. Unrestricted net assets for governmental activities are a deficit of \$544 million, while business-type activities have a positive balance in unrestricted net assets of \$254 million.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 6,903,721	\$ 7,468,425	\$ 635,668	\$ 1,083,882	\$ 7,539,389	\$ 8,552,307
Capital Assets	18,592,359	18,035,378	1,467,144	1,338,973	20,059,503	19,374,351
Total Assets	25,496,080	25,503,803	2,102,812	2,422,855	27,598,892	27,926,658
Long-term Liabilities	1,587,281	1,548,277	650,781	590,330	2,238,062	2,138,607
Other Liabilities	1,825,481	1,945,095	240,363	254,061	2,065,844	2,199,156
Total Liabilities	3,412,762	3,493,372	891,144	844,391	4,303,906	4,337,763
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	18,178,877	17,609,211	865,220	754,001	19,044,097	18,363,212
Restricted	4,448,305	4,624,715	92,470	479,666	4,540,775	5,104,381
Unrestricted	(543,864)	(223,495)	253,978	344,797	(289,886)	121,302
Total Net Assets	\$ 22,083,318	\$ 22,010,431	\$ 1,211,668	\$ 1,578,464	\$ 23,294,986	\$ 23,588,895

STATE OF ALABAMA

The following table was derived from the government-wide Statement of Activities. As a result of the excess of expenses over revenues, the State's net assets decreased by \$294 million during fiscal year 2009. Taxes provided \$7.3 billion, or approximately 37 percent, of the State's total revenue. Tax revenues decreased \$567 million, or 7.2 percent, compared to the previous year as the economy went into recession. Investment earnings were \$262 million, a marked improvement over last year's loss of \$107 million. Charges for Services revenue decreased \$244 million, or 10 percent. \$194 million of the decrease was from decreased revenue from oil and gas leases. Operating Grants and Contributions revenue increased \$1.3 billion, or 18.7 percent, because of the increase in federal grant receipts from the federal stimulus programs.

Total expenses increased by \$253 million, a mere 1.3 percent in 2009. Education spending decreased 11 percent, or \$804 million, as the decrease in sales and income tax revenue forced constitutionally mandated proration of the budget for the Education Trust Fund by 11 percent. The poor economy caused Unemployment Compensation spending to increase by \$676 million, a 205 percent increase. Social Services spending was up \$225 million, as the poor economy increased expenses for food assistance by \$307 million while other social services expenses were down. Health spending was up \$239 million, primarily as a result of a \$274 million, or 6.6 percent, increase in spending in Medicaid. Economic Development and Regulation spending was down \$104 million, or 25 percent.

Education and Cultural Resources spending totaled \$6.4 billion, or 32.2 percent, of the State's total expenses, down from 36.7 percent in 2008. A total of \$5.6 billion, or 28 percent, was spent on Health. Of the \$5.6 billion total, \$4.5 billion was spent on Medicaid programs. Social Services spending was nearly \$2.0 billion, or 10 percent of total expenses.

Changes in Net Assets For the Fiscal Year Ended September 30 (Amounts in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,343,982	\$ 1,556,878	\$ 784,536	\$ 815,230	\$ 2,128,518	\$ 2,372,108
Operating Grants and Contributions	7,609,667	6,670,099	666,982	305,339	8,276,649	6,975,438
Capital Grants and Contributions	812,481	874,111	49,654	13,717	862,135	887,828
General Revenues:						
Taxes	7,311,874	7,879,100	9,930	9,912	7,321,804	7,889,012
Grants and Contributions Not Restricted to Specific Programs	785	-	-	-	785	0
Investment Earnings	245,601	(141,251)	16,241	34,631	261,842	(106,620)
Miscellaneous	711,644	786,304	12,399	13,257	724,043	799,561
Total Revenues	18,036,034	17,625,241	1,539,742	1,192,086	19,575,776	18,817,327
Expenses:						
Economic Development and Regulation	306,515	410,911			306,515	410,911
Education and Cultural Resources	6,393,582	7,197,095			6,393,582	7,197,095
Natural Resources and Recreation	119,246	131,327			119,246	131,327
Health	5,555,654	5,316,763			5,555,654	5,316,763
Social Services	1,978,380	1,753,526			1,978,380	1,753,526
Protection of Persons and Property	1,098,489	1,095,652			1,098,489	1,095,652
Transportation	1,120,721	1,067,671			1,120,721	1,067,671
General Government	981,753	1,020,453			981,753	1,020,453
Debt Service - Interest and Other Charges	51,184	57,253			51,184	57,253
Unemployment Compensation			1,005,780	330,068	1,005,780	330,068
State Port Authority			127,192	127,200	127,192	127,200
Alabama College System			832,456	812,195	832,456	812,195
Alcoholic Beverage Control Board			253,312	249,389	253,312	249,389
Nonmajor Proprietary Funds			45,492	47,168	45,492	47,168
Total Expenses	17,605,524	18,050,651	2,264,232	1,566,020	19,869,756	19,616,671
Increase (Decrease) in Net Assets Before Contributions and Transfers	430,510	(425,410)	(724,490)	(373,934)	(293,980)	(799,344)
Contributions to Permanent Funds & Endowments	-	-	71	88	71	88
Transfers	(357,623)	(444,314)	357,623	444,314	-	-
Change in Net Assets	72,887	(869,724)	(366,796)	70,468	(293,909)	(799,256)
Net Assets- Beginning	22,010,431	22,880,155	1,578,464	1,507,996	23,588,895	24,388,151
Net Assets- Ending	\$ 22,083,318	\$ 22,010,431	\$ 1,211,668	\$ 1,578,464	\$ 23,294,986	\$ 23,588,895

Governmental Activities

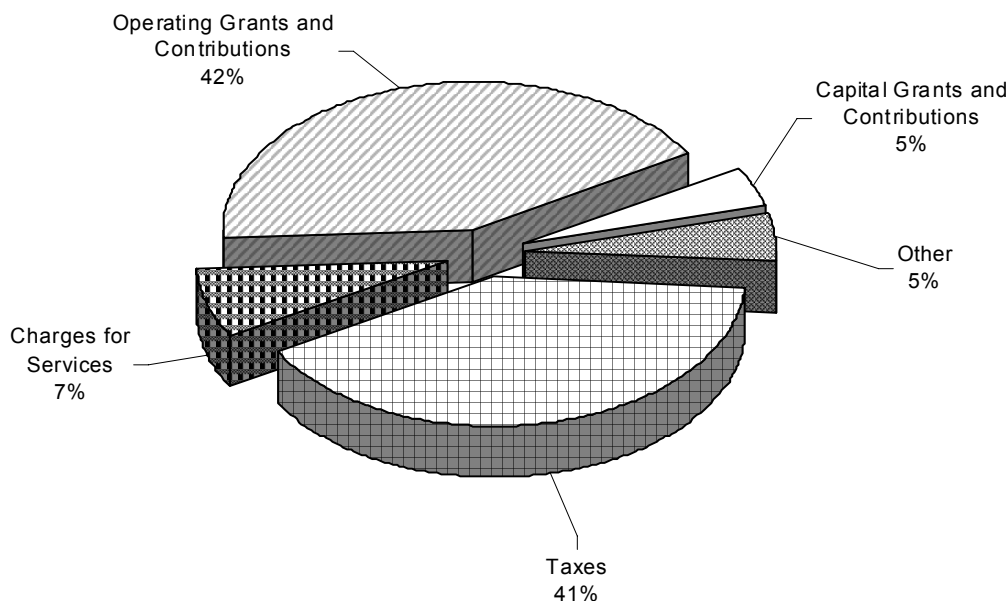
Total revenues for governmental activities in fiscal year 2009 were \$18.0 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Operating grants and contributions along with taxes together accounted for 83 percent of governmental activities revenue.

Program revenues totaled \$9.8 billion, up from \$9.1 billion the previous year. Operating grants and contributions are the largest program revenues, and at \$7.6 billion, make up 42 percent of total governmental revenues. Operating grants and contributions grew \$940 million, or 14 percent compared to the previous year, due to the influx of federal stimulus funds. Operating grants and contributions for Medicaid were up \$536 million and for Public Health Department were up \$288 million. About 90 percent of operating and 96 percent of the capital grants were received from the Federal government. Capital grants and contributions decreased \$62 million, or 7 percent, primarily because the Department of Transportation had less in federal grant reimbursements this year.

Charges for services decreased \$213 million, or 13.7 percent, compared to the previous year. Of that \$213 million, \$182 million is attributable to a decrease in revenues from oil and gas leases.

General revenues, which include taxes, of governmental activities were \$8.3 billion, a decrease of nearly 3 percent. Taxes were \$7.3 billion, down from \$7.9 billion the previous year. Revenue from all tax types represents 41 percent of total governmental revenues earned during fiscal year 2009. Of the \$7.3 billion in tax revenues, the largest taxes were income taxes of \$3.1 billion and sales and use taxes of \$2.1 billion. Sales and use taxes were down 8 percent, while income taxes decreased 11.5 percent, reflecting the downturn in the economy.

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2009

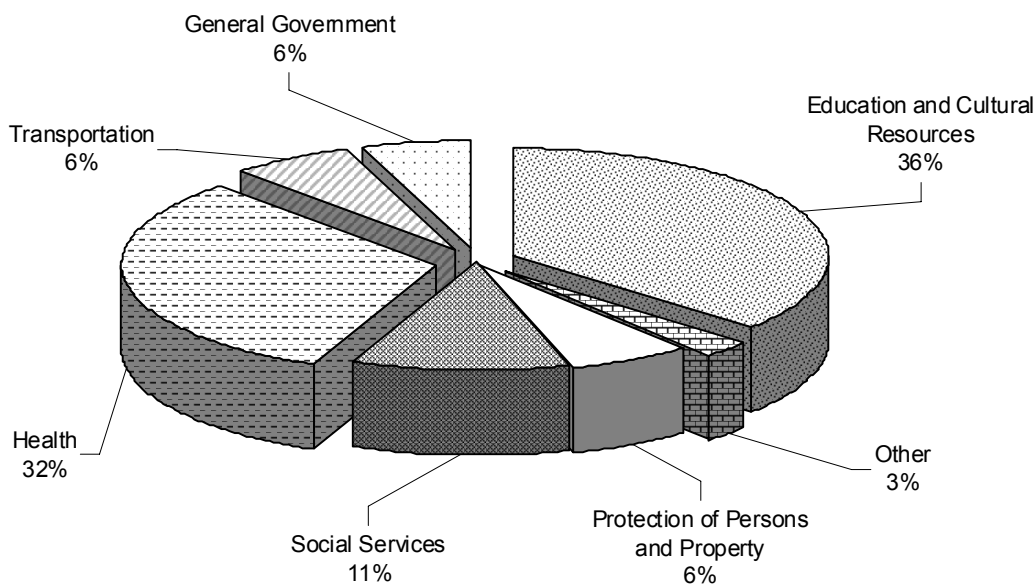


Total operating expenses for governmental activities in fiscal year 2009 were \$17.6 billion. Expenses for governmental activities are grouped by functional area. The two largest functional areas were (1) Education and Cultural Resources and (2) Health together accounted for 68 percent of the governmental activities expenses for fiscal year 2009. Social Services accounted for 11 percent of the governmental activities expenses. Overall expenses decreased by \$445 million, or 2.5 percent.

Education spending decreased 11 percent, or \$804 million, as the decrease in sales and income tax revenue forced constitutionally mandated proration of 11 percent of the budget in the Education Trust Fund. Education and Cultural Resources now makes up 36 percent of governmental activity expenses, down from 40 percent last year. Within Education and Cultural, 87 percent is support for local school systems and state universities. Support for local school systems decreased \$480 million, or 9.6 percent and support for universities decreased \$289.8 million, or 21 percent.

Health accounted for 32 percent of state spending, up from 29.5 percent last year. The Medicaid program accounts for 80 percent of Health spending and the Department of Public Health accounts for 12 percent. Medicaid spending was up \$274 million, or 6.6 percent, over the previous year.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2009



Business-type Activities

The largest business-type activity is the Alabama College System, which accounts for over half of business-type net assets. The other major business-type activities are the Alabama Port Authority, the Alcoholic Beverage Control Board, and the Unemployment Compensation Trust. In fiscal year 2009 the net assets of business-type activities decreased by \$367 million. The largest change occurred in the Unemployment Compensation Trust fund, where the decrease in net assets was \$413 million. A rising unemployment rate and addition of federal extended benefits increased the unemployment benefit payments by \$676 million, more than double the prior year amount. The State borrowed funds from the Federal government to pay benefits during fiscal year 2009 and still owed the Federal government \$27 million for advances at fiscal year-end. Revenues of business-type activities totaled \$1.5 billion. Most of this revenue was self-generated program revenues so only \$39 million of the \$1.5 billion revenues came from general revenues. The program revenues consisted of \$785 million of charges for services, \$667 million of operating grants and contributions, and \$50 million of capital grants and contributions. Additionally, the Alabama College System is heavily dependent on transfers in of \$387 million in 2009. \$381 million of transfers came from the Education Trust Fund as mandated by the legislature in the appropriation acts. The total expenses for business-type activities were \$2.3 billion.

Financial Analysis of the State's Funds

Governmental Funds

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

At the end of fiscal year 2009, the governmental funds reported combined ending fund balances of \$4.7 billion. Of this total amount, \$3.2 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest reserved amount of \$2.9 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of an Amendment 666 to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. The Alabama Trust Fund's Education Rainy Day Account of \$437 million was depleted during 2009 for use by the Education Trust Fund. In addition to the Alabama Trust Capital, an additional \$298 million of governmental fund balance has been reserved for a variety of purposes while \$84 million of governmental funds have been designated for various capital projects and debt service, leaving \$1.4 billion as unreserved and undesignated.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$217 million, and reserved fund balance was \$6 million. Revenues for the General Fund decreased \$164 million, or 11 percent, as taxes decreased \$88 million and investment income decreased \$55 million. General sales tax decreased \$19 million, insurance premium tax decreased \$25 million and oil and gas production privilege tax decreased \$52 million. Expenditures for the General Fund decreased \$140 million, or 9 percent. Health expenditures decreased \$112 million, as overall grant payments related to Medicaid programs decreased \$54 million and payments to the Department of Mental Health component unit for administrative costs decreased \$53 million. The Medicaid hospital care program grant payments decreased \$269 million with all other Medicaid programs having increased grant payments resulting in a net \$54 million decrease in Medicaid program grant payments. Hospital care program grants decreased because most of the grants were shifted to the Medicaid Fund. Protection of Persons and Property expenditures decreased \$18 million, with the majority of these decreases being for inmate administration and highway patrol for the State. Spending on General Government decreased \$6 million. Spending in most general government departments was relatively unchanged from the previous year, so most of the decline was in borrower rebates and management fees related to securities lending transactions. Across all functional categories General Fund spending for professional services was up 11 percent. Spending for employee salaries and benefits was down slightly, while travel, supplies, equipment and debt service were all down.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state organizations 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 in the ETF for fiscal year 2009 were down \$610 million, or 10 percent as compared to fiscal year 2008. Sales and use tax revenues were down by \$215 million, individual income tax revenues were down by \$400 million and corporate income tax revenues were down by \$9 million. Expenditures, as limited by the

budget, were down 15 percent, or \$915 million. A large portion of the decrease, \$552 million was in financial assistance to local school systems, and support for state universities decreased \$228 million. The ETF transferred out \$428 million, with the largest of these transfers going to the Alabama College System, a major Proprietary fund, in the amount of \$381 million, as mandated by the legislature in the appropriations acts to supplement operations. Due to Other Funds in the ETF increased by \$437 million to a balance of \$446 million as the result of an interfund loan from the Education Rainy Day account in the Alabama Trust Fund. The loan was used to alleviate the budget shortfall and prevent further proration beyond 11 percent. The ETF fund balance decreased \$408 million to a deficit of \$222 million, primarily as a result of the interfund loan.

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, as well as investment income earned on the accumulated capital. Revenues from royalties and other payments related to the production of oil and gas decreased by \$192 million in 2009. Investment income increased from a \$271 million loss to a \$170 million gain, an increase of \$441 million. Various amendments to the *Constitution of Alabama of 1901* require that Alabama Trust income be used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. In compliance with constitutional requirements, \$266 million was transferred out to support these other funds. The asset account Due From Other Funds increased by \$437 million as an interfund loan was made to the Education Trust Fund under the authority of Amendment 803 to the *Constitution Alabama of 1901*. During the 2009 fiscal year, the amount constitutionally reserved for Trust Capital increased by \$275 million, an 11 percent increase.

Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Federal revenues increased 18 percent, or \$552 million. Overall, revenues were up 14 percent, or \$526 million. Expenditures increased 9 percent or \$332 million with the largest increase being a \$332 million increase in hospital care program. Most hospital care program expenditures were made in the General Fund last year but were shifted to the Medicaid fund this year. Nursing Home Care declined \$58 million and pharmaceutical programs declined \$11 million. All other programs increased with the largest increases being \$38 million in alternative care programs, a 10 percent increase, and \$13 million in family planning programs, a 35 percent increase. Total fund balance for Medicaid increased by \$70 million, reducing the deficit balance to \$8 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, including all federal aid reimbursements. 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 decreased by 9 percent, or \$76 million under 2008. Expenditures rose \$11 million, or less than 1 percent. The fund balance decreased by \$102 million to a total fund balance of \$418 million. \$65 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$23 million is in inventory of materials on hand, and \$41 million is reserved by statute for replacement of equipment. The remaining \$290 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 is used to account for a broad range of social, protective, and financial assistance programs for citizens. This is the major operating fund of the Department of Human Resources. 87 percent of the funding is from federal funds, but is supplemented by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Spending on various children's programs declined \$38.7 million, or 9 percent. The economic downturn created a huge increase in demand for food assistance, as spending increased \$307 million, a 43 percent increase. \$1.6 billion was spent in the fund in 2009, and the fund balance at year end is \$84 million, an increase of \$48 million. The small fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

Medicaid and the Education Trust Fund had negative fund balances at September 30, 2009. This is not typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivables but not the State matching amounts which will come from revenues received in the next fiscal year. The Education Trust Fund also had a negative fund balance at September 30 resulting from the interfund loan discussed previously. 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 historically 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 declined by \$366 million.

In fiscal year 2009, the net assets of the Unemployment Compensation Trust Fund decreased by \$413 million to a deficit of \$22 million. Unemployment benefits payments increased by \$676 million because of a drastic rise in the unemployment rate from 5.4 percent in September 2008 to 10.1 percent in September 2009 and the extension of unemployment benefits. The trust fund balance was exhausted and the State owes the Federal government \$27 million for advances.

The net assets of the State Port Authority held about even, increasing by \$0.6 million to \$339 million. However, the State Port Authority would have realized a decrease in net assets if it had not received \$19 million in capital contributions from the Federal Government. Bonds totaling \$64 million will mature in December 2010. Although it is management's intent to refinance the debt when it becomes due, there is no assurance that the Authority will be able to obtain such replacement funding. Operating revenues shrank substantially, to \$103 million from \$125 million the prior year, a 17 percent decrease, resulting from a number of factors. The cargo/intermodal revenues experienced a decrease due to general economic downturn that affected global shipping. The economic downturn also resulted in the reduction in coal utilization which reduced the Terminal revenues by \$6.9 million.

The Alabama College System's net assets increased \$53 million in 2009, primarily because of larger appropriations from the Education Trust Fund which are reported as transfers in.

The net assets of the Alcoholic Beverage Control Board's declined by \$6 million in fiscal year 2009, resulting in a \$10 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative.

Budgetary Highlights

General Fund

The original budget for the General Fund was decreased by a net of \$270 million during fiscal year 2009. Expenditures were decreased by \$219 million and Transfers Out decreased by \$51 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Legislation was adopted that implemented mid-year General Fund budgetary cuts. Appropriations were reduced for the Governor's Deficit Prevention Plan because of the economic situation and its impact on the General Fund budget. This plan included a 10 percent cut for state agencies funded out of the General Fund. This reduced spending by about \$53 million. Whenever possible, these cuts were targeted at administrative and overhead expenses rather than services to the public. These cuts included a hiring freeze, a freeze on merit pay raises, stopping new vehicle purchases, limiting equipment purchases and professional service contracts, and curtailing travel by state employees. Also, the appropriations for the Medicaid Agency were decreased by \$165 million because of the increase in the federal medical assistance percentage (FMAP) provided for in the American Recovery and Reinvestment Act of 2009. Other departments that also realized savings as a result of the increased FMAP and their respective General Fund reductions were as follows: Department of Mental Health \$39 million, Department of Public Health \$10 million, Department of Human Resources \$9 million and Department of Senior Services \$3 million.

There were budget increases to various agencies as a result of supplemental appropriations which totaled \$9 million. The Department of Corrections received \$2 million of this supplemental appropriation for returning prisoners to Alabama beds and therapeutic education. Conditional and other appropriations were approximately \$2 million. Conditional amounts are not included in the budget until the conditions have been met. The Geological Survey received a conditional appropriation in the amount of \$650 thousand for a state-wide ground water assessment project. 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 \$2 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. The annual budget was decreased by \$300 thousand as a result of capital project appropriations including \$270 thousand for the Emergency Management Agency. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$79 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$159 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 2009, the State had invested \$20.1 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$142 million.

Capital Assets as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Assets Not Being Depreciated:						
Land	\$ 242,568	\$ 224,455	\$ 82,620	\$ 64,661	\$ 325,188	\$ 289,116
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress	133,026	141,864	224,977	281,364	358,003	423,228
Construction In Progress - Infrastructure	4,916,622	4,712,849	-	-	4,916,622	4,712,849
Infrastructure	12,354,313	12,092,320	-	-	12,354,313	12,092,320
Total Capital Assets Not Being Depreciated	17,649,187	17,174,146	309,947	348,375	17,959,134	17,522,521
Capital Assets Being Depreciated:						
Buildings	1,242,017	1,136,415	1,398,332	1,217,114	2,640,349	2,353,529
Equipment	603,031	589,334	486,855	448,729	1,089,886	1,038,063
Total Capital Assets Being Depreciated	1,845,048	1,725,749	1,885,187	1,665,843	3,730,235	3,391,592
Less Accumulated Depreciation	901,876	864,517	727,990	675,245	1,629,866	1,539,762
Total Capital Assets Being Depreciated, Net	943,172	861,232	1,157,197	990,598	2,100,369	1,851,830
Capital Assets, Net	\$ 18,592,359	\$ 18,035,378	\$ 1,467,144	\$ 1,338,973	\$ 20,059,503	\$ 19,374,351

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

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 74.17, which exceeds the State's goal.

The State maintains 5,368 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 6.64, in the upper end of the satisfactory range, unchanged from the previous year.

STATE OF ALABAMA

In fiscal years 2009, 2008, 2007, 2006, and 2005, the State estimated it would need to spend \$310.0, \$320.0, \$277.7, \$247.1, and \$247.1 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$316,082,000 for roadway preservation and \$34,457,000 for bridge preservation in fiscal year 2009. In fiscal year 2008, the State spent \$265,160,000 for roadway preservation and \$22,434,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$306,038,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the “Established Condition Levels”.

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

Long-term Debt

The only method under which general obligation debt can be incurred is by amendment to the *Constitution of Alabama of 1901*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Some of these corporations are blended with the primary government and some are reported discretely. The State and its component units issue serial and term bonds and capital appreciation bonds. Alabama has traditionally received high bond ratings from both Standard and Poor’s Corporation and Moody’s Investors Service. Currently, an 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. Also, Fitch Ratings Ltd and Standard and Poor’s Corporation lowered the bond ratings for the State Port Authority to BBB+ in September 2009. Moody’s withdrew their rating for the State Port Authority in June 2009.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 687,336	\$ 721,145	\$ -	\$ -	\$ 687,336	\$ 721,145
Revenue Bonds	298,712	323,483	619,360	612,959	918,072	936,442
Total	<u>\$ 986,048</u>	<u>\$ 1,044,628</u>	<u>\$ 619,360</u>	<u>\$ 612,959</u>	<u>\$ 1,605,408</u>	<u>\$ 1,657,587</u>

The State Port Authority issued \$14,198,000 in new bonds. The Alabama College System issued \$13,595,000 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

State General Fund agencies had to revise their operating plans for fiscal year 2010 because of declines in available revenue. The adjusted plans had to reflect quarterly allotments to agencies from the General Fund of 22 percent in the first three quarters of 2010 and 34 percent in the last quarter. State agencies normally receive allotments of 25 percent each quarter. Medicaid and the Department of Corrections are exempt from the changes because neither agency is able to reduce its spending further. The Education Trust Fund entered fiscal year 2010 with a shortfall that required proration of 7.5 percent. Tax collections are down and the future economic condition is uncertain for the nation. This economic recession will continue to impact Alabama. The State’s seasonally adjusted unemployment rate, at 11.1 percent in January 2010, increased from December 2009’s rate of 10.9 percent and was above the year-ago rate of 8.1 percent.

Requests for Information

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2009

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 1,969,993	\$ 295,540	\$ 2,265,533	\$ 1,899,524
Investment Sales Receivable	43,038	-	43,038	-
Investments	3,087,517	202,900	3,290,417	5,242,211
Internal Balances	16,562	(16,562)	-	-
Due from Primary Government	-	-	-	182,501
Due from Component Units	14,158	54	14,212	-
Accounts Receivable	28,179	89,319	117,498	678,116
Due from Other Governments	507,127	891	508,018	783,593
Taxes Receivable	775,651	-	775,651	-
Interest and Dividends Receivable	26,657	608	27,265	25,104
Mortgages, Notes, and Loans Receivable	55	-	55	757,933
Securities Lending Collateral	382,571	1,423	383,994	19,771
Inventory	37,249	39,965	77,214	31,384
Restricted Assets	3,251	90	3,341	61,663
Other Assets	11,713	21,440	33,153	192,641
Capital Assets, Net of Accumulated Depreciation	943,172	1,157,197	2,100,369	4,269,023
Capital Assets Not Depreciated	17,649,187	309,947	17,959,134	804,758
TOTAL ASSETS	25,496,080	2,102,812	27,598,892	14,948,222
LIABILITIES				
Warrants Payable	12,610	3,481	16,091	1,044
Investment Purchases Payable	130,766	-	130,766	-
Salaries Payable	133,317	7,388	140,705	23,678
Due to Primary Government	-	-	-	14,212
Due to Component Units	176,253	6,248	182,501	-
Accounts Payable	552,672	74,035	626,707	470,066
Interest Payable	7,521	7,217	14,738	70,468
Tax Refunds Payable	80,838	-	80,838	-
Due to Other Governments	212,255	28,776	241,031	148,404
Securities Lending Obligation	382,571	1,423	383,994	19,771
Unearned Revenue	13,126	67,339	80,465	585,717
Amounts Held in Custody for Others	36,763	12,775	49,538	269,993
Noncurrent Liabilities:				
Due Within One Year	86,789	31,681	118,470	462,644
Due In More Than One Year	1,587,281	650,781	2,238,062	6,649,663
TOTAL LIABILITIES	3,412,762	891,144	4,303,906	8,715,660
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	18,178,877	865,220	19,044,097	2,776,410
Restricted for:				
Permanent - Expendable	-	46,607	46,607	834,509
Permanent - Non-expendable	33,411	5,705	39,116	1,110,707
Forever Wild Stewardship Account	18,675	-	18,675	-
Alabama Trust Capital	2,870,987	-	2,870,987	-
Education	192,482	-	192,482	-
Health	33,301	-	33,301	-
Social Services	143,607	-	143,607	-
Transportation	345,089	-	345,089	-
General Government	121,812	-	121,812	-
Debt Service	5,232	40,158	45,390	627,852
Capital Projects	54,628	-	54,628	-
Other Purposes	629,081	-	629,081	10,648
Unrestricted	(543,864)	253,978	(289,886)	872,436
TOTAL NET ASSETS	\$ 22,083,318	\$ 1,211,668	\$ 23,294,986	\$ 6,232,562

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, 2009

(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	\$ 306,515	\$ 178,549	\$ 14,486	\$ 0
Education and Cultural Resources	6,393,582	15,435	871,423	10,396
Natural Resources and Recreation	119,246	72,004	46,687	-
Health	5,555,654	231,929	4,596,021	-
Social Services	1,978,380	6,416	1,617,207	1,158
Protection of Persons and Property	1,098,489	231,722	257,169	141
Transportation	1,120,721	180,924	26,989	800,775
General Government	981,753	427,003	179,685	11
Debt Service - Interest and Other Charges	51,184	-	-	-
Total Governmental Activities	17,605,524	1,343,982	7,609,667	812,481
Business-type Activities				
Unemployment Compensation	1,005,780	221,086	369,011	-
State Port Authority	127,192	103,422	61	19,364
Alabama College System	832,456	160,839	295,526	30,290
Alcoholic Beverage Control Board	253,312	250,949	143	-
Nonmajor Proprietary Funds	45,492	48,240	2,241	-
Total Business-type Activities	2,264,232	784,536	666,982	49,654
Total Primary Government	19,869,756	2,128,518	8,276,649	862,135
Component Units:				
Public School and College Authority	581,964	-	-	-
Mental Health	863,540	6,768	51,988	-
Housing Finance Authority	70,253	36,299	-	-
Water Pollution Control Authority	28,713	19,577	6,147	-
University of Alabama	3,080,869	1,850,739	730,985	34,848
Auburn University	827,052	388,057	182,180	15,974
University of South Alabama	593,606	383,596	30,338	15,496
Public Education Employees' Health Insurance	776,690	803,846	2	-
State Employees' Health Insurance Board	424,962	392,545	4	-
Nonmajor Component Units	1,122,950	453,551	229,344	11,991
Total Component Units	8,370,599	4,334,978	1,230,988	78,309
General Revenues:				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Tobacco and Cigarette Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Payments from State of Alabama				
Special Items				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets, October 1, 2008, as Restated				
Net Assets, September 30, 2009				

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
\$ (113,480)	\$ 0	\$ (113,480)	\$ 0
(5,496,328)	-	(5,496,328)	-
(555)	-	(555)	-
(727,704)	-	(727,704)	-
(353,599)	-	(353,599)	-
(609,457)	-	(609,457)	-
(112,033)	-	(112,033)	-
(375,054)	-	(375,054)	-
(51,184)	-	(51,184)	-
(7,839,394)	0	(7,839,394)	0
-	(415,683)	(415,683)	-
-	(4,345)	(4,345)	-
-	(345,801)	(345,801)	-
-	(2,220)	(2,220)	-
-	4,989	4,989	-
0	(763,060)	(763,060)	0
(7,839,394)	(763,060)	(8,602,454)	0
-	-	-	(581,964)
-	-	-	(804,784)
-	-	-	(33,954)
-	-	-	(2,989)
-	-	-	(464,297)
-	-	-	(240,841)
-	-	-	(164,176)
-	-	-	27,158
-	-	-	(32,413)
-	-	-	(428,064)
0	0	0	(2,726,324)
2,079,718	-	2,079,718	-
3,108,459	-	3,108,459	-
542,887	-	542,887	-
697,141	-	697,141	-
267,726	-	267,726	-
320,335	-	320,335	-
155,592	9,930	165,522	-
140,016	-	140,016	-
785	-	785	9,219
245,601	16,241	261,842	108,990
711,644	12,399	724,043	37,396
-	71	71	27,780
-	-	-	2,292,282
-	-	-	1,737
(357,623)	357,623	-	-
7,912,281	396,264	8,308,545	2,477,404
72,887	(366,796)	(293,909)	(248,920)
22,010,431	1,578,464	23,588,895	6,481,482
\$ 22,083,318	\$ 1,211,668	\$ 23,294,986	\$ 6,232,562

STATE OF ALABAMA

BALANCE SHEET Governmental Funds

September 30, 2009

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 203,808	\$ 151,192	\$ 66,515	\$ 52,190	\$ 317,964
Investment Sales Receivable	-	-	42,798	-	-
Investments	-	-	2,506,121	-	50,594
Due from Other Funds	10,432	2,531	437,391	8,209	432
Due from Component Units	5	2	-	8,356	3
Accounts Receivable	432	220	14,459	1,425	4,226
Due from Other Governments	11	2	-	211,464	175,521
Taxes Receivable	209,015	200,565	-	-	24,645
Interest and Dividends Receivable	37	-	22,973	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	15,327	11,483	259,462	3,904	21,006
Inventory	3,247	-	-	-	23,337
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 442,314	\$ 365,995	\$ 3,349,719	\$ 285,548	\$ 617,728
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,521	\$ 1,614	\$ 0	\$ 11	\$ 1,582
Investment Purchases Payable	-	-	129,994	-	-
Salaries Payable	54,257	8,166	-	2,084	22,461
Due to Other Funds	9,756	445,639	-	28,418	3,515
Due to Component Units	40	32	-	36,935	16
Accounts Payable	22,806	33,974	3,289	218,027	122,896
Tax Refunds Payable	-	80,838	-	-	-
Due to Other Governments	4,083	5,698	-	4,519	11,942
Securities Lending Obligation	15,327	11,483	259,462	3,904	21,006
Deferred Revenue	111,442	-	5,558	-	2,231
Amounts Held in Custody for Others	300	1	-	-	13,396
Compensated Absences	640	91	-	5	231
Total Liabilities	220,172	587,536	398,303	293,903	199,276
Fund Balances					
Reserved for:					
Encumbrances	2,272	3,377	113	4,667	64,858
Inventory	3,247	-	-	-	23,337
Highway Equipment Replacement	-	-	-	-	40,753
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Forever Wild Stewardship Account	-	-	18,675	-	-
Alabama Trust Capital	-	-	2,870,987	-	-
Local Government	-	-	12,328	-	-
Capital Improvement Trust	-	-	49,313	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	216,623	-	-	-	-
Special Revenue Funds	-	(224,918)	-	(13,022)	289,504
Permanent Funds	-	-	-	-	-
Total Fund Balances	222,142	(221,541)	2,951,416	(8,355)	418,452
TOTAL LIABILITIES AND FUND BALANCES	\$ 442,314	\$ 365,995	\$ 3,349,719	\$ 285,548	\$ 617,728

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 102,404	\$ 998,010	\$ 1,892,083
-	240	43,038
-	426,888	2,983,603
16,719	53,866	529,580
545	3,448	12,359
-	5,887	26,649
1,122	119,007	507,127
49,378	292,048	775,651
-	3,410	26,420
-	55	55
6,952	62,072	380,206
-	1,238	27,822
-	3,251	3,251
\$ 177,120	\$ 1,969,420	\$ 7,207,844

\$ 832	\$ 6,924	\$ 12,484
-	772	130,766
-	43,644	130,612
5,605	40,212	533,145
255	132,739	170,017
37,212	108,368	546,572
-	-	80,838
1,793	184,020	212,055
6,952	62,072	380,206
37,344	123,846	280,421
2,949	20,117	36,763
306	423	1,696
93,248	723,137	2,515,575

4,227	28,171	107,685
-	1,238	27,822
-	-	40,753
-	7,876	7,876
-	33	33
-	-	18,675
-	-	2,870,987
-	-	12,328
-	-	49,313
-	33,410	33,410
-	83,481	83,481
-	768	768
-	-	216,623
79,645	1,061,105	1,192,314
-	30,201	30,201
83,872	1,246,283	4,692,269
\$ 177,120	\$ 1,969,420	\$ 7,207,844

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

September 30, 2009

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$4,692,269

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

Land	241,812	
Historical Exhibits	2,657	
Construction in progress	106,394	
Construction in progress - Infrastructure	4,916,622	
Infrastructure	12,354,313	
Buildings	1,092,504	
Equipment	565,763	
Accumulated Depreciation - Buildings	(441,153)	
Accumulated Depreciation - Equipment	(319,703)	
		18,519,209

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.

267,295

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.

142,456

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	(43,549)	
Compensated Absences	(284,935)	
Claims and Judgments	(21,547)	
Due to Component Units	(6,199)	
Other Post-Employment Benefits	(268,206)	
		(624,436)

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	(672,555)	
Revenue Bonds Payable	(218,215)	
Unamortized Premiums	(17,658)	
Unamortized Discounts	451	
Unamortized Loss	1,342	
Deferred Debt Financing Costs	681	
Accrued Interest Payable	(7,521)	
		(913,475)

Net Assets of Governmental Activities \$22,083,318

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, 2009

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,071,591	\$ 5,268,611	\$ 0	\$ 0	\$ 344,870
Licenses, Permits, and Fees	155,910	103	-	-	138,959
Fines, Forfeits, and Court Settlements	76,837	-	4	29,694	-
Investment Income	35,560	-	169,551	77	3,117
Federal Grants and Reimbursements	875	144	-	3,562,633	781,977
Other Revenues	42,962	786	164,794	640,402	30,746
Total Revenues	1,383,735	5,269,644	334,349	4,232,806	1,299,669
EXPENDITURES					
Current:					
Economic Development and Regulation	10,233	-	-	-	-
Education and Cultural Resources	11,121	5,111,257	-	-	-
Natural Resources and Recreation	5,599	-	318	-	-
Health	546,062	42,979	-	3,979,177	-
Social Services	12,422	28,253	-	-	-
Protection of Persons and Property	562,999	50,517	-	-	-
Transportation	-	-	-	-	1,341,327
General Government	326,361	17,197	6,697	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	896	75	-	-	430
Debt Service - Interest and Other Charges	155	67	-	-	38
Total Expenditures	1,475,848	5,250,345	7,015	3,979,177	1,341,795
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(92,113)	19,299	327,334	253,629	(42,126)
OTHER FINANCING SOURCES (USES)					
Transfers In	147,020	621	903	114,272	1,540
Transfers Out	(213,946)	(428,310)	(359,659)	(297,976)	(56,822)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	12	-	-	-	1,476
Total Other Financing Sources (Uses)	(66,914)	(427,689)	(358,756)	(183,704)	(53,806)
Net Change in Fund Balances	(159,027)	(408,390)	(31,422)	69,925	(95,932)
Fund Balances, October 1, 2008, as Restated	381,694	186,849	2,982,838	(78,280)	520,046
Increase (Decrease) in Inventory	(525)	-	-	-	(5,662)
Fund Balances, September 30, 2009	\$ 222,142	\$ (221,541)	\$ 2,951,416	\$ (8,355)	\$ 418,452

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 158,576	\$ 1,167,120	\$ 8,010,768
498	361,822	657,292
-	148,204	254,739
3	35,169	243,477
1,325,935	1,934,769	7,606,333
44,647	319,600	1,243,937
1,529,659	3,966,684	18,016,546
-	216,321	226,554
-	1,265,979	6,388,357
-	158,765	164,682
-	967,266	5,535,484
1,594,780	334,166	1,969,621
-	471,977	1,085,493
-	236,061	1,577,388
535	608,621	959,411
-	92,995	92,995
2,242	52,745	56,388
1,021	46,374	47,655
1,598,578	4,451,270	18,104,028
(68,919)	(484,586)	(87,482)
186,508	940,593	1,391,457
(72,150)	(329,085)	(1,757,948)
2,458	7,046	9,504
3	904	2,395
116,819	619,458	(354,592)
47,900	134,872	(442,074)
35,972	1,111,214	5,140,333
-	197	(5,990)
\$ 83,872	\$ 1,246,283	\$ 4,692,269

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, 2009

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds (\$442,074)

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	642,712	
Depreciation Expense	<u>(73,831)</u>	568,881

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. (13,403)

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. (9,502)

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. (5,990)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 10,361

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. (8,560)

Capital asset reassignments for the general government have not been reported in fund financial statements.

Capital asset transfers to the general government	6	
Capital asset transfers from the general government	<u>(6)</u>	0

Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.

Repayment of bond principal	50,730	
Repayment of other debt principal	166	
Accrued interest	<u>905</u>	51,801

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	5,657	
Compensated absences payments	1,183	
Other post-employment benefit payments	(92,442)	
Claims and judgments	7,051	
Other debt payments	<u>(76)</u>	(78,627)

Change in Net Assets of Governmental Activities \$72,887

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



STATE OF ALABAMA

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2009

(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	\$ 8,182	\$ 6,841	\$ 247,689	\$ 17,487	\$ 15,341
Investments, Short-term	-	14,382	135,836	-	-
Due from Other Funds	45	221	-	9	8
Due from Component Units	-	-	-	54	-
Accounts Receivable	2,601	12,743	73,380	539	56
Due from Other Governments	6	885	-	-	-
Interest and Dividends Receivable	608	-	-	-	-
Inventory	-	5,511	7,906	25,741	807
Securities Lending Collateral	6	-	-	1,320	97
Other Current Assets	-	3,508	-	-	300
Total Current Assets	11,448	44,091	464,811	45,150	16,609
Noncurrent Assets					
Investments, Long-term	-	33,538	19,144	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	6,254	11,378	-	-
Restricted Assets	-	-	-	90	-
Capital Assets, Net of Accumulated Depreciation	-	467,362	680,748	6,177	2,910
Capital Assets Not Depreciated	-	181,866	125,451	-	2,630
Total Noncurrent Assets	0	689,020	836,721	6,267	5,540
TOTAL ASSETS	11,448	733,111	1,301,532	51,417	22,149
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	3,481	-
Salaries Payable	-	3,465	-	3,886	37
Due to Other Funds	55	-	-	16,148	644
Due to Component Units	-	-	-	6,127	121
Accounts Payable	5,040	16,414	35,782	16,703	94
Interest Payable	-	7,217	-	-	-
Due to Other Governments	28,537	-	-	236	3
Claims Payable	-	692	-	-	3,503
Unearned Revenue	-	-	66,310	51	388
Funds Held in Escrow	75	-	12,696	4	-
Compensated Absences	-	-	2,166	16	-
Securities Lending Obligation	6	-	-	1,320	97
Notes and Capital Leases Payable	-	-	3,184	-	-
Revenue Bonds Payable	-	7,165	14,955	-	-
Total Current Liabilities	33,713	34,953	135,093	47,972	4,887
Long-term Liabilities					
Claims Payable	-	1,641	-	-	-
Unearned Revenue, Noncurrent	-	590	-	-	-
Compensated Absences	-	-	18,074	6,684	20
Other Post-employment Benefits	-	5,544	-	7,224	112
Notes and Capital Leases Payable	-	-	9,195	-	1,896
Revenue Bonds Payable	-	348,185	249,055	-	-
Other Long-term Liabilities	-	3,059	92	-	-
Total Long-term Liabilities	0	359,019	276,416	13,908	2,028
TOTAL LIABILITIES	33,713	393,972	411,509	61,880	6,915
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	299,041	556,358	6,177	3,644
Restricted for:					
Permanent - Expendable	-	-	46,607	-	-
Permanent - Non-expendable	-	-	5,705	-	-
Debt Service	-	40,158	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	(22,265)	(60)	281,353	(16,640)	11,590
TOTAL NET ASSETS	\$ (22,265)	\$ 339,139	\$ 890,023	\$ (10,463)	\$ 15,234

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 295,540	\$ 77,910
150,218	42,022
283	12,153
54	474
89,319	1,474
891	-
608	237
39,965	9,427
1,423	2,365
3,808	10,333
582,109	156,395
52,682	61,892
-	9,475
-	1,325
17,632	699
90	-
1,157,197	45,762
309,947	27,388
1,537,548	146,541
2,119,657	302,936
3,481	126
7,388	2,705
16,847	1,490
6,248	37
74,033	6,056
7,217	-
28,776	200
4,195	11,744
66,749	-
12,775	-
2,182	-
1,423	2,365
3,184	-
22,120	7,085
256,618	31,808
1,641	47,665
590	-
24,778	4,854
12,880	3,825
11,091	-
597,240	72,328
3,151	-
651,371	128,672
907,989	160,480
865,220	897
46,607	-
5,705	-
40,158	-
-	25,476
253,978	116,083
\$ 1,211,668	\$ 142,456

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(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	\$ 103,422	\$ 160,839	\$ 245,835	\$ 31,624
Premiums and Contributions	211,134	-	-	-	15,717
Rents and Leases	-	-	-	-	644
Total Operating Revenues	211,134	103,422	160,839	245,835	47,985
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	486,500	48,170	618
Utilities and Communications	-	-	27,596	2,937	244
Professional Services	-	-	-	3,769	371
Supplies, Materials, and Operating Expenses	-	1,993	169,329	183,737	22,055
Interest	-	-	11,527	-	-
Depreciation	-	26,629	32,161	3,319	334
Claims and Benefits	1,002,388	-	-	-	21,745
Operations and Maintenance	-	64,225	-	-	-
General and Administrative	-	16,429	-	-	-
Other	-	-	99,765	11,380	32
Total Operating Expenses	1,002,388	109,276	826,878	253,312	45,399
Operating Income (Loss)	(791,254)	(5,854)	(666,039)	(7,477)	2,586
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	9,930	3,829
Grants	369,011	61	295,526	143	2,241
Investment Income	9,643	1,752	4,797	-	49
Other Nonoperating Revenues	9,952	1,224	7,300	5,153	260
Interest Expense	-	(12,812)	-	-	(93)
Other Nonoperating Expenses	(3,392)	(5,104)	(5,578)	-	-
Total Nonoperating Revenues (Expenses)	385,214	(14,879)	302,045	15,226	6,286
Income (Loss) Before Contributions and Transfers	(406,040)	(20,733)	(363,994)	7,749	8,872
Capital Contributions	-	19,364	30,290	-	-
Contributions to Endowments	-	-	71	-	-
Transfers In	3,604	1,991	386,926	257	-
Transfers Out	(10,937)	(50)	-	(14,270)	(9,897)
Increase (Decrease) in Net Assets	(413,373)	572	53,293	(6,264)	(1,025)
Total Net Assets, October 1, 2008, as Restated	391,108	338,567	836,730	(4,199)	16,259
Total Net Assets, September 30, 2009	\$ (22,265)	\$ 339,139	\$ 890,023	\$ (10,463)	\$ 15,234

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 541,720	\$ 71,669
226,851	53,834
644	17,496
769,215	142,999
535,288	33,760
30,777	23,924
4,140	16,931
377,114	45,189
11,527	4,355
62,443	5,715
1,024,133	22,402
64,225	-
16,429	-
111,177	12,276
2,237,253	164,552
(1,468,038)	(21,553)
13,759	-
666,982	37
16,241	2,901
23,889	1,304
(12,905)	(5)
(14,074)	(625)
693,892	3,612
(774,146)	(17,941)
49,654	-
71	-
392,778	10,138
(35,154)	(757)
(366,797)	(8,560)
1,578,465	151,016
\$ 1,211,668	\$ 142,456

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2009

(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	\$ 215,879	\$ 99,583	\$ 130,763	\$ 249,440	\$ 51,769
Receipts from Interfund Services	-	-	-	20	-
Receipts from Operating Grants	388,626	8,806	139,055	-	-
Receipts from Interfund Reimbursements	8,417	-	-	-	-
Receipts from Other Operating Activities	9,952	-	31,198	14,569	188
Payments for Goods Held for Resale	-	-	-	(179,934)	(22,135)
Payments for Other Goods & Services	-	(53,020)	(185,652)	(19,636)	(22,507)
Payments for Employees Services	-	(33,816)	(486,501)	(45,384)	(614)
Payments for Taxes, Fines, Penalties, & Similar Fees	(6,566)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,834)	(13)
Payments for Other Operating Activities	-	-	(99,858)	(2,145)	(1)
Payments for Claims	(1,010,067)	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(393,759)	21,553	(470,995)	15,096	6,687
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	10,781	-	149,127	-	2,189
Transfers from Other Funds for Noncapital Financing	-	-	386,926	257	-
Payments for Noncapital Financing Grants & Donations	(4,559)	-	-	-	-
Transfers to Other Funds for Noncapital Financing	(9,610)	-	-	(14,062)	(9,315)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	(3,388)	0	536,053	(13,805)	(7,126)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	14,198	13,595	-	-
Receipts from Capital Grants & Contributions	-	26,843	31,476	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	3,946	162	34	148
Payments to Acquire, Construct, & Improve Capital Assets	-	(97,134)	(87,663)	(1,581)	(139)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(6,830)	(17,260)	-	(69)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(15,048)	(10,718)	-	(93)
Bond Issuance Cost	-	-	(82)	-	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	(74,025)	(70,490)	(1,547)	(153)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	39,839	52,837	-	-
Receipts from Interest & Dividends on Investments & Loans	14,019	1,752	4,894	-	49
Purchase of Investments	-	(1,030)	(59,934)	-	-
Net Cash Provided By (Used In) Investing Activities	14,019	40,561	(2,203)	0	49
Net Increase (Decrease) In Cash and Cash Equivalents	(383,128)	(11,911)	(7,635)	(256)	(543)
Cash Balance as Restated, October 1, 2008	391,310	18,752	255,324	14,262	15,884
Cash Balance, September 30, 2009	8,182	6,841	247,689	14,006	15,341
Add: Warrants Payable	-	-	-	3,481	-
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 8,182	\$ 6,841	\$ 247,689	\$ 17,487	\$ 15,341

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 747,434	\$ 53,980
20	110,657
536,487	-
8,417	-
55,907	4,673
(202,069)	(12,548)
(280,815)	(72,949)
(566,315)	(32,187)
(6,566)	(113)
(1,847)	(5,156)
(102,004)	(9,503)
(1,010,067)	(22,132)
(821,418)	14,722
162,097	-
387,183	47,084
(4,559)	-
(32,987)	(717)
511,734	46,367
27,793	-
58,319	-
4,290	605
(186,517)	(7,882)
(24,159)	(6,750)
(25,859)	(4,283)
(82)	-
(146,215)	(18,310)
92,676	131,332
20,714	4,110
(60,964)	(162,488)
52,426	(27,046)
(403,473)	15,733
695,532	62,051
292,059	77,784
3,481	126
\$ 295,540	\$ 77,910

Continued on next page...

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(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)	\$ (791,254)	\$ (5,854)	\$ (666,039)	\$ (7,477)	\$ 2,586
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	-	-	-	-	(8)
Accounts Receivable	1,446	8,463	(2,440)	(32)	(11)
Inventory	-	(355)	1,031	(928)	37
Other Assets	-	(1,409)	(319)	-	-
Capital Assets	-	-	-	-	-
Salaries Payable	-	-	-	67	(6)
Due to Other Funds	-	-	-	(2,412)	(106)
Due to Component Units	-	-	-	940	-
Accounts Payable	24,232	(4,365)	2,833	5,694	(144)
Due to Other Governments	-	-	-	(1,152)	-
Claims Payable	-	-	-	-	(5)
Unearned Revenue	-	-	6,341	-	(25)
Funds Held in Escrow	-	-	401	4	-
Compensated Absences	-	-	-	176	(7)
Other Post-employment Benefits	-	-	-	2,489	20
Other Liabilities	-	(5,694)	441	-	3
Operating Interest Expense	-	-	-	-	-
Depreciation	-	26,629	32,161	3,319	334
Amortization Expense	-	251	-	-	-
Nonoperating Revenues	371,817	-	142,747	14,617	4,019
Nonoperating Expenses	-	3,887	11,848	(209)	-
Total Adjustments	397,495	27,407	195,044	22,573	4,101
Net Cash Provided (Used) by Operating Activities	\$ (393,759)	\$ 21,553	\$ (470,995)	\$ 15,096	\$ 6,687

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers and Donations of Capital Assets	-	-	-	372	2,780
Capital Assets Acquired by Capital Lease or Other Debt	-	-	1,083	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(9,285)	(5,985)	(1,092)	(2,574)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	(4,376)	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	-	(237)	-	-
Transfers In (Out)	-	-	-	209	-

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

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ (1,468,038)	\$ (21,553)
(8)	1,754
7,426	10,904
(215)	5,123
(1,728)	(645)
-	1,341
61	72
(2,518)	(137)
940	-
28,250	(1,283)
(1,152)	-
(5)	6,930
6,316	(2)
405	(1)
169	167
2,509	1,297
(5,250)	-
-	4,355
62,443	5,715
251	-
533,200	705
15,526	(20)
646,620	36,275
<u><u>\$ (821,418)</u></u>	<u><u>\$ 14,722</u></u>

3,152	20,390
1,083	-
(18,936)	(21,831)
-	37
(4,376)	401
(237)	(404)
209	36,985

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds

September 30, 2009

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 50,868	\$ 2,769	\$ 213,127
Investment Sales Receivable	25,188	4,961	-
Investments			
Time Deposits	-	132	3,160
U.S. Treasury Securities	912,040	17,992	37,299
U.S. Agency Securities	743,650	8,040	-
State and Local Government Securities	-	563	5,655
Mortgage Backed Securities	624,095	79,448	7,813
Corporate Stocks	10,950,714	259,690	-
Corporate Bonds	5,678,730	41,918	2,610
Real Estate	2,090,403	840	-
Commercial Paper	769,364	-	-
International Stocks	3,540,429	102,439	-
International Bonds	-	51	-
Mutual and Money Market Funds	375,857	657,229	206
Receivables			
Due from Other Funds	-	32	46
Employer Contributions Receivable	91,230	-	-
Member Contributions Receivable	40,140	-	-
Accounts Receivable	21,823	965	28
Interest and Dividends Receivable	101,732	2,009	-
Securities Lending Collateral	3,857,189	80,178	4,911
Other Assets	6,540	-	-
Capital Assets, Net of Accumulated Depreciation	156,800	-	-
Capital Assets Not Depreciated	7,620	-	-
TOTAL ASSETS	30,044,412	1,259,256	274,855
LIABILITIES			
Warrants Payable	\$ 35,309	\$ 510	\$ 36,889
Investment Purchases Payable	25,381	6,943	-
Salaries Payable	2,021	26	-
Due to Other Funds	2	85	-
Accounts Payable	5,997	36,407	692
Due to Other Governments	-	70	3,592
Claims Payable	39,904	-	-
Securities Lending Obligation	3,857,189	80,178	4,911
Deferred Revenue	2,107	-	-
Amounts Held in Custody for Others	-	-	228,771
Compensated Absences	4,675	32	-
Other Post-employment Benefits	2,440	39	-
TOTAL LIABILITIES	3,975,025	124,290	274,855
NET ASSETS			
Held in Trust for Beneficiaries	-	1,134,966	-
Held in Trust for Pension and Other Employee Benefits	26,069,387	-	-
TOTAL NET ASSETS	\$ 26,069,387	\$ 1,134,966	\$ 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, 2009

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 742,775	\$ 212,115
Employer	1,623,354	-
Medicare Part D Retiree Drug Subsidy	27,915	-
Total Contributions	2,394,044	212,115
Investment Earnings		
Investment Interest and Dividends	953,166	32,291
Net Increase (Decrease) in Fair Value of Investments	(3,198,586)	(9,903)
Securities Lending Income	55,431	834
Total Investment Earnings	(2,189,989)	23,222
Less:		
Investment Expense	8,121	-
Securities Lending Interest and Fees	18,564	370
Net Investment Income	(2,216,674)	22,852
Other Additions		
Licenses and Fees	3,356	-
Miscellaneous	5,148	815
Total Other Additions	8,504	815
Total Additions	185,874	235,782
DEDUCTIONS		
Benefit Payments and Refunds	2,866,307	279,997
Administrative Expense	35,958	7,567
Transfers Out	1	513
Total Deductions	2,902,266	288,077
Changes in Net Assets	(2,716,392)	(52,295)
Net Assets Held in Trust		
for Beneficiaries, October 1, 2008, as Restated	28,785,779	1,187,261
Net Assets Held in Trust		
for Beneficiaries, September 30, 2009	\$ 26,069,387	\$ 1,134,966

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS
Component Units

September 30, 2009

(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	\$ 628,246	\$ 80,378	\$ 1,640	\$ 84,817	\$ 293,432
Investments	-	1	814,031	107,960	2,193,729
Due from Primary Government	3,279	172,406	-	6,199	-
Accounts Receivable	-	17	-	265	363,324
Due from Other Governments	-	4,295	-	536,171	-
Interest and Dividends Receivable	-	-	12,869	2,562	395
Mortgages, Notes, and Loans Receivable	-	-	489,996	-	110,811
Securities Lending Collateral	1,004	5,112	-	759	-
Inventory	-	2,201	-	-	17,058
Restricted Assets	-	-	-	-	-
Other Assets	-	292	25,343	20,778	78,299
Capital Assets, Net of Accumulated Depreciation	11,157	49,021	-	34	2,283,068
Capital Assets Not Depreciated	-	1,590	-	-	349,681
TOTAL ASSETS	643,686	315,313	1,343,879	759,545	5,689,797
LIABILITIES					
Warrants Payable	9	995	-	-	-
Salaries Payable	-	13,590	-	-	-
Due to Primary Government	-	9,339	-	498	-
Accounts Payable	40,417	56,350	1,869	7	217,470
Interest Payable	32,796	90	19,881	2,189	-
Due to Other Governments	-	4,742	-	89,148	26,234
Securities Lending Obligation	1,004	5,112	-	759	-
Unearned Revenue	3,586	-	14,521	465	242,845
Amounts Held in Custody for Others	-	1	216,308	100	18,640
Noncurrent Liabilities:					
Due Within One Year	123,660	1,381	56,026	31,235	35,653
Due In More Than One Year	2,178,199	48,866	769,391	334,365	1,300,527
TOTAL LIABILITIES	2,379,671	140,466	1,077,996	458,766	1,841,369
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	11,157	42,227	-	34	1,420,135
Restricted for:					
Permanent - Expendable	-	-	-	-	534,260
Permanent - Non-expendable	-	-	-	-	546,403
Debt Service	-	-	181,523	300,745	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,747,142)	132,620	84,360	-	1,347,630
TOTAL NET ASSETS	\$ (1,735,985)	\$ 174,847	\$ 265,883	\$ 300,779	\$ 3,848,428

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
\$ 58,317	\$ 83,855	\$ 4,126	\$ 9,985	\$ 654,728	\$ 1,899,524
1,111,650	462,996	105,607	181,233	265,004	5,242,211
-	-	-	305	312	182,501
37,949	64,256	7,804	924	203,577	678,116
-	-	-	-	243,127	783,593
4,531	-	17	650	4,080	25,104
50,154	5,364	-	-	101,608	757,933
-	-	313	9,184	3,399	19,771
3,595	-	-	-	8,530	31,384
-	56,615	-	-	5,048	61,663
5,222	17,155	6,596	42	38,914	192,641
907,861	352,434	-	845	664,603	4,269,023
141,256	90,046	-	-	222,185	804,758
2,320,535	1,132,721	124,463	203,168	2,415,115	14,948,222
-	-	27	4	9	1,044
5,078	-	172	398	4,440	23,678
-	-	943	471	2,961	14,212
50,394	30,424	25	11,202	61,908	470,066
9,007	-	-	-	6,505	70,468
-	-	-	-	28,280	148,404
-	-	313	9,184	3,399	19,771
125,913	29,583	-	40,292	128,512	585,717
20,664	-	-	-	14,280	269,993
37,252	13,491	77,604	48,982	37,360	462,644
582,035	405,948	675	1,131	1,028,526	6,649,663
830,343	479,446	79,759	111,664	1,316,180	8,715,660
556,885	187,736	-	845	557,391	2,776,410
137,486	54,980	-	-	107,783	834,509
259,487	197,445	-	-	107,372	1,110,707
-	-	-	-	145,584	627,852
-	-	-	-	10,648	10,648
536,334	213,114	44,704	90,659	170,157	872,436
\$ 1,490,192	\$ 653,275	\$ 44,704	\$ 91,504	\$ 1,098,935	\$ 6,232,562

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 581,964	\$ 863,540	\$ 70,253	\$ 28,713	\$ 3,080,869
Program Revenues					
Charges for Services	-	6,768	36,299	19,577	1,850,739
Operating Grants and Contributions	-	51,988	-	6,147	730,985
Capital Grants and Contributions	-	-	-	-	34,848
Total Program Revenues	0	58,756	36,299	25,724	2,616,572
Net (Expense) Revenue	(581,964)	(804,784)	(33,954)	(2,989)	(464,297)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	9,219	-	-	-
Investment Earnings	6,923	81	62,437	7,235	4,709
Miscellaneous	499	683	-	3,645	7,638
Contributions to Permanent Funds and Endowments	-	-	-	-	22,074
Payments from State of Alabama	217,630	774,647	-	911	487,381
Special Items	-	-	-	-	1,737
Total General Revenues, Special Items, and Transfers	225,052	784,630	62,437	11,791	523,539
Change in Net Assets	(356,912)	(20,154)	28,483	8,802	59,242
Net Assets, October 1, 2008, as Restated	(1,379,073)	195,001	237,400	291,977	3,789,186
Net Assets, September 30, 2009	\$ (1,735,985)	\$ 174,847	\$ 265,883	\$ 300,779	\$ 3,848,428

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
\$ 827,052	\$ 593,606	\$ 776,690	\$ 424,962	\$ 1,122,950	\$ 8,370,599
388,057	383,596	803,846	392,545	453,551	4,334,978
182,180	30,338	2	4	229,344	1,230,988
15,974	15,496	-	-	11,991	78,309
586,211	429,430	803,848	392,549	694,886	5,644,275
(240,841)	(164,176)	27,158	(32,413)	(428,064)	(2,726,324)
-	-	-	-	-	9,219
36,007	(15,321)	2,033	8,530	(3,644)	108,990
-	20,255	-	285	4,391	37,396
255	5,449	-	-	2	27,780
261,397	108,451	-	-	441,865	2,292,282
-	-	-	-	-	1,737
297,659	118,834	2,033	8,815	442,614	2,477,404
56,818	(45,342)	29,191	(23,598)	14,550	(248,920)
1,433,374	698,617	15,513	115,102	1,084,385	6,481,482
\$ 1,490,192	\$ 653,275	\$ 44,704	\$ 91,504	\$ 1,098,935	\$ 6,232,562

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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

2. Blended Component Units

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

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

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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 †
- Toll Road, Bridge and Tunnel Authority †
- Judicial Building Authority
- Alabama Trade School and Junior College Authority †
- Public Health Care Authority
- Gulf State Park Authority†

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

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

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

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

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

3. Discretely Presented Component Units

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

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

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

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

The Water Pollution Control Authority operates a revolving loan fund to aid municipalities in financing the construction of wastewater treatment facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited

financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

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

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

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

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

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

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

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

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

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

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy University. The University of Alabama board of trustees is not controlled by the State, but the University is subject to budgetary control by the State. The Alabama Shakespeare Festival, Inc., the Crimson Tide Foundation, the Southern Research Institute, UAB Research Foundation, and Triton Health Systems, L.L.C. are blended component units of the University of Alabama, therefore, are included in all amounts reported for the University.

In addition to the blended component units, there are other legally separate, tax exempt organizations that are discretely presented component units of the universities. These organizations generally exist to raise funds to benefit a specific university. Although the university may not control the timing or amount of receipts from these foundations, the majority of resources that the foundations hold and invest are restricted to benefit the activities of the universities by the donors. Because the resources are held for the benefit of the universities, the foundations are considered the discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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

Complete financial statements for the universities which are audited by other auditors may be obtained at the following addresses: Chief Fiscal Officer, University of South Alabama, Business Office AD 380, Mobile, AL 36688-0002; Office of the Vice President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1530 3rd Avenue South, Birmingham, AL 35294-0110; Director of Financial Reporting, Auburn University, 321 Ingram Hall, Auburn University, AL 36849-5161; Comptroller, Station 6061, University of Montevallo, Montevallo, AL 35115-6000; Vice President for Fiscal Affairs, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Fiduciary Component Units

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

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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 201 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

5. Excluded Organizations

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

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

6. Sources of Information

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

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

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

a. Primary Government

- Alabama College Education Savings Trust Fund
- Alabama College System
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama State Port Authority
- Alabama Fire College
- Alabama Technology Network
- Athens State University
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Cahawba Advisory Committee
- Charlotte Thorn Endowment Fund

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- Commercial Mobile Radio Service Board
 - Corrections Bank Accounts and Agency Funds
 - Corrections Canteen Funds
 - 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
 - Insurance Department Receivership
 - Juror Certificate Fund
 - Marion Military Institute
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account
 - Medical Scholarships Awards Account
 - Medical Examiners and Licensure Commission
 - Men's Hall of Fame Outside Account
 - Military Department Unit Funds
 - 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
 - St. Stephens Historical Commission
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan
 - State Port Authority Railway Pension Plan
 - Stonewall Jackson Memorial Fund
 - Student Assistance Initiated Loan Servicing Account
 - Supreme Court Checking Account
 - Supreme Court Law Library Checking Account
 - 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 Agricultural & Mechanical University

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

- 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
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Red Mountain Greenway and Recreational Area Commission
- Space Science Exhibit Commission and
Space Science Exhibit Finance Authority
- Troy University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama System Office
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

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

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

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

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

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

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

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

2. Fund Financial Statements

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

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

1. Measurement Focus and Basis of Accounting

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

a. Accrual Basis

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

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

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

b. Modified Accrual Basis

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

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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, the Alabama Fire College, and Marion Military Institute. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement.

b. Nonmajor Funds

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. Fiscal Year

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2009 ended on September 27. The difference in fiscal years had no material effect on the financial statements.

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

1. Cash and Cash Equivalents

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

2. Receivables

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

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

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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 most significant Accounts Receivable is recorded in the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore waters. The primary government has minimal amounts of Notes and Loans Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable. Investment Sales Receivable consists of amounts receivable for investments sold but the transaction was not settled before year-end.

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

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

3. Interfund Activity and Balances

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

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

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

4. Inventories

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

5. Investments

Investments as reported on the Statement of Net Assets include long-term investments. As required by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", most investments are recorded

at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the current interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. No investments are recorded at amortized cost.

6. Restricted Assets

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

7. Capital Assets

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

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

Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (e.g., roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (ALDOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The ALDOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. ALDOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The cost of infrastructure reported includes historical costs from 1980 to the present as required by GASB Statement No. 34 as well as historical costs preceding 1980.

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

8. Compensated Absences

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

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

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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 reported are for unused, matured leave amounts payable to employees who had terminated their employment by September 30. These amounts were determined from actual termination or retirement payments made during the first month after the end of the fiscal year. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

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

	<u>Vested</u>	<u>Non-vested</u>
Public Education Employees	.84	.46
State Employees	.77	.34

9. Long-Term Obligations

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

10. Net Assets and Fund Balances

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

F. Proprietary Fund Operating Revenues and Expenses

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating items generally result from producing and delivering goods and services that are a normal part of the primary business of the fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. New Accounting Pronouncements

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

- GASB Statement No. 49: Accounting and Financial Reporting for Pollution Remediation Obligations
- GASB Statement No. 52: Land and Other Real Estate Held as Investments by Endowments
- GASB Statement No. 55: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- GASB Statement No. 56: Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports \$4.5 billion of restricted net assets for the primary government, of which \$314 million is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Assets as of October 1, 2008 have been restated for certain accounting changes necessary to conform to GAAP. No major primary government funds were restated, nor were any fiduciary funds restated. However, Corrections Farms, a Nonmajor Enterprise Fund, was restated by \$337,000 from \$763,000 to \$1,100,000 because capital assets were understated.

On the government-wide financial statements, beginning net assets for governmental activities were restated up from \$21,977,644,000 to \$22,010,431,000, a difference of \$32,787,000. Included in this restatement was \$2,142,000 in governmental long-term debt restatements for capital leases which were overstated in the previous year. The remaining \$30,645,000 was for a number of governmental capital assets restatements, the largest of which was \$26,400,000 for construction in progress not previously reported.

Nonmajor Component Units were restated up from \$1,081,538,000 to \$1,084,385,000, a difference of \$2,847,000. This amount was largely made up of two nonmajor component units. The University of West Alabama was restated by \$1,372,000 primarily to write up accounts receivable. Alabama Agricultural and Mechanical University was restated by \$1,448,000, most of which was for capital assets which were previously underreported.

C. Fund Balance/Net Assets Deficits

1. Primary Government

The Education Trust Fund, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$224,918,000, and a total deficit in fund balance of \$221,541,000. Tax shortfalls caused the fund to undergo 11 percent proration in 2009, and the fund used the provisions of Amendment 803 of the *Constitution of Alabama of 1901* to borrow \$437.4 million from the Alabama Trust Fund in order to avoid even deeper proration cuts.

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$13,022,000, and a total deficit in fund balance of \$8,355,000. This was caused by the accrual of claims outstanding on September 30, 2009. The expense was recognized in fiscal year 2009 along with a receivable for the federal share of the claim. The State matching money will not be available until fiscal year 2010 when the claims will be paid.

The Unemployment Compensation Trust, a major proprietary fund, had a deficit in unrestricted net assets of \$22,265,000. The deficit is largely due to a \$27,000,000 advance from the Federal Government which is included in "Due to Other Governments."

The State Port Authority, a major proprietary fund, had a deficit in unrestricted net assets of \$60,000, but overall positive net assets of \$339,139,000.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$16,640,000, with a total net asset deficit of \$10,463,000. The deficits are largely due to the accrual of liabilities for compensated absences, salaries payable, other post-employment benefits, and profits currently due to other funds. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Building Renovation Finance Authority, an internal service fund, had a deficit balance of \$7,726,000 in net assets invested in capital assets, net of related debt and a deficit in unrestricted net assets of \$16,128,000. 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 fund had overall positive net assets of \$1,622,000.

STATE OF ALABAMA

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For the Fiscal Year Ended September 30, 2009

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net assets of \$167,000 from the accrual of other post-employment benefits and salaries payable.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,747,142,000 causing a deficit in total net assets of \$1,735,985,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues pledged by the primary government.

Alabama Agricultural & Mechanical University, a nonmajor component unit, has a deficit of \$6,322,000 in unrestricted net assets, but overall net assets are a positive \$77,790,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$7,595,000 and a positive overall net assets of \$34,385,000. Nearly all of the Commission's assets are either restricted or capital assets.

The Incentives Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$112,837,000 with an overall deficit in total net assets of \$103,890,000. The Authority issues bonds to raise money to fund commitments for economic development grants to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues pledged by the primary government.

The Historic Ironworks Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$654,000, with positive total net assets of \$2,850,000.

The Marine Environmental Sciences Consortium, a nonmajor component unit, had a small deficit in unrestricted net assets of \$81,000 but positive total net assets of \$11,471,000.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$8,905,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues pledged by the primary government.

NOTE 3 - ASSETS

A. Cash Deposits

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

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires State treasury cash 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. Also, all other public funds not managed by the State Treasurer are required to be deposited in a qualified public depository or placed through a qualified public depository which arranges for the funds to be deposited in federally insured banks or savings associations so that the funds and accrued interest earned on them are fully insured by the

Federal Deposit Insurance Corporation and, at the same time, the qualified public depository receives or is credited with deposits from other banks or savings associations in an amount equal to or greater than the amount it arranged to be deposited in other banks and savings associations.

B. Investments

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

1. Primary Government

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

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

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

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

2. Fiduciary Funds

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

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

3. Component Units

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

Alabama Housing Finance Authority - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established

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For the Fiscal Year Ended September 30, 2009

under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

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

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

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

The State's investments at September 30, 2009, are as follows:

Investment Types and Fair Value
September 30, 2009
(Amounts in Thousands)

Investment Types	Governmental and Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 7,863	\$ 321	\$ 19,675
Other U S Government Guaranteed Securities	515,535	982,636	457,034
U S Agency Securities	477,323	762,181	676,974
State and Local Government Securities	7,013	5,655	2,741
Mortgage Backed Securities	825,031	714,228	868,960
Commercial Paper	1,253	769,363	194,738
Corporate Bonds	606,101	2,637,550	209,484
Private Placements	2,827	3,085,731	34,705
Repurchase Agreements	145,724	1,242	142,061
International Bonds	-	51	94,601
Bond Mutual Funds	14,647	546,496	1,216,294
Domestic Equities	550,327	11,210,380	319,435
International Equities	171,233	3,642,869	6,233
Other Mutual Funds	259,678	485,319	1,371,484
Real Estate	7,039	2,091,243	277,694
Guaranteed Investment Contracts	-	-	33,888
	<u>\$ 3,591,594</u>	<u>\$ 26,935,265</u>	<u>\$ 5,926,001</u>

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

Investments Per Investment Note	\$ 3,591,594	\$ 26,935,265	\$ 5,926,001
Certificates of Deposit †	117,268	3,166	39,404
Other Cash Equivalents †	(271,221)	(26,822)	(549,390)
Repurchase Agreements ††	(145,723)	(1,242)	(130,855)
Investments Classified as Restricted Assets	(1,501)	-	-
Foundations and pooled investments §	-	-	(42,949)
Investments per Statements	<u>\$ 3,290,417</u>	<u>\$ 26,910,367</u>	<u>\$ 5,242,211</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.

STATE OF ALABAMA
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For the Fiscal Year Ended September 30, 2009

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, 2009 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		\$ 1,179,109	\$ 956,494	\$ 399,094	\$ 2,276,035
	AAA	38,947	-	78	92,726
Aa1		18,998	-	1,003	8,011
	AA+	2,161	-	-	-
Aa2		44,674	136,708	41,057	1,418
	AA	121	-	18	79,116
Aa3		24,910	69,858	13,685	299
Aa		-	-	818	18,196
	AA-	19	-	-	-
A1		67,623	272,376	67,464	3,388
	A+	456	-	55	-
A2		86,054	316,126	92,596	3,652
	A	2,829	-	2,763	88,050
A3		88,519	300,745	72,125	3,185
	A-	163	-	486	-
A		-	7,677	1,729	69
MIG 1		131	-	-	-
P1		7,669	265,240	112,816	36,170
P2		1,000	487,389	271,983	189,990
Baa1		80,131	437,429	98,457	4,729
	BBB+	1,530	37,032	5,662	-
Baa2		111,613	279,986	80,486	4,687
	BBB	6	-	-	13,934
Baa3		54,077	205,342	46,216	2,224
Baa		-	-	-	27
	BBB-	62	-	29	-
Ba1		9,678	68,379	20,229	142
Ba2		5,943	68,468	5,395	341
	BB	956	-	16	874
Ba3		6,399	30,349	9,756	245
	BB-	624	-	-	-
B1		7,042	-	4,579	403
	B+	636	-	1,375	-
B2		3,261	519	2,102	-
	B	353	-	233	16,582
B3		6,194	16,928	7,070	286
	B-	536	-	525	-
Caa1		9,862	-	2,493	-
Caa2		6,047	865	6,564	-
	CCC	2,488	-	50	15
Caa3		6,800	-	1,862	-
Ca		3,507	-	1,447	-
	CC	-	-	-	119
C		860	-	-	5,094
U S Govt Guaranteed Securities		508,849	766,998	304,030	394,384
Not Rated †		212,480	2,881,674	222,530	690,501
		<u>\$ 2,603,317</u>	<u>\$ 7,606,582</u>	<u>\$ 1,898,876</u>	<u>\$ 3,934,892</u>

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

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

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

2. Interest Rate Risk

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

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

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

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For the Fiscal Year Ended September 30, 2009

As of September 30, 2009 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	\$ -	\$ 6,874	\$ 989	\$ -	\$ 7,863
Other U S Government Guaranteed Securities	85,797	284,802	92,267	52,669	515,535
U S Agency Securities	25,948	217,183	139,390	94,802	477,323
State and Local Government Securities	131	504	516	5,862	7,013
Mortgage Backed Securities	9,639	58,458	79,633	677,301	825,031
Commercial Paper	1,000	-	-	253	1,253
Corporate Bonds	27,669	213,252	234,307	130,873	606,101
Private Placements	-	2,604	-	223	2,827
Repurchase Agreements	145,724	-	-	-	145,724
Bond Mutual Funds	12,208	2,283	118	38	14,647
Total	\$ 308,116	\$ 785,960	\$ 547,220	\$ 962,021	\$ 2,603,317

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	\$ 1,925	\$ 146,692	\$ 490,071	\$ 40,177	\$ 678,865
U S Agency Securities	571	247,286	221,106	96,439	565,402
Mortgage Backed Securities	318	4,895	1,984	477,532	484,729
Commercial Paper	492,381	-	-	-	492,381
Corporate Bonds	160,710	683,312	824,327	429,070	2,097,419
Private Placements	141,765	262,677	117,952	2,505,144	3,027,538
Bond Mutual Funds	260,248	-	-	-	260,248
Total	\$ 1,057,918	\$ 1,344,862	\$ 1,655,440	\$ 3,548,362	\$ 7,606,582

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	\$ 148	\$ 173	\$ -	\$ -	\$ 321
Other U S Government Guaranteed Securities	18,763	88,809	170,412	25,788	303,772
U S Agency Securities	2,849	76,686	82,859	34,386	196,780
State and Local Government Securities	750	3,135	1,215	555	5,655
Mortgage Backed Securities	1,929	10,564	3,418	213,588	229,499
Commercial Paper	276,983	-	-	-	276,983
Corporate Bonds	19,847	197,116	227,871	95,297	540,131
Private Placements	455	17,394	5,662	34,682	58,193
Repurchase Agreements	1,242	-	-	-	1,242
International Bonds	-	-	-	51	51
Bond Mutual Funds	107,817	5,329	6,630	166,473	286,249
Total	\$ 430,783	\$ 399,206	\$ 498,067	\$ 570,820	\$ 1,898,876

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

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
Debt Securities					
U S Treasury Strips	\$ 3,195	\$ 7,715	\$ 8,764	\$ -	\$ 19,674
Other U S Government Guaranteed Securities	106,685	85,893	113,172	735	306,485
U S Agency Securities	194,506	365,850	72,216	44,402	676,974
State and Local Government Securities	10	1,031	-	468	1,509
Mortgage Backed Securities	3,862	10,580	6,786	708,597	729,825
Commercial Paper	189,990	-	-	-	189,990
Corporate Bonds	3,264	8,605	10,712	3,650	26,231
Private Placements	-	391	-	820	1,211
Repurchase Agreements	131,437	-	10,624	-	142,061
Guaranteed Investment Contracts	33,056	832	-	-	33,888
Bond Mutual Funds	172,830	19,128	1,686	541,825	735,469
Total	\$ 838,835	\$ 500,025	\$ 223,960	\$ 1,300,497	\$ 2,863,317

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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)

Investment Type	Fair Value	Effective Duration
Endowment Fund:		
Other U S Government Guaranteed Securities	\$ 11,843	4.8
Mortgage Backed Securities	24,695	2.1
Corporate Bonds	20,625	5.4
Bond Mutual Funds	56,912	5.0
Prime Fund:		
Other U S Government Guaranteed Securities	11,092	4.4
Mortgage Backed Securities	22,259	1.5
Corporate Bonds	17,440	5.6
Bond Mutual Funds	79,196	4.5
Intermediate Fund:		
Other U S Government Guaranteed Securities	82,914	1.4
Mortgage Backed Securities	91,936	1.2
Corporate Bonds	145,024	2.2
Bond Mutual Funds	55,723	1.9
Total	<u>\$ 619,659</u>	

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 nine percent of the aggregate market value of the total portfolio. Not more than five percent of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than seven percent in any one corporation at market. Not more than five percent of the outstanding shares of any one company may be held by the portfolio.

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

The State's exposure to foreign currency risk at September 30, 2009 was as follows:

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

	Governmental and Business-Type Activities		RSA (Fiduciary Component Units)	Other Fiduciary Funds	
	Cash	International Equities	International Equities	International Equities	International Bonds
Argentine Peso	\$ -	\$ -	\$ -	\$ 232	\$ -
Australian Dollar	26	7,599	253,508	10,324	-
Bermudian Dollar	-	164	-	-	-
Brazilian Real	-	1,511	-	1,850	-
British Pound Sterling	254	37,229	667,177	33,171	-
Canadian Dollar	-	9,095	-	5,521	-
Chilean Peso	-	-	-	477	-
Chinese Yuan	-	-	-	4,878	-
Danish Krone	8	4,314	32,216	1,675	-
Emerging Markets	-	-	107,427	-	-
Euro	271	60,618	1,161,816	53,335	-
Hong Kong Dollar	89	6,652	81,035	1,992	-
Hungarian Forint	-	-	-	260	-
Indian Rupee	-	-	-	1,116	-
Indonesian Rupiah	-	-	-	1,214	-
Israeli New Shekel	1	131	-	266	-
Japanese Yen	344	22,238	730,859	37,687	-
Malaysia Ringgit	-	-	-	631	-
Mexican Peso	-	787	-	1,158	-
New Turkish Lira	-	671	-	-	-
New Zealand Dollar	-	160	2,846	261	-
Norwegian Krone	14	895	27,161	2,220	-
Russian Rouble	-	-	-	1,140	51
Singapore Dollar	7	486	40,663	4,755	-
South African Rand	24	980	-	281	-
South Korean Won	-	984	-	1,297	-
Swedish Krona	16	3,507	78,296	3,308	-
Swiss Franc	17	13,015	266,580	12,623	-
Taiwan New Dollar	-	4	-	2,115	-
Thai Baht	4	193	-	323	-
Various Foreign Currency Index Funds	-	-	-	9,175	-
	<u>\$ 1,075</u>	<u>\$ 171,233</u>	<u>\$ 3,449,584</u>	<u>\$ 193,285</u>	<u>\$ 51</u>

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4. Custodial Credit Risk

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

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

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

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

**Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)**

	Governmental and Business-Type Activities	Fiduciary Funds Other Than RSA	Discretely Presented Component Units
U S Treasury Strips	\$ -	\$ 321	\$ -
Other U S Government Guaranteed Securities	1,292	31,605	222
U S Agency Securities	4,042	-	9,026
State and Local Government Securities	-	5,655	-
Mortgage Backed Securities	9,023	7,813	-
Corporate Bonds	1,645	2,610	-
Bond Mutual Funds	-	-	2,380
Repurchase Agreements	145,724	1,215	130,855
Domestic Equities	-	-	5,493
Other Mutual Funds	-	-	975
	<u>\$ 161,726</u>	<u>\$ 49,219</u>	<u>\$ 148,951</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, 2009, there were no investments that exceeded the five percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, alternative investments, and short-term investments are limited to 50%, 10%, 65%, 25%, 10%, and 20%, respectively, of each System’s aggregate

portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. The suggested limit for real estate is 15% of the book value of each System's aggregate portfolio. As of September 30, 2009, the Teachers' Retirement System and Employees' Retirement System owned debt and equity securities of Raycom Media Corporation which represented approximately 5.98% and 6.73%, respectively, of the Teacher's Retirement System and the Employee's Retirement System investments.

D. Securities Lending

The Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Investment Committee. The Retirement Systems of Alabama's (RSA) custodian, State Street Bank and Trust Company, administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and some other funds of the State. Certain securities are loaned to borrowers approved by the RSA. Approved borrowers of securities provide acceptable collateral in the form of cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, sovereign debt, Canadian Provincial debt, convertible bonds, irrevocable bank letters of credit by a person other than the borrower or an affiliate of the borrower if State Street determines to be appropriate, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the lender or borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars or whose primary trading market is located in the United States, sovereign debt issued by foreign governments (other than Canada) or corporate bonds that are not denominated in United States Dollars (other than those issued in Canada), a value of 102 percent of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105 percent of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5 percent of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102 percent of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100 percent of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2009, the average term of the loans was 4, 5, 3, and 8 days, respectively for the TRS, ERS, JRF, and ATF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's guidelines. The QDF's average effective duration is restricted to 90 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be two and a half years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 18 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

The Bank of New York (BONY) administers a portion of the securities lending program for the ATF. Also, the Prepaid Affordable College Tuition Program's (PACT) investment policy approved by the Board of Trustees permits the PACT Program to enter into securities lending transactions defined as loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made for the PACT Program. The PACT Program's custodian, BONY, administers the program and acts as an agent for the PACT Program. Certain securities of the ATF and the PACT Program are loaned to borrowers approved by the ATF Board of Trustees and the PACT Program. Approved borrowers of securities provide acceptable cash collateral in the form of federal funds or New York Clearing House funds as applicable for a particular loan. The BONY has provided loss indemnification to the PACT Program in the event that the borrower does not return the market value of the securities loaned. All security loans are open loans and can be terminated on demand by the lender, borrower, or BONY. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102 percent of the fair value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in

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the amount of 105 percent of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BONY shall, in accordance with BONY's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100 percent of the fair value of the loaned securities. As of September 30, 2009, the average term of the loans was 75 and 79 days, respectively for the ATF and the PACT Program. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. All approved investments shall be for the account and risk of ATF or the PACT Program. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, the lender agrees to pay BONY on demand cash in an amount equal to such deficiency.

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

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

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

- Securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States Government ("Government Securities").
- Repurchase and reverse repurchase agreements collateralized by securities issued or fully guaranteed by the United States government and any agency or instrumentality of the United States.
- Government securities have no maturity limit. However, liquidity must be available. Repurchase agreements are at overnight maturity, and collateralized at 102 percent.

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

The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2009. 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.

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

Type of Investment Lent	Governmental and Business- Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral				
Domestic Fixed Maturities	\$ 296,313	\$ 1,331,931	\$ 364,446	\$ 19,244
Domestic Equity	76,831	1,443,091	102,503	158
International Equity	2,417	577,724	15,115	-
Total Lent for Cash Collateral	375,561	3,352,746	482,064	19,402
For Non-cash Collateral				
Domestic Fixed Maturities	117	-	-	-
Domestic Equity	470	5,524	359	-
International Equity	-	173,471	8,309	-
Total Lent for Non-Cash Collateral	587	178,995	8,668	-
Total Securities Lent	\$ 376,148	\$ 3,531,741	\$ 490,732	\$ 19,402
Type of Collateral Received				
Cash Collateral				
Cash Collateral - Invested in				
State Street Funds	\$ 237,019	\$ 3,449,432	\$ 413,914	\$ 19,771
BONY Investments	146,975	-	78,932	-
Total Cash Collateral	383,994	3,449,432	492,846	19,771
Non-Cash Collateral				
For Lent Domestic Fixed Maturities				
Securities Collateral - US Dollars	231	-	-	-
For Lent Domestic Equity Securities				
Securities Collateral - US Dollars	481	15,678	368	-
For Lent International Equity Securities				
Securities Collateral				
EURO	-	22	-	-
US Dollar	-	174,171	8,832	-
Total Non-Cash Collateral	712	189,871	9,200	-
Total Collateral Received	\$ 384,706	\$ 3,639,303	\$ 502,046	\$ 19,771

E. Mortgage-Backed Securities

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

The ATF and the PACT Program invest in TBA (to be announced) purchase commitments, pursuant to which the ATF and the PACT Program agree to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery

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market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2009, the ATF and the PACT Program had investments in TBA mortgage-backed securities in the amounts of \$85,154,000 and \$6,606,000 respectively. Included in investment purchases payable on the Statement of Net Assets is a corresponding liability for the cost of the TBAs. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF or the PACT Program would be obligated for those amounts should the securities be delivered.

F. Capital Assets

Historical costs for infrastructure assets are included in the Comprehensive Annual Financial Report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2009, the capital assets for the Primary Government and the Component Units are presented in the following tables:

GOVERNMENTAL-TYPE ACTIVITIES
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 224,455	\$ 18,139	\$ 26	\$ 242,568
Historical Exhibits	2,658	-	-	2,658
Construction in progress	141,864	30,494	39,332	133,026
Construction in progress - Infrastructure	4,712,849	465,766	261,993	4,916,622
Infrastructure	12,092,320	261,993	-	12,354,313
Total	17,174,146	776,392	301,351	17,649,187
Capital assets being depreciated:				
Buildings	1,136,415	108,979	3,377	1,242,017
Equipment	589,334	68,035	54,338	603,031
Total	1,725,749	177,014	57,715	1,845,048
Less accumulated depreciation:				
Buildings	522,782	29,077	1,686	550,173
Equipment	341,735	50,467	40,499	351,703
Total	864,517	79,544	42,185	901,876
Total capital assets being depreciated, net	861,232	97,470	15,530	943,172
Governmental-type activities capital assets, net	\$ 18,035,378	\$ 873,862	\$ 316,881	\$ 18,592,359
Depreciation Expense for the current year is charged as follows:				
Economic Development and Regulation	\$ 2,651			
Social Services	4,877			
Education and Cultural Resources	3,330			
Natural Resources and Recreation	6,728			
Health	7,252			
General Government	7,256			
Protection of Persons & Property	23,538			
Transportation	23,912			
Total Depreciation Expense	\$ 79,544			

BUSINESS-TYPE ACTIVITIES:
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 64,661	\$ 37,076	\$ 19,117	\$ 82,620
Historical Exhibits	2,350	-	-	2,350
Construction in progress	281,365	14,750	71,138	224,977
Total capital assets not being depreciated	348,376	51,826	90,255	309,947
Capital assets being depreciated:				
Buildings	1,217,113	183,074	1,855	1,398,332
Equipment	448,729	74,598	36,472	486,855
Total capital assets being depreciated	1,665,842	257,672	38,327	1,885,187
Less accumulated depreciation				
Buildings	439,327	34,033	-	473,360
Equipment	235,918	28,410	9,698	254,630
Total accumulated depreciation	675,245	62,443	9,698	727,990
Total capital assets being depreciated, net	990,597	195,229	28,629	1,157,197
Business-type activities capital assets, net	\$ 1,338,973	\$ 247,055	\$ 118,884	\$ 1,467,144
 Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 26,629			
Alabama College System	32,161			
Alcoholic Beverage Control Board	3,319			
Other Nonmajor Enterprise Funds	334			
Total Depreciation Expense	\$ 62,443			

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COMPONENT UNITS
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 189,731	\$ 6,458	\$ -	\$ 196,189
Historical Exhibits	77,522	15,323	-	92,845
Construction in progress	611,306	237,020	332,602	515,724
Total capital assets not being depreciated	878,559	258,801	332,602	804,758
Capital assets being depreciated:				
Buildings	5,250,766	681,479	19,532	5,912,713
Equipment	1,799,643	104,960	25,893	1,878,710
Total capital assets being depreciated	7,050,409	786,439	45,425	7,791,423
Less accumulated depreciation				
Buildings	2,028,751	166,594	18,247	2,177,098
Equipment	1,253,531	109,880	18,109	1,345,302
Total accumulated depreciation	3,282,282	276,474	36,356	3,522,400
Total capital assets being depreciated, net	3,768,127	509,965	9,069	4,269,023
Component Units capital assets, net	\$ 4,646,686	\$ 768,766	\$ 341,671	\$ 5,073,781
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	\$ 372			
Mental Health	2,186			
Water Pollution Control Authority	46			
University of Alabama	41,677			
Auburn University	44,304			
University of South Alabama	23,656			
State Employee Insurance Board	115			
Other Nonmajor Component Units	164,118			
Total Depreciation Expense	\$ 276,474			

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government

At September 30, 2009, the Department of Transportation had construction and maintenance contracts of \$2,678,092,000. The amount already performed was \$2,319,437,000, leaving an outstanding balance of \$358,655,000. The funding sources for this amount are 72 percent Federal funds and 28 percent state and local funds.

The Public Health Care Authority had total contracts for construction and repair of certain county health department buildings of \$2,300,000 at September 30, 2009.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2009 of approximately \$133,359,000, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$598,000,000. At September 30, 2009, the estimated remaining cost to complete the projects was approximately \$216,000,000 payable from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2009. The estimated remaining costs to complete the facilities was approximately \$58.7 million which is expected to be financed from private gifts, grants, bond proceeds and University funds.

At September 30, 2009, Jacksonville State University had commitments on construction projects of \$52,007,000.

The University of Alabama at Huntsville has contracted for the construction of a new Residence Hall and the renovation of Wilson Hall. At September 30, 2009 the estimated cost to complete the construction of these facilities is \$27,400,000, which is expected to be paid from bond proceeds.

The Alabama Space Science Exhibit Commission had total contracts awarded at September 30, 2009 of \$485,000 to design exhibits for the Davidson Center for Space Exploration. Costs to date as of September 28, 2009 were \$436,000. The costs of this contract, and related subsequent exhibit construction, are expected to be funded through restricted contributions.

2. Operating Leases

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

3. Economic Development

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

a. Primary Government

The State has committed to economic development grants totaling \$285,599,000 as of September 30, 2009. It is expected that in fiscal year 2010, \$45,238,000 of commitments will be paid from appropriations, and \$65,946,000 will be paid from existing general obligation bond proceeds. The remaining \$174,415,000 is expected to be paid in fiscal year 2011 or later from existing general obligation bond proceeds.

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b. Component Units

The Alabama Incentives Finance Authority, a component unit, has committed to economic development grants of \$7,000,000 for fiscal year 2010 and \$10,200,000 from fiscal year 2011 and beyond. The Alabama Public School and College Authority, a component unit, has committed \$14,706,000 from fiscal year 2010.

c. State Entity

The State as a whole has an additional \$138,223,000 in economic development grant commitments to meet for which the funding source has not yet been decided, therefore they are not included above as either primary government or component unit. All of these grant commitments will be paid in 2011 or beyond.

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$83,219,000 of its net assets for fiscal year September 30, 2009 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 the final payment of \$1,000,000 next year, so the total amount outstanding is \$2,000,000. 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 \$4,767,000 for the next two years in the form of actual payments and tax credits. The amount outstanding is \$9,535,000. The General Fund is being used to liquidate this debt.

C. Long-term Debt

1. Debt Limitations and Methods of Bond Issuance

Under Section 213 of the *Constitution of Alabama of 1901*, as modified by Amendment 26, the State is constitutionally prohibited from incurring debt except to repel invasion or suppress insurrection. Therefore, the only method under which general obligation debt can be incurred is by amendment to the *Constitution*. Although conventions proposed by the legislature and approved by the electorate may be called for the purpose of amending the *Constitution*, historically all amendments have been adopted by a procedure which requires them to be proposed by a three-fifths majority of each house of the legislature and thereafter ratified by a majority of the electorate.

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

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

2. General Obligation Bonds – Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing major 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, conservation and preservation projects, educational television, forensic sciences laboratories, agricultural development, diagnostic and research laboratories, and historical projects. General obligation bonds also finance grant programs for public school and college buildings, as well as economic development grants to industry and local government. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

GENERAL OBLIGATION BONDS			
Debt Service Requirements to Maturity			
Maturity	Principal	Interest	Total
2010	\$ 34,315,000	\$ 31,471,950	\$ 65,786,950
2011	33,780,000	29,952,652	63,732,652
2012	35,155,000	28,474,939	63,629,939
2013	36,625,000	26,997,150	63,622,150
2014	38,170,000	25,284,129	63,454,129
2015-2019	218,200,000	96,503,213	314,703,213
2020-2024	195,560,000	41,920,501	237,480,501
2025-2029	80,750,000	6,058,994	86,808,994
Total	672,555,000	\$ 286,663,528	\$ 959,218,528
Unamort Prem	14,780,653		
	\$ 687,335,653		

GENERAL OBLIGATION BONDS PAYABLE				
General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2009
Series 1999				
Series B Refunding Bonds	07/13/99	10/01/09	3.8% to 5.0%	1,825,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	40,185,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	12,425,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	74,415,000
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	4,290,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	69,370,000
Series 2002				
Series A - Economic Development	09/01/02	09/01/22	3.0% to 5.0%	40,280,000
Series 2005				
Series A - Universities and Economic Development	02/01/05	08/01/25	3.0% to 5.0%	88,705,000
Series 2006 - Economic Develop. & Industry Recruitment	02/01/06	02/01/26	3.5% to 5.0%	56,710,000
Series 2007 - Economic Develop. & Industry Recruitment	08/01/07	08/01/27	3.5% to 5.0%	284,350,000
Sub-total General Obligation Bonds				672,555,000
‡ Plus: Unamortized Premiums				14,780,653
Total General Obligation Bonds				\$ 687,335,653

‡ Unamortized premiums were \$595,790 for Series 2001-E, \$669,505 for Series 2002-A, \$4,193,312 for Series 2005-A, \$922,616 for Series 2006 and \$8,399,430 for Series 2007-A.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

3. Revenue Bonds

a. Primary Government – Governmental Activities

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

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

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

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

The Alabama Judicial Building Authority issues bonds for the purpose of funding the acquisition, construction, and capital improvements of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease, and earnings, if any, on funds held by the State Treasurer.

The Alabama Public Health Care Authority issues bonds for the purpose of funding the acquisition, construction, and equipping of buildings located in each county for the use of the Department of Public Health. Transfers received from the Department of Public Health, along with income from investing idle funds, and a Municipal Bond Insurance Policy are used for the payment of principal and interest on the bonds.

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

PRIMARY GOVERNMENT				
Governmental Activities	Date	Final	Interest	Bonds
Revenue Bonds	Issued	Maturity	Rates	Payable
		Date		Sept. 30, 2009
Alabama Corrections Institution Finance Authority				
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	\$ 7,155,000
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%	21,735,000
Alabama Building Renovation Finance Authority				
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%	15,930,000
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%	29,205,000
Alabama Judicial Building Authority				
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%	30,085,000
Alabama Public Health Care Authority				
Series 2005	09/28/05	09/01/35	4.00% to 4.50%	53,605,000
Alabama Federal Aid Highway Finance Authority				
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%	123,370,000
Sub-total Revenue Bonds Payable				297,070,000
‡ Less: Unamortized Discounts				(469,238)
§ Plus: Unamortized Premiums				4,393,882
†† Less: Unamortized Loss				(2,282,726)
Net Primary Government				
Revenue Bonds Payable, Governmental Activities				\$ 298,711,918

‡ Unamortized Discount \$17,880 for Alabama Building Renovation Finance Authority and \$451,358 for Public Health Care Authority.

§ Unamortized premium is \$1,618,784 for Federal Aid Highway Finance Authority, \$1,262,036 for Montgomery Downtown Redevelopment Authority, \$249,635 for Alabama Corrections Institution Finance Authority, \$254,702 for Building Renovation Finance Authority and \$1,008,725 for Judicial Building Authority.

†† Unamortized accounting losses were \$197,009 for the Alabama Building Renovation Finance Authority, \$743,969 for Montgomery Downtown Redevelopment Authority, \$100,413 for Alabama Corrections Institution Finance Authority \$845,693 for Public Health Care Authority, and \$395,642 for Judicial Building Authority.

b. Primary Government – Business-Type Activities

The Alabama State Port Authority issued bonds for the construction and maintenance of a wharf, warehouse, open storage area, and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of the Authority derived from charges made by the Authority for all services provided. At September 30, 2009, the outstanding principal balance of the 2008-A bonds was \$61,300,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67% of LIBOR (London Interbank Offered Rate). The rate at 9/30/09 was 1.02%. At September 30, 2009, the outstanding principal balance of the 2008-B bonds was \$50,000,000. The Series 2008-B bonds will bear interest at a rate of 50 basis points plus LIBOR. The rate at 9/30/09 was 2.56%. At September 30, 2009, the outstanding principal balance of the 2009-A bonds was \$14,197,800. The rate at 9/30/09 was 2.26%.

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.

STATE OF ALABAMA
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PRIMARY GOVERNMENT Business-Type Activities		Final		
Revenue Bonds, Proprietary Funds	Date	Maturity	Interest	Bonds Payable
	Issued	Date	Rates	Sept. 30, 2009
State Port Authority				
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	\$ 150,995,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	63,020,000
Series 2006-D	12/07/06	10/01/30	4.35% to 4.35%	21,600,000
Series 2008-A	04/01/08	10/01/21	Variable	61,060,000
Series 2008-B	07/09/08	12/10/10	Variable	50,000,000
Series 2009-A	11/03/09	12/01/10	Variable	14,197,800
Alabama College System	Various	Various	1.40% to 8.00%	264,010,000
Sub-total Revenue Bonds Payable, Proprietary Funds				624,882,800
§ Less: Unamortized Premium				4,392,319
†† Less: Unamortized Loss				(9,914,892)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 619,360,227

§ Unamortized premium \$4,392,319 for Alabama State Port Authority.

†† Unamortized accounting losses were \$9,914,892 for Alabama State Port Authority.

Revenue Bonds					
Debt Service Requirements to Maturity					
Governmental Activities			Business-type Activities		
Maturity	Principal	Interest	Principal	Interest	
2010	\$ 25,655,000	\$ 13,954,716	\$ 22,120,000	\$ 25,523,704	
2011	26,830,000	12,752,134	87,082,800	23,447,616	
2012	28,070,000	11,480,281	23,650,000	22,150,924	
2013	29,390,000	10,108,266	23,910,000	21,246,706	
2014	24,620,000	8,636,237	29,590,000	22,146,776	
2015-2019	91,815,000	25,642,499	127,500,000	84,700,284	
2020-2024	28,300,000	13,852,137	129,705,000	59,441,797	
2025-2029	20,305,000	7,785,538	71,485,000	35,469,775	
2030-2034	18,715,000	3,077,775	68,720,000	17,170,878	
2035-2038	3,370,000	151,650	41,120,000	2,829,825	
Total	297,070,000	\$ 107,441,233	624,882,800	\$ 314,128,285	
Unamort Prem	4,393,882		4,392,319		
Unamort Loss	(2,282,726)		(9,914,892)		
Unamort Disc	(469,238)		0		
\$ 298,711,918			\$ 619,360,227		

c. Component Units

The Alabama Incentives Finance Authority issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds.

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

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

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

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

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

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

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

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

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

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2009, the outstanding principal balance of the 2009-A bonds was \$4,400,000. The interest rate is variable and equal to 70% of LIBOR plus 3%, but at no time less than 4.3%. The interest rate was 4.3% as of September 30, 2009.

The Alabama Higher Education Loan Corporation issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, as amended, which established the Federal Family Education Loan Program. The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guaranteed payments on defaulted loans, proceeds from any sale of loans and issuance of refunding bonds. The interest rate for the 2006A-1

STATE OF ALABAMA
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For the Fiscal Year Ended September 30, 2009

and 2006-A2 bonds is an auction rate based on an auction period of 35 days. At September 30, 2009, the rate for the 2006-A1 was 0.508% and the rate for the 2006-A2 was 0.508%.

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

COMPONENT UNITS	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2009
Alabama Incentives Finance Authority				
Series 2009-A	09/17/09	09/01/29	3.00% to 4.00%	\$ 23,605,000
Series 2009-B	09/17/09	09/01/29	1.93% to 4.97%	98,945,000
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	17,800,000
Alabama Public School and College Authority				
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	278,910,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
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%	151,170,000
Series 2001-A	05/15/01	02/01/21	4.50% to 5.63%	66,005,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	74,900,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	79,750,000
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%	99,790,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	72,995,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	48,270,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	1,037,725,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	47,760,000
State Industrial Development Authority				
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	100,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	2,450,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	8,200,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	140,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	35,960,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	84,715,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	8,845,000
Sub-Total Revenue Bonds, Component Units				\$ 2,534,100,000

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COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2009
Sub-Total from previous page				\$ 2,534,100,000
Alabama Housing Finance Authority				
Single family Bond Programs	1994-2007	2010-2039	Various	591,705,000
Multi-family Bond Programs	1989-2007	2010-2049	Various	217,303,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	13,140,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	39,535,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	40,410,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	42,615,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	45,840,000
Revolving Fund Loan Bonds, Series 2002-A	01/15/02	08/15/24	3.00% to 5.10%	25,405,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	28,120,000
Revolving Fund Loan Bonds, Series 2003-A	01/01/03	08/15/26	3.00% to 5.00%	30,750,000
Revolving Fund Loan Bonds, Series 2003-B	01/01/03	02/15/16	3.00% to 4.38%	32,730,000
Revolving Fund Loan Bonds, Series 2003-C	08/01/03	08/15/15	2.50% to 4.25%	6,345,000
Revolving Fund Loan Bonds, Series 2004-A	04/01/04	08/15/16	2.00% to 4.00%	21,725,000
Revolving Fund Loan Bonds, Series 2008	08/15/29	01/00/00	3.00% to 4.00%	41,765,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	22,605,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	5,905,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	3,960,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	19,315,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	27,070,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	35,050,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,745,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	42,025,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	11,065,000
Series 2009-A	09/25/10	09/01/29	4.33% to 4.33%	4,400,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006-A1	11/27/06	03/01/33	Variable	18,775,000
Student Loan Revenue Bonds, Series 2006-A2	11/27/06	11/01/41	Variable	56,325,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,982,728,000

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STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2009
Sub-Total from previous page				\$ 3,982,728,000
Higher Education				
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	352,915,000
University of Alabama - Birmingham	1993	2041	2.50% to 5.75%	697,560,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	60,601,000
Alabama A&M University	1980	2033	3.00% to 5.38%	62,835,000
Alabama State University	1965	2038	1.90% to 8.50%	169,152,000
Auburn University	1978	2038	1.40% to 6.00%	562,400,792
Jacksonville State University	1993	2023	2.25% to 5.00%	83,315,000
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	2,345,000
University of Montevallo	1985	2030	3.00% to 6.50%	20,019,000
University of North Alabama	1999	2035	3.65% to 6.50%	22,085,000
University of South Alabama	1999	2038	2.00% to 5.25%	306,125,000
Troy University	1998	2028	2.75% to 6.50%	105,515,000
Total Revenue Bonds Payable				6,427,595,792
Less: Unamortized Discounts				(13,326,574) †
Less: Unamortized Loss				(18,164,910) ‡
Plus: Unamortized Premium				75,877,875 §
Net Revenue Bonds Payable, Component Units				\$ 6,471,982,183

† Unamortized discounts were \$10,310,522 for the University of Alabama - Birmingham, \$62,000 for the University of South Alabama, \$112,012 for the University of Montevallo, \$796,046 for the Drinking Water Authority, \$990,814 for Auburn University, \$20,000 for State Industrial Development Authority, \$8,047 for Tennessee Valley Exhibit Commission, \$264,917 for the University of North Alabama, and \$762,216 for Alabama State University.

‡ Unamortized accounting loss was \$3,872,446 for Alabama State University, \$562,270 for the Alabama Space and Science Commission, \$5,206,091 for the Water Pollution Control Authority, \$6,346 for the Tennessee Valley Commission, \$2,236,334 for the University of Alabama - Tuscaloosa, \$398,413 for Auburn University, \$300,579 for the Mental Health Finance Authority, \$716,000 for the University of South Alabama, \$1,661,900 for Incentives Financing Authority and \$3,204,531 for Alabama A & M University.

§ Unamortized premiums were \$1,886,525 for the University of Alabama - Tuscaloosa, \$6,819,951 for Auburn University, \$1,216,025 for the Alabama Twenty-first Century Authority, \$48,518,926 for Alabama Public School and College Authority, \$8,005,000 for the University of South Alabama, \$1,229,113 for the Water Pollution Control Authority, \$484,826 for the Mental Health Finance Authority, \$1,133,373 for Alabama State University, \$4,031,549 for Incentives Financing Authority and \$2,552,587 for Alabama A & M University.

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2010	\$ 294,808,020	\$ 294,734,887	\$ 589,542,907
2011	275,676,610	285,789,969	561,466,579
2012	336,413,833	272,753,012	609,166,845
2013	296,056,538	258,511,966	554,568,504
2014	278,271,349	244,734,223	523,005,572
2015-2019	1,493,983,258	1,020,669,969	2,514,653,227
2020-2024	1,206,128,184	673,154,863	1,879,283,047
2025-2029	984,788,000	394,434,663	1,379,222,663
2030-2034	609,107,000	218,235,058	827,342,058
2035-2039	532,023,000	67,177,193	599,200,193
2040-2044	118,295,000	5,280,475	123,575,475
2045-2049	2,045,000	237,000	2,282,000
Total	6,427,595,792 †	\$ 3,735,713,278	\$ 10,163,309,070
Unamort Disc	(13,326,574)		
Unamort Loss	(18,164,910)		
Unamort Prem	75,877,875		
	\$ 6,471,982,183		

† 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, 2009, the Alabama Housing Finance Authority called approximately \$315,242,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$340,000 and is primarily comprised of the premium paid to retire the bonds.

On September 17, 2009, the Alabama Incentives Financing Authority issued \$23,605,000 Series 2009-A, \$98,945,000 Series 2009-B, and \$17,800,000 Series 2009-C bonds which bear interest at 1.93% to 4.967% and are due on September 1, 2029. A portion of the proceeds were used to currently refund \$83,095,000 of the Series 1999-A and 1999-B Bonds. The Authority had economic gain related to the refunding of \$29,507,090 and a difference between the cash flows required to service the old debt and the cash flows to service the new debt of an additional \$1,661,900.

On September 25, 2009, the Alabama Space Science Finance Exhibit Finance Authority Series 2005-A bonds were refinanced with \$4,400,000 Series 2009-A bonds. The interest rate is variable equal to seventy percent of LIBOR plus 3%, but at no time less than 4.3%. The bonds mature September 1, 2029 and are callable on an annual basis. The difference between the cash flows required to service the old debt and the cash flows to service the new debt were an additional \$562,270.

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Defeased Bonds:

Component Units	Amount
University of Alabama in Tuscaloosa	\$ 27,900,000
University of Alabama in Birmingham	183,425,000
University of Montevallo	7,820,000
Primary Government	Amount
State Port Authority	\$ 27,553,000

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, 2009, were as follows:

Component Units	Amount
Water Pollution Control Authority	\$ 921,591
Alabama Higher Education Loan Corp.	340,533
Housing Finance Authority	16,409,000

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

6. Bonds Authorized But Not Issued

Bonds Authorized But Not Issued (Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds			
State of Alabama	\$ 750,000	\$ 610,025	\$ 139,975
Federal Aid Highway Finance Authority	Based on amount received in federal funds		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,000	4,000
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Alabama Judicial Building Authority	10,000	10,000	-
Alabama Toll Road, Bridge and Tunnel Authority	Based on Authority's construction of toll road, bridge or tunnel projects payable from tolls and other revenues		
Total Primary Government	\$ 1,016,000	\$ 721,025	\$ 294,975
<u>Component Units</u>			
State Industrial Development Authority †	\$ 100,000	\$ 38,390	\$ 61,610
Mental Health Finance Authority	100,000	84,265	15,735
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments and Qualified School Construction Bonds under provisions of the federal American Recovery and Reinvestment Act of 2009		
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	175,000	175,000	-
Total Component Units	399,000	297,655	101,345
Total Reporting Entity	\$ 1,415,000	\$ 1,018,680	\$ 396,320

† 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 9/30/09, \$2,550,000 was outstanding.

7. Derivative Transactions

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

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on November 1 in the years 2008 through 2011 for the Series 1998 Bonds, September 1 in the years 2009 and 2010 for the Series 1999-A Bonds, July 1 in the years 2009 through 2011 for the Series 1999-C Bonds, and on August 1 in the years 2009 through 2011 for the Series 1999-D Bonds. JPMorgan notified the Authority of its intention to exercise its option with respect to the Series 1998 Bonds, effective November 1, 2008, the effect of which under the Swap Option Agreement would have been to require the Authority to issue variable rate bonds for the purpose of refunding the Series 1998 Bonds. The Swap Option Agreement is currently in litigation and no payments have been made and accepted. (See Litigation Note) As of September 30, 2009, the Swap Option Agreement had a value of approximately \$(75,559,866).

Alabama State Port Authority - In December 2002, the Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority's callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. In consideration for writing the option, the Authority received a premium payment of \$5,025,000. The premium payment was recognized as an adjustment to interest expense using the effective interest method over the life of the option. 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 \$60,125,000 and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority intended to issue variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. The Series 2006C variable rate revenue bonds were issued in November, 2006. The Series 2008A variable rate revenue bonds were issued in April, 2008 to refund the Series 2006C bonds. As of September 30, 2009, the swap had a negative fair value of approximately \$15,513,000. The swap value is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swap.

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into two derivative transactions with Wachovia Bank, N.A. The first transaction was an interest rate cap entered into in connection with a construction loan. The second transaction was a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that will come into effect upon conversion of the construction loan into a promissory note on May 1, 2008. The Corporation utilizes the interest rate cap to limit its variable rate exposure on the construction loan and the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. The construction loan and the associated interest rate cap were entered into on July 17, 2007 and February 27, 2007, respectively. The interest rate cap will terminate on May 1, 2008, when the loan will be converted into a promissory note. The interest rate cap's notional amount is equal to the construction loan balance and is limited to a maximum of \$18,000,000. The construction loan bears variable rate interest equal to the one-month LIBOR plus 0.85%. When the variable rate exceeds 6.1%, the cap operates to cause the counterparty, Wachovia Bank, N.A., to pay the Corporation the difference between the variable rate and 6.1%. For the year ended September 30, 2008, the Corporation received \$6,345 under the interest rate cap agreement, which is reflected as a reduction of interest expense. The promissory note came into effect on May 1, 2008 upon conversion of the construction loan. Also, on May 1, 2008, the interest rate swap associated with the loan became effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty, Wachovia Bank, N.A., a fixed payment of 6.1% and receives a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the loan bears interest at the one-month LIBOR rate plus 0.85%. For the year ended September 30, 2009, the Corporation paid \$755,523 under the interest rate swap agreement, which is reflected as an increase in interest expense.

Fair Value. The interest rate swap had a fair value at September 30, 2009 of \$(2,916,000).

Credit Risk. As of September 30, 2009, the Corporation was not exposed to credit risk on the derivative because they had a net negative fair value. However, if interest rates change and the fair value of the derivative becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated AA- by Standard & Poor's Ratings Services as of September 30, 2009.

Termination Risk. The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. Due to recent economic conditions, Wachovia Bank, N.A. is currently experiencing some financial difficulties and recently announced a proposed merger with Wells Fargo & Company. Under the proposed transaction, Wells Fargo & Company

will acquire all of Wachovia Bank, N.A. and all its businesses and obligations including its preferred equity and indebtedness, and all its banking deposits. Due to inherent uncertainties, there is a risk that the merger will not be completed and Wachovia Bank, N.A. may not be able to perform under its obligations as the counterparty. At September 30, 2009, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a net negative fair value, the Corporation would be liable to the counterparty for a payment equal to the interest rate swap's fair value. To allow the Corporation the maximum flexibility to manage the utilization of Building II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases and a security interest in income received from rental of Building II.

In January 2008, the University of South Alabama entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000, which was recorded as a liability, in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively. The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University. If the counterparty exercises its options in 2016 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,125,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the on-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University's advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds. If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaption would be canceled and the University would have no further obligation under this agreement. A swaption is considered a hybrid instrument and consists of two components, at time value and an intrinsic value. The intrinsic value of the swaption represents the value of the counterparty's option if it were exercised immediately. The time value of the swaption is the difference between the total value and the intrinsic value and represents the probability weighted, discounted values of a range of future possible outcomes. The time value of the payment (\$2,261,000) to the University is recorded as a deferred investment income and is being amortized to investment income through the expiration date of the option. For the year ended September 30, 2009, \$307,000 was amortized and that amortization is included as investment income in the statement of revenues, expenses, and changes in net assets. The intrinsic value of the payment (\$7,067,000) is considered a borrowing, and as such is included in long term debt on the University's 2008 statement of net assets. Interest is being accrued on, and added to, the borrowing through the expiration date of the option. For the year ended September 30, 2009, \$375,000 was accrued and is included in interest expense in the 2009 statement of revenues, expenses, and changes in net assets. At September 30, 2009, the derivative transactions had a fair value of \$(17,986,000).

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

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

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

Credit Risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is

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positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2009, the swap counterparty was rated Aa3 by Moody's Investors Services and AA- by Fitch Ratings.

Termination Risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. At September 30, 2009, no events of termination have occurred.

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

	Governmental	Business-Type	Component
	Activities	Activities	Units
Maturity	Principal	Principal	Principal
2010	\$ 5,321,289	\$ 3,184,444	\$ 11,458,669
2011	4,906,719	6,736,517	11,357,562
2012	3,964,849	1,625,347	6,612,745
2013	2,885,999	1,107,688	6,142,791
2014	2,293,091	669,243	15,862,390
2015-2019	8,106,003	378,555	31,700,185
2020-2024	8,925,601	501,831	31,750,903
2025-2029	3,964,469	60,000	29,803,874
2030-2034	1,910,296	11,821	31,017,694
2035-2039	1,557,507	-	31,265,000
2040-2044	26,622	-	-
Total	43,862,445	14,275,446	206,971,813
Interest	(313,710)	-	(1,943,174)
Net	<u>\$ 43,548,735</u>	<u>\$ 14,275,446</u>	<u>\$ 205,028,639</u>

At September 30, 2009 assets recorded under capital leases were as follows (amounts expressed in thousands):

	Governmental
	Activities
Buildings	\$ 71,890
Equipment	9,187
Less: accumulated depreciation	(29,689)
Total	<u>\$ 51,388</u>

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

9. Changes in Noncurrent Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 721,145	\$ -	\$ (33,809)	\$ 687,336	\$ 34,315
Revenue Bonds	323,483	-	(24,771)	298,712	25,655
Capital Leases/Notes/Mortgages	39,792	9,504	(5,747)	43,549	5,321
Claims & Judgments	81,078	24,407	(24,529)	80,956	19,800
Compensated Absences †	292,790	15,991	(17,295)	291,486	1,698
Other Post-Employment Benefits	178,291	185,363	(91,623)	272,031	-
Total Governmental Activities	1,636,579	235,265	(197,774)	1,674,070	86,789
Business-type Activities:					
Revenue Bonds	612,959	27,793	(21,392)	619,360	22,120
Capital Leases/Notes/Mortgages	16,224	1,083	(3,032)	14,275	3,184
Claims & Judgments	5,323	4,477	(3,962)	5,838	4,195
Compensated Absences †	25,641	7,869	(6,553)	26,957	2,182
Other Long-Term Liabilities ‡	1,997	1,153	-	3,150	-
Other Post-Employment Benefits	8,285	9,090	(4,493)	12,882	-
Total Business-Type Activities	670,429	51,465	(39,432)	682,462	31,681
Total Primary Government	\$ 2,307,008	\$ 286,730	\$ (237,206)	\$ 2,356,532	\$ 118,470
Component Units:					
Revenue Bonds	\$ 6,775,449	\$ 380,708	\$ (684,175)	\$ 6,471,982	\$ 294,808
Arbitrage	10,608	7,063	-	17,671	-
Capital Leases/Notes/Mortgages	109,137	278,151	(182,259)	205,029	11,459
Compensated Absences †	136,605	27,794	(27,154)	137,245	28,163
Claims & Judgments	108,955	128,214	(108,956)	128,213	128,214
Other Long-Term Liabilities §	103,644	21,331	-	124,975	-
Other Post-Employment Benefits	17,978	18,220	(9,006)	27,192	-
Total Component Units	\$ 7,262,376	\$ 861,481	\$ (1,011,550)	\$ 7,112,307	\$ 462,644

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

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$3,059,000, and Alabama College System, \$92,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$18,419,000, Auburn University, \$29,100,000, University of Alabama at Huntsville, \$142,000, University of South Alabama, \$63,501,000, University of North Alabama, \$264,000, and the University of Alabama at Birmingham, \$13,548,000.

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NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2009 consisted of (amounts in thousands):

DUE TO	DUE FROM											Total
	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Nonmajor Governmental	Unemployment Compensation	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,362	\$ 0	\$ 8,048	\$ 0	\$ 22	\$ 0	\$ 10,432
Education Trust	822	-	-	-	15	1,115	-	579	-	-	-	2,531
Alabama Trust	-	437,391	-	-	-	-	-	-	-	-	-	437,391
Medicaid Fund	-	92	-	-	1,940	6,177	-	-	-	-	-	8,209
Public Road & Bridge Fund	11	-	-	-	134	135	-	-	-	152	-	432
Public Welfare Trust Fund	-	-	8,653	-	-	1,037	-	7,028	-	1	-	16,719
Nonmajor Governmental	7,376	7,363	19,255	2,091	1,509	14,024	55	320	644	1,182	47	53,866
Unemployment Compensation	-	-	-	-	-	45	-	-	-	-	-	45
State Port Authority	-	-	-	221	-	-	-	-	-	-	-	221
Alcoholic Beverage Control Board	-	-	-	-	-	9	-	-	-	-	-	9
Nonmajor Enterprise Funds	-	-	-	-	-	8	-	-	-	-	-	8
Internal Service Funds	1,526	793	510	1,203	2,001	15,284	-	171	-	133	7	21,628
Fiduciary Funds	21	-	-	-	6	16	-	2	-	-	33	78
Totals	\$ 9,756	\$ 445,639	\$ 28,418	\$ 3,515	\$ 5,605	\$ 40,212	\$ 55	\$ 16,148	\$ 644	\$ 1,490	\$ 87	\$ 551,569

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

The Education Trust Fund has the most interfund payables, \$445,639,000 in total. Of that amount, \$437,391,000 is due to repay the Education Trust Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within six years after withdrawal.

The Nonmajor Governmental Funds have the second most interfund payables, \$40,212,000 in total. Of that amount, \$6,177,000 is owed to Medicaid, \$14,024,000 is owed to other Nonmajor Governmental Funds, and \$15,284,000 is owed to Internal Service Funds. Medicaid has the third most interfund payables, totaling \$28,418,000. Medicaid owed \$8,653,000 to the Public Welfare Trust Fund and \$19,255,000 to Nonmajor Governmental Funds. Of that amount, \$11,572,000 is due to Public Health, \$1,403,000 is due to Youth Services, \$5,293,000 is due to Senior Services, and \$987,000 is due to Rehabilitation Services. The Alcoholic Beverage Control Board (ABC) has the fourth most interfund payables, \$16,148,000. ABC owed \$8,048,000 to the General Fund and \$7,028,000 to the Public Welfare Trust Fund. ABC is required by law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Alabama Trust Fund has the largest interfund receivable, the \$437,391,000 due from the Education Trust Fund as discussed previously. Nonmajor Governmental Funds rank second in receivables, at \$53,866,000. The Internal Service Funds rank third in

receivables, at \$21,628,000. Risk Management, an Internal Service Fund, financed several buildings and building renovations for various Nonmajor Governmental Funds in the amount of \$9,475,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$12,153,000 generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year. The Public Welfare Trust Fund ranks fourth in receivables, at \$16,719,000. That amount is due from Medicaid and ABC as discussed above.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2009, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO				
	Public School & College Authority	Mental Health	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	\$ 0	\$ -	\$ 24	\$ 16	\$ 40
Education Trust Fund	-	6	2	24	32
Medicaid Fund	-	36,935	-	-	36,935
Public Road and Bridge Fund	-	-	6	10	16
Public Welfare Trust Fund	-	227	28	-	255
Nonmajor Governmental	3,279	129,078	120	262	132,739
Alcoholic Beverage Control Board	-	6,124	3	-	6,127
Nonmajor Enterprise	-	-	121	-	121
Internal Service Funds	-	36	1	-	37
Totals	<u>\$ 3,279</u>	<u>\$ 172,406</u>	<u>\$ 305</u>	<u>\$ 312</u>	<u>\$ 176,302</u>

The largest payable of \$129,078,000 is a short term payable owed by Nonmajor Governmental Funds to Mental Health for tax revenues pledged by the primary government to support Mental Health programs. The second largest short term payable was \$36,935,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. In addition to the above balances with component units, the financial statements report Water Pollution Control Authority has a long term receivable of \$6,199,000 that is due from the primary government as a whole.

Balances owed to state funds by component units at September 30, 2009 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM					Total
	Mental Health	Water Pollution Control Authority	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	
General Fund	\$ 0	\$ 0	\$ 0	\$ 5	\$ 0	\$ 5
Education Trust Fund	-	-	-	2	-	2
Medicaid	8,356	-	-	-	-	8,356
Public Road and Bridge Fund	-	-	-	3	-	3
Public Welfare Trust Fund	544	-	-	1	-	545
Nonmajor Governmental	74	498	942	354	1,580	3,448
Alcoholic Beverage Control Board	50	-	-	4	-	54
Internal Service Funds	315	-	1	102	1,381	1,799
Totals	\$ 9,339	\$ 498	\$ 943	\$ 471	\$ 2,961	\$ 14,212

The component units of the State owe \$14,212,000 to various funds of the State. The largest amount, \$8,356,000, is owed by Mental Health to Medicaid to match federal dollars. Risk Management, an Internal Service Fund, financed building renovations

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for Crime Victims Compensation, a Nonmajor Component Unit in the amount of \$1,325,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$474,000 is owed for routine billings of services rendered. Nonmajor Component Units owe Nonmajor Governmental Funds \$1,580,000. Of that amount, \$1,321,000 is owed by the Drinking Water Finance Authority to the Department of Environmental Management primarily for payroll costs.

C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2009 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN													Total
	General	Edu- cation	Ala		Public	Public	Non-	Unemploy-	State	Alabama	Alcoholic	Internal		
	Fund	Trust	Trust	Medicaid	Road & Bridge	Welfare	major Govern- mental	ment Compen- sation	Port Auth	College System	Beverage Control Board	Service Funds		
General Fund	\$ 0	\$ 0	\$ 0	\$ 15,312	\$ 0	\$ 95,987	\$ 101,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,636	\$ 213,946	
Education														
Trust Fund	-	-	-	7,300	-	14,481	20,105	-	-	385,178	-	1,246	428,310	
Alabama Trust	93,645	-	-	-	-	-	266,014	-	-	-	-	-	359,659	
Medicaid	-	-	-	-	-	74,206	223,770	-	-	-	-	-	297,976	
Public Road & Bridge Fund	-	-	-	-	-	-	55,862	-	960	-	-	-	56,822	
Public Welfare														
Trust Fund	-	-	-	27,414	619	-	44,117	-	-	-	-	-	72,150	
Nonmajor														
Governmental	39,929	151	903	64,246	921	1,253	207,831	3,604	1,031	1,748	257	7,211	329,085	
Unemployment														
Compensation	-	-	-	-	-	-	10,937	-	-	-	-	-	10,937	
State Port Auth	-	-	-	-	-	-	50	-	-	-	-	-	50	
Alcoholic														
Beverage														
Control Board	13,446	-	-	-	-	581	243	-	-	-	-	-	14,270	
Nonmajor														
Enterprise	-	470	-	-	-	-	9,427	-	-	-	-	-	9,897	
Internal														
Service Funds	-	-	-	-	-	-	712	-	-	-	-	45	757	
Fiduciary Funds	-	-	-	-	-	-	514	-	-	-	-	-	514	
Totals	\$ 147,020	\$ 621	\$ 903	\$ 114,272	\$ 1,540	\$ 186,508	\$ 940,593	\$ 3,604	\$ 1,991	\$ 386,926	\$ 257	\$ 10,138	\$ 1,794,373	

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 \$213,946,000 transferred to other funds by the General Fund, \$193,210,000 was transferred in compliance with the appropriation acts. Of that amount, \$95,987,000 was transferred to the Public Welfare Trust Fund, \$58,870,000 was transferred to various Nonmajor Governmental Funds and \$29,400,000 was transferred to the Department of Public Health. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$428,310,000 transferred out of the Education Trust Fund, the appropriation acts as adjusted by proration required the transfer of \$414,401,000 to other funds. Of that amount, \$380,916,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive \$1,246,000 to fund telephone and computer services and the Public Welfare Trust Fund received \$14,481,000. The remaining Education Trust Fund transfers were made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred \$13,446,000 to the General Fund and \$581,000 to the Public Welfare Trust Fund, which represents those funds' statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with amendments to the *Constitution of Alabama of 1901*, is required to transfer to other funds a substantial portion of its investment earnings as well as a portion of new income from offshore oil and gas rights. In compliance with these amendments, the General Fund received \$93,645,000, and the Nonmajor Governmental Funds received \$266,014,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received \$12,948,000, the County Government Capital Improvement Fund received \$11,165,000, the Municipal Government Capital Improvement Fund received \$11,165,000, the Alabama Capital Improvement Trust Fund received \$96,665,000, the County and Municipal Capital Improvement Trust Fund received \$133,514,000, and the Senior Services Trust Fund received \$557,000.

Medicaid transferred out \$74,206,000 to the Public Welfare Trust Fund, and \$223,770,000 to Nonmajor Governmental Funds to fund services provided to Medicaid recipients. The Departments of Public Health, Youth Services, Senior Services, and Rehabilitation Services were the Nonmajor Governmental Fund recipients.

NOTE 6 - RISK MANAGEMENT

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

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

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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

A. The State Insurance Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding the deductible with a \$1,000,000,000 limit. Payments received in fiscal years 2009, 2008, and 2007 for settlements in excess of deductibles totaled \$14,166,000, \$14,655,000, and \$13,231,000 respectively.

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

(Amounts in Thousands)	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 7,871	\$ 11,594
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	12,113	1,910
Increase (Decrease) in provision for insured events of prior years	3,781	10,476
Total incurred claims and adjustment expenses	15,894	12,386
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(2,980)	(1,450)
Claims and adjustment expenses attributable to insured events of prior years	(8,483)	(14,659)
Total payments	(11,463)	(16,109)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 12,302</u>	<u>\$ 7,871</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 the Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was not renewed in April 2002, so GLTF is currently without excess coverage. Payments received in fiscal years 2008 and 2009 for settlements in excess of deductibles total \$1,011,000 and \$2,834,000, respectively.

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

(Amounts in Thousands)	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 27,416	\$ 26,714
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	4,969	3,130
Increase (Decrease) in provision for insured events of prior years	3,996	3,973
Total incurred claims and adjustment expenses	8,965	7,103
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,376)	(832)
Claims and adjustment expenses attributable to insured events of prior years	(6,284)	(5,569)
Total payments	(7,660)	(6,401)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 28,721</u>	<u>\$ 27,416</u>

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

C. State Employee Injury Compensation Trust Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

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

(Amounts in Thousands)	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 25,767	\$ 22,307
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	2,376	5,471
Increase (Decrease) in provision for insured events of prior years	5,588	5,163
Total incurred claims and adjustment expenses	7,964	10,634
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,132)	(1,166)
Claims and adjustment expenses attributable to insured events of prior years	(5,318)	(6,008)
Total payments	(6,450)	(7,174)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 27,281	\$ 25,767

Prior to fiscal year 2008, six major state agencies financed their own risk for state employee injury compensation. This table includes the changes in claims liabilities for all of the state agencies, as well as Risk Management. During fiscal year 2008, Risk Management assumed the liabilities for five of the six major state agencies. Risk Management did not assume the liabilities for the Department of Transportation; however the Department of Transportation's liabilities are included in the table above. The claims incurred but not reported at the beginning of the year for Transportation totaled \$8,575,000, and total claims payments were \$2,520,000 in 2009. The Department of Transportation had \$8,894,000 in claims liabilities at the end of the year.

D. State Employees' Insurance Plan

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

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (approximately 62% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)

	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 37,102	\$ 38,296
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	405,747	371,133
Adjustment to estimated claims incurred but not reported at end of year	8,804	(1,427)
Total incurred claims and adjustment expenses	414,551	369,706
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(372,651)	(343,212)
Claims and adjustment expenses attributable to insured claims of prior years	(30,020)	(27,688)
Total payments	(402,671)	(370,900)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 48,982</u>	<u>\$ 37,102</u>

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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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 \$752 per participant for 2009 and \$775 per participant for 2008. 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 2009 and 2008:

(Amounts in Thousands)	September 30,	
	2009	2008
Unpaid claims and claim adjustment expense at beginning of year	\$ 69,594	\$ 50,968
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	775,205	699,409
Increase (Decrease) in provision for insured events of prior years	(39)	120
Total incurred claims and adjustment expenses	775,166	699,529
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(696,658)	(629,815)
Claims and adjustment expenses attributable to insured events of prior years	(69,555)	(51,088)
Total payments	(766,213)	(680,903)
Total unpaid claims and adjustment expenses at end of year	<u>\$ 78,547</u>	<u>\$ 69,594</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 \$3,829,000 and \$4,691,000 in 2009 and 2008, 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, 2009 and 2008:

(Amounts in Thousands)	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 3,508	\$ 4,382
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	21,643	21,629
Increase (Decrease) in provision for insured events of prior years	102	(404)
Total incurred claims and adjustment expenses	21,745	21,225
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(19,912)	(20,273)
Claims and adjustment expenses attributable to insured events of prior years	(1,838)	(1,826)
Total payments	(21,750)	(22,099)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 3,503</u>	<u>\$ 3,508</u>

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

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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

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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, 2009 and 2008:

(Amounts in Thousands)	September 30,	
	2009	2008
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 1,815	\$ 1,492
Provision for claims	1,282	943
Total payments	(764)	(620)
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$ 2,333</u>	<u>\$ 1,815</u>

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

NOTE 7 - RETIREMENT PLANS

A. Retirement Systems of Alabama

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

1. Plan Descriptions

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

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

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

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by State law. The retirement benefit provisions are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving

payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of service. State police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

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

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

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

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

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2009. Copies may be obtained by writing to:

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

STATE OF ALABAMA
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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, 2009, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	282	-
Counties	-	65	67
Other Public Entities	-	502	-
Universities	13	-	-
Post-Secondary Institutions	29	-	-
City & County Boards of Education	131	-	-
State Agencies & Other	31	1	1
Total	<u>204</u>	<u>850</u>	<u>68</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. Under these requirements, the TRS, ERS, and JRF are considered component units of the State of Alabama.

b. Investments

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

As of September 30, 2009, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 5.98 percent and 6.73 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, 2008 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by Title 36, Chapter 27 of the Alabama State Law, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the TRS and ERS, the normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required

in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization method is level percent open for the September 30, 2008 actuarial valuations for the TRS and the ERS. The remaining amortization period is 20 years for the TRS, ERS-state employees, and ERS-state policemen.

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

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

For fiscal year 2009, the required contribution rate of the employer for ERS (state employees) is 11.88 percent and the rate for TRS is 12.07 percent. The employer contribution rate for ERS state policemen and JRF is 30.99 percent and 23.23 percent, respectively.

a. TRS and JRF

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

	Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
TRS	2007	540,847	100
	2008	729,995	100
	2009	753,487	100
JRF	2007	9,307	100
	2008	9,880	100
	2009	10,661	100

* Amounts in Thousands

b. State Employer Segment of ERS

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

(Amounts in thousands)	Employees' Retirement System State Employees and State Policemen	
Actuarial Valuation Date	9/30/2008	
Actuarial Accrued Liability (AAL)	\$	7,102,856
Actuarial Value of Assets		5,262,934
Unfunded Actuarial Accrued Liability (UAAL)	\$	1,839,922
Funded Ratio	74.1%	
Covered Payroll	\$	1,582,712
UAAL as a Percentage of Covered Payroll	116.3%	

STATE OF ALABAMA

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

Contributions in 2009 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2006.

Actuarial Methods for ERS

Valuation Date: September 30, 2006
Actuarial Cost Method: Entry Age
Asset Valuation Method: 5 Yr Smoothed Market
Amortization Method: Level Percent Open
Remaining Amort Period: State Employees 20 years, State Policemen 20 years
Period Closed/Open: Open

Actuarial Assumptions for ERS

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

*Includes inflation at 4.5%

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

Three-Year Trend Information

Year	Annual	Percentage	Net
Ended	Pension	of APC	Pension
	Cost (APC)	Contributed	Obligation
2007	\$ 118,889,541	100	0
2008	160,909,372	100	0
2009	191,837,980	100	0

B. Other Pension Plans

The State Port Authority administers two single-employer pension plans, the Hourly Plan and the Terminal Railway Plan, for a small number of hourly workers and railway employees. The Peace Officers Annuity and Benefit Fund is a cost-sharing multiple-employer defined benefit pension plan that provides a small additional pension benefit to state and local peace officers beyond that which is paid by the Employees' Retirement System. The Clerks and Registers Supernumerary Fund is a cost-sharing multiple-employer defined benefit pension plan that provides pension benefits to circuit clerks and registrars of courts. These pension plans are not material to the State.

NOTE 8 - DEFERRED COMPENSATION

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

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

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2009, net assets of the plan totaled \$1,189,090,000.

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

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

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

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

A. Plan Descriptions

The Alabama Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 186 participating employers.

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

The Public Education Employees' Health Insurance Board issues a stand-alone plan financial report for the Alabama Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2009. A copy may be obtained by writing to:

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

The State Employees' Insurance Board issues a stand-alone financial report that includes the Alabama Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2009. A copy may be obtained by writing to:

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

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

2. Investments

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

C. Funding Policy

The cost of the teachers’ health care benefits is paid from the regular appropriations made to individual education entities. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$302,415,000 was on behalf of retired members of PEEHIP for fiscal year 2009. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$97.54 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. Also, the State may make additional contributions. Additional funds were not contributed during fiscal year 2009. The Medicare Part D retiree drug subsidy for fiscal year 2009 was \$24,720,000.

The State provides health care benefits for retired state employees through SEHIP. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees, who retire on or after October 1, 2005 except for disability, Act 2004-648 provides that the State contribution for retiree health insurance premiums shall be based on years of service. The State contribution to the health insurance premium shall be reduced by two percent for each year of service less than twenty-five and increased by two percent for each year of service over twenty-five. The retiree is responsible for the amount of contribution not covered by the State. Also, the State may make additional contributions. Additional funds were contributed in the amount of \$29,042,000 as authorized by the SEHIP board. The Medicare Part D retiree drug subsidy for fiscal year 2009 was \$3,195,000.

1. Annual OPEB Cost and Net OPEB Obligation

Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires additional reporting and disclosures for OPEB plans. The OPEB liability for the PEEHIP is zero because it is a cost-sharing multiple-employer plan. The following OPEB amounts are for the SEHIP:

(Amounts in thousands)	Primary Government	Component Units	Fiduciary
Annual required contribution	\$ 191,777	\$ 17,969	\$ 1,685
Interest on net OPEB obligation	9,351	876	82
Adjustment to ARC	<u>(6,675)</u>	<u>(625)</u>	<u>(59)</u>
Annual OPEB cost	194,453	18,220	1,708
Contributions made	<u>(96,116)</u>	<u>(9,006)</u>	<u>(844)</u>
Increase in net OPEB obligation	98,337	9,214	864
Net OPEB obligation, beginning of year	186,576	17,978	1,615
Net OPEB obligation, end of year	<u>\$ 284,913</u>	<u>\$ 27,192</u>	<u>\$ 2,479</u>

Percentage of annual OPEB cost contributed: 49%

2. Funded Status and Funding Progress

The funded status of the plan for the retired state employees as of September 30, 2009, was as follows:

(Amounts in thousands)	Retired State Employees' Health Care Trust (SEHIP)
Actuarial Valuation Date	09/30/2008
Actuarial Accrued Liability (AAL)	\$ 3,003,381
Actuarial Value of Assets	<u>52,185</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,951,196</u>
Funded Ratio	2%
Covered Payroll	\$ 1,623,879
UAAL as a Percentage of Covered Payroll	181.7%

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

3. Actuarial Methods and Assumptions

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

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2009 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust

Valuation Date:	September 30, 2006
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	30 Years
Period Closed/Open:	Open

Actuarial Assumptions for Retired State Employees' Health Care Trust

Investment Rate of Return:	5.00%
Medical Cost Trend Rate:	
Medicare Eligible	9.50%
Pre-Medicare	12.00%
Ultimate Trend Rate:	
Medicare Eligible	5.00%
Pre-Medicare	5.00%
Year of Ultimate Trend Rate:	2013
Dental Trend Rate:	5.00%

*Includes Inflation at 4.5%

The assumed investment rate of return reflects the fact that although, as of September 30, 2006, the Plan does not have assets in trust solely to provide benefits to retirees and their beneficiaries, a trust has been established along with a policy to make regular contributions representing a partial payment toward the ARC each year. If the Plan starts fully pre-funding benefits, the discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins. This investment rate of return assumption is independent of the inflation assumption.

4. Trend Information

The employer contributions and annual OPEB cost of the plan for the state employees is presented in the table below. Since fiscal year 2009 is the second year of application of GASB 45, only a two year history is presented.

(Amounts in thousands)	Employer Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 137,498	\$ 343,668	40%	\$ 206,170
2009	105,967	214,381	49%	314,584

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 \$135,125 and \$100,000 to the Authority for fiscal year 2009 and fiscal year 2008, 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>2009</u>	<u>2008 *</u>
Fund Balance	\$ 239	\$ 215
Revenues	388	405
Expenditures	364	390

*Revised

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

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had \$320,516 in revenues in 2009.

NOTE 12 - RELATED PARTY TRANSACTIONS

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

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

The UABEF made contributions to the University of Alabama at Birmingham (UAB) of \$4,709,000 during the 2009 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,786,000 for 2009.

An affiliation agreement documents the relationship between HSF and UAB. The operating revenues of UAB include approximately \$40,576,000 of funding from HSF in 2009, which is used to support the educational and research activities of UAB.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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 \$6,364,000 during 2009 to the UAB Health System Board.

The South Alabama Medical Science Foundation exists for the purpose of promoting education and research at the University of South Alabama. The Foundation reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$1,538,000 for 2009.

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 \$116.6 million in fiscal year 2009, \$106.1 million in fiscal year 2008, \$99.0 million in fiscal year 2007, \$94.6 million in fiscal year 2006, \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various state programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

The State is a party to numerous legal proceedings that occur in the normal course of governmental operations, some of which involve potentially significant amounts. The lawsuits involving potentially significant amounts are described below. Other proceedings involving amounts that, when aggregated, have no material effect on the accompanying government-wide financial statements, may have an impact on the related individual 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.

Blaylock, et al. v. American Tobacco Co., et al., filed in the Circuit Court of Montgomery County is an arbitration proceeding concerning the Master Settlement Agreement (MSA) that was negotiated with the tobacco industry in 1998. The MSA was entered into as a settlement of litigation brought against the participating tobacco products manufacturers by the Attorney Generals of the signatory states to reimburse the states for health care expenses in treating their citizens affected by the use of tobacco products sold by the manufacturers. The MSA contains a provision that allows an adjustment to reduce the payments by the tobacco industry if the MSA has been determined to be a significant factor in the loss of market share by the manufacturers. States will not be subject to a reduction in their payments if it is determined that they diligently enforced their escrow statutes. The 2003 payment has a potential adjustment of \$1.2 billion nationwide that could be applied to the states that are determined not to have diligently enforced their escrow statutes during 2003. The question of whether the state was diligent will be determined by an arbitration panel consisting of three retired Article III federal judges. Alabama's potential share of the adjustment could be as much as \$100 million if Alabama is deemed to have not diligently enforced its escrow statutes during 2003.

In March 2002 the Alabama Public School and College Authority (the "Authority") and JPMorgan Chase Bank ("JPMorgan") entered into a series of agreements (collectively, the "Swap Options") in connection with the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds and Series 1999-D Bonds (together, the "Authority Bonds"). The Swap Options were amended in 2003. Under the terms of the Swap Options the Authority received lump sum payments of approximately \$12.6 million, and JPMorgan was granted an option to require the Authority to enter into fixed rate payer swaps in connection with variable rate refundings of the Authority Bonds. JPMorgan gave notice of exercise of the first option in June 2008 and has since given notice of the exercise of each of the other options. From July 2008 through October 2008, prior to the exercise date for the first Swap Option, the Authority initiated discussions with JPMorgan about the Swap Options and raised concerns about the structure and legality of the Swap Options. The Authority and JPMorgan were not able to reach an agreement that would resolve the Authority's concerns, and in October 2008 the Authority filed a declaratory judgment action in federal district court requesting the court to determine the rights and obligations of the parties under the Swap Options. In its complaint the Authority asks the court to determine whether, among other things, the Swap Options comply with procedural and documentation requirements imposed by state statute, whether, in light of the requirement that the Authority make fixed rate payments that were front-end loaded in relation to the expected refunding bond amortization, the substance of the Swap Options should be considered an unauthorized loan, rather than a hedge against interest rate risk, and whether the anticipated refunding transactions were feasible or possible to perform under the terms required by state law and in light of the deterioration of the market for variable rate demand bonds. The Authority's complaint also discloses that the former Finance Director, James Allen Main, received a subpoena for documents initiated by the United States Department of Justice seeking information concerning the Swap Options and related transactions. See Case No: 2:08-CV-863-WKW in the United States District Court for the Middle District of Alabama, Northern Division. JPMorgan filed a motion to dismiss the Authority's action, which the court denied. Thereafter, JPMorgan filed an answer, which includes a counterclaim seeking approximately \$122 million plus interest and attorneys' fees as a result of the termination of the Swap Options and the Authority's alleged failure to perform. The case is set for trial in October 2010. If the result of this litigation is a determination that the Swap Options are valid agreements requiring a payment by the Authority to JPMorgan, the amount payable could range from \$12.6 million (the lump sum payment received by the Authority) to the \$122 million plus interest and attorneys' fees claimed by JPMorgan. The Authority expects to make any required payment from the taxes pledged to the payments of the Authority Bonds or from the proceeds of bonds issued to finance any required payment. The Authority's legislative appropriation for the current fiscal year includes authority to pay amounts that may be due under the Swap Options. Legislative approval is required for continuation of that authority in future fiscal years. Additional legislative approval may be required to finance the payment with a bond issue.

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

The State of Alabama has been involved in settling 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 potential refunds totaling \$87,000,000 plus accumulated interest of \$150 million to \$200 million. The State Legislature enacted laws to remedy the significant loss of revenue.

The State of Alabama Department of Revenue is also involved in significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. Other cases challenge tax assessments made by the Department. These cases have a significant combined potential refund liability or reductions of assessments. Adverse rulings in these cases could also reduce future revenues.

Eugene Crum, Jr., et al. v. State of Alabama, et al., was 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. 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. The Court granted the State's "Motion for a Ruling" in May 2006. The Court recently denied class certification to plaintiffs and defendants. Any individual lawsuits remaining are not considered a significant liability to the state.

STATE OF ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2009

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, 2009 was \$29,159,000.

NOTE 15 - SUBSEQUENT EVENTS

From October 1, 2009 through December 14, 2009, the Alabama Housing Finance Authority called approximately \$23,605,000 of bonds prior to their scheduled maturities in the single family bond program. Prior to year-end, \$7,375,000 of multifamily variable rate bonds had been rendered and were in the process of being remarketed. None of these bonds had been remarketed as of December 14, 2009.

The Alabama Housing Finance Authority issued \$17,150,000 Series 2010-A single family bonds on February 17, 2010.

On December 29, 2009, Auburn University issued \$79,500,000 Series 2009 University General Fee Revenue Bonds. The proceeds will be used to refund The Series 2001 and Series 2001-A General Fee Revenue Bonds. The Bonds have an interest rate range of 3% to 5% with a maturity date of December 1, 2020.

The University of Alabama at Tuscaloosa issued 2009-A and 2009-B General Revenue Bonds on October 30, 2009 totaling \$183,485,000. The proceeds from these bond issuances will fund various capital projects currently underway.

On October 21, 2009, the Alabama Public School and College Authority issued \$467,325,000 Series 2009-A Capital Improvement Refunding Bonds, \$174,960,000 Series 2009-B Capital Improvement Pool Refunding Bonds and \$37,750,000 Series 2009-C Capital Improvement Pool Bonds. The Series 2009-A bonds currently refunded \$212,720,000 Series 1998 bonds, \$18,360,000 Series 1999-A bonds and \$250,000,000 Series 1999-C bonds. The Series 2009-B bonds currently refunded \$151,170,000 Series 1999-D bonds. The 2009-B bonds also advance refunded \$27,815,000 of the 2001-A bonds (years maturing 2014 through 2018). The interest rate on the 2009-A, 2009-B and 2009-C bonds ranges from 3% to 5%. The bonds will be payable on May 1 and November 1 each year. The maturity date of the bonds is May 1, 2029.

On December 3, 2009, the Alabama Public School and College Authority issued \$145,880,000 Series 2009-D Capital Improvement Pool Qualified School Construction Bonds. The interest rate on the bonds is 1.865% and the bonds will mature on December 15, 2025.

Beginning in September 2009 the State exhausted its reserves in the Unemployment Compensation Trust Fund and began obtaining advances from the Federal Unemployment Trust Fund (Title XII advances). While the appropriate liability was recorded for the amount owed at September 2009, the amount that is being paid in premiums and contribution by Alabama employers continues to be less than the amount of the unemployment benefits being paid out of the state unemployment fund, therefore the liability continues to increase. At March 19, 2010 the total amount of advances received exceeded \$245 million, which is an increase over the amount owed at the end of September 2009 of approximately \$218 million. Section 2004 of Public Law 111-5 provides that interest accruing on Title XII advances beginning February 17, 2009 and ending December 31, 2010 will be waived. Interest accruing on advances after December 31, 2010 will be due no later than September 30, 2011.



STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,469,674	\$ 1,276,370	\$ 1,144,435	\$ (131,935)
Licenses, Permits and Fees	203,004	176,303	158,079	(18,224)
Fines, Forfeits, and Court Settlements	98,596	85,628	76,777	(8,851)
Investment Income	43,526	37,801	33,894	(3,907)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	1,039	903	809	(94)
Total Revenues	1,815,839	1,577,005	1,413,994	(163,011)
EXPENDITURES				
Administrative Office of Courts	163,306	159,222	159,222	-
Agriculture and Industries	17,730	17,004	16,998	6
Attorney General	14,397	12,957	12,957	-
Auditor	840	818	815	3
Commission on Higher Education	-	-	-	-
Corrections	370,445	372,446	366,072	6,374
Economic and Community Affairs	24,900	18,092	17,309	783
Education	-	-	-	-
Emergency Management	7,151	6,464	4,577	1,887
Examiners of Public Accounts	14,269	12,842	12,842	-
Finance	13,900	14,336	10,902	3,434
Governor	4,494	5,562	4,843	719
Human Resources	-	-	-	-
Industrial Relations	2,706	2,436	2,295	141
Legislature	32,594	32,599	23,050	9,549
Medicaid	623,794	452,045	418,487	33,558
Mental Health	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	56,964	43,827	42,012	1,815
Public Safety	87,502	78,752	75,602	3,150
Public Service Commission	-	-	-	-
Rehabilitation Services	35	31	31	-
Revenue	114	202	181	21
Secretary of State	2,997	2,797	2,301	496
Transportation	-	-	-	-
Treasurer	2,662	2,396	2,104	292
Youth Services	17,383	15,512	15,493	19
Colleges and Universities	-	-	-	-
Other	231,959	220,309	202,955	17,354
Total Expenditures	1,690,142	1,470,649	1,391,048	79,601
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,697	106,356	22,946	(83,410)
OTHER FINANCING SOURCES (USES)				
Transfers In	241,830	210,022	188,313	(21,709)
Transfers Out	(367,527)	(316,390)	(290,158)	26,232
Insurance Recovery Proceeds	-	12	12	-
Total Other Financing Sources (Uses)	(125,697)	(106,356)	(101,833)	4,523
Net Change in Fund Balances	\$ 0	\$ 0	(78,887)	\$ (78,887)

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		
\$ 5,895,867	\$ 5,258,583	\$ 5,232,572	\$ (26,011)	\$ 1,041,800	\$ 1,280,338	\$ 1,025,796	\$ (254,542)
117	104	103	(1)	382,846	470,505	376,965	(93,540)
-	-	-	-	54,947	67,528	54,103	(13,425)
-	-	-	-	17,661	21,705	17,390	(4,315)
-	-	-	-	7,604,365	9,345,512	7,487,548	(1,857,964)
868	775	771	(4)	835,175	1,026,402	822,345	(204,057)
5,896,852	5,259,462	5,233,446	(26,016)	9,936,794	12,211,990	9,784,147	(2,427,843)
-	-	-	-	19,887	28,245	25,109	3,136
-	-	-	-	24,709	34,738	28,667	6,071
-	-	-	-	5,623	7,850	6,054	1,796
-	-	-	-	-	-	-	-
22,237	19,791	17,436	2,355	5,123	6,831	5,510	1,321
-	-	-	-	72,244	78,709	51,371	27,338
-	-	-	-	225,859	385,363	234,975	150,388
4,302,657	3,827,507	3,811,592	15,915	1,338,916	1,360,556	1,037,921	322,635
-	-	-	-	130,519	130,719	71,546	59,173
7,514	6,687	6,687	-	3,007	5,260	3,907	1,353
-	-	-	-	125,183	130,084	93,823	36,261
-	-	-	-	-	-	-	-
-	-	-	-	1,373,887	1,880,329	1,646,530	233,799
-	-	-	-	92,029	105,823	77,326	28,497
-	-	-	-	-	-	-	-
-	-	-	-	4,130,761	4,612,131	4,430,422	181,709
-	-	-	-	953,967	962,568	853,044	109,524
465,114	414,929	409,616	5,313	36,982	46,498	31,888	14,610
19,155	17,048	16,900	148	681,018	692,991	626,435	66,556
-	-	-	-	93,281	96,288	66,441	29,847
-	-	-	-	19,524	19,532	15,137	4,395
41,894	37,285	37,284	1	115,262	118,131	97,334	20,797
-	-	-	-	136,886	142,497	128,546	13,951
-	-	-	-	19,037	19,207	2,393	16,814
-	-	-	-	1,301,097	2,654,234	1,389,866	1,264,368
-	-	-	-	3,232	3,517	2,838	679
60,096	59,143	58,585	558	30,345	34,435	20,069	14,366
1,274,671	1,134,457	1,134,457	-	-	22	22	-
134,543	123,580	121,636	1,944	1,157,361	1,311,002	1,074,267	236,735
6,327,881	5,640,427	5,614,193	26,234	12,095,739	14,867,560	12,021,441	2,846,119
(431,029)	(380,965)	(380,747)	218	(2,158,945)	(2,655,570)	(2,237,294)	418,276
493,545	440,197	438,020	(2,177)	2,158,945	2,653,272	2,125,780	(527,492)
(62,516)	(59,232)	(59,232)	-	-	-	-	-
-	-	-	-	-	2,298	2,298	-
431,029	380,965	378,788	(2,177)	2,158,945	2,655,570	2,128,078	(527,492)
\$ 0	\$ 0	(1,959)	\$ (1,959)	\$ 0	\$ 0	(109,216)	\$ (109,216)

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	\$ (78,887)	\$ (1,959)	\$ (109,216)	
Reconciliation to GAAP Basis:				
Perspective Differences:				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	109,216	\$ 607
Basis Differences:				
Accruals of revenues and other revenue adjustments	(78,527)	(409,005)		(2)
Accruals of expenditures, expenses and other non-budgeted items	(12,272)	954		-
To remove asset purchases treated as budgetary expenditures	15,304	-		-
To remove encumbrances recognized as expenditures	1,921	3,377		113
To recognize prior budget year expenditures/expenses	(7,123)	(890)		(90)
To remove budget expenditures/expenses not accrued as liabilities	557	(867)		-
Entity Differences:				
Add net operating results for funds not budgeted				(32,050)
Net Change in Fund Balances/Net Assets - GAAP Basis	(159,027)	(408,390)	0	(31,422)
Fund Balances/Net Assets, October 1, 2008, as Restated	381,694	186,849		2,982,838
Increase (Decrease) in Inventory	(525)	-		-
Fund Balances/Net Assets, September 30, 2009	\$ 222,142	\$ (221,541)		\$ 2,951,416

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
\$ 15,559	\$ (145,833)	\$ 523	\$ 126,647	\$ (56,077)	\$ (21,511)	\$ (10,661)	\$ (720)	\$ (17,750)
(9,348)	34,427	(986)	123,191	(8)	10,612	(1,301)	106	8,408
61,333	760	44,608	(32,337)	51,712	(9,699)	9,818	558	5,283
-	-	-	489	1,167	9,981	866	-	3,468
4,667	22,674	4,227	24,391	1,053	3,243	462	2	3,720
623	(12,838)	(2,033)	(123,785)	(164)	(1,170)	(203)	(3)	(474,306)
(2,979)	(1,075)	(39)	13,278	30	(125)	90	-	1,806
70	5,953	1,600	2,998	(364,510)	109	(2,715,463)	(52,238)	220,451
69,925	(95,932)	47,900	134,872	(366,797)	(8,560)	(2,716,392)	(52,295)	(248,920)
(78,280)	520,046	35,972	1,111,214	1,578,465	151,016	28,785,779	1,187,261	6,481,482
-	(5,662)	-	197	-	-	-	-	-
\$ (8,355)	\$ 418,452	\$ 83,872	\$ 1,246,283	\$1,211,668	\$ 142,456	\$ 26,069,387	\$ 1,134,966	\$ 6,232,562

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2009

Budgetary Process

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

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are included in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins.

During fiscal year 2009, legislation was adopted to decrease the total General Fund appropriations by approximately \$273 million. The Medicaid Agency, the Department of Mental Health, and the Department of Public Health appropriations were decreased by \$165 million, \$39 million, and \$10 million, respectively, because of the mid-year budgetary cuts. Also, many agencies were affected by the appropriation decrease of \$53 million for the deficit prevention plan that was included in the mid-year legislation. Approximately \$9 million of supplemental appropriations and \$2 million of conditional and other appropriations were distributed to various agencies from the General Fund. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill.

The Education Trust Fund appropriations were reduced twice as a result of proration in the amounts of \$571 million and \$127 million. During fiscal year 2009, \$15 million of supplemental appropriations were distributed from the Education Trust Fund. Walker County School System and Veterans Affairs received supplemental appropriations of \$8 million and \$5 million, respectively.

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

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes Federal funds which are included in the Earmarked Funds. Most of the \$2.8 billion increase in the Earmarked Funds is increased Federal funds.

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2009

Budgetary Control

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

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

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

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. The General Fund was not prorated in 2009; however, the Education Trust Fund was prorated by 9% and then by an additional 2%.

Encumbrance Accounting

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

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

Lapsing of Appropriations

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

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2009

Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution of Alabama of 1901*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always equals or exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No. 41 requires that budgetary comparison schedules be presented as RSI based on the fund, organization, or program structure that the government uses for its legally adopted budget for a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund. The budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. The Earmarked Fund group does not correspond to a major GAAP fund and these perspective differences are included in the Budget-to-GAAP Reconciliation. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Governmental Funds subsection of the Combining and Individual Fund Statements and Schedules Section of the CAFR. This schedule provides detail information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2009

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

	Fiscal and Accident Year Ended									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Premiums and investment revenue:										
Earned	\$ 15,468	\$ 13,871	\$ 11,785	\$ 20,108	\$ 26,051	\$ 28,012	\$ 28,682	\$ 31,625	\$ 31,505	\$ 32,760
Ceded	3,721	4,625	6,819	9,220	9,355	8,866	11,098	15,067	16,582	17,022
Net Earned	11,747	9,246	4,966	10,888	16,696	19,146	17,584	16,558	14,923	15,738
2. Unallocated Expenses	1,386	1,492	1,630	1,321	1,226	1,435	2,012	2,012	3,030	3,273
3. Estimated losses and expenses, end of accident year:										
Incurred	7,453	10,467	9,033	20,571	19,112	15,806	17,978	34,751	1,910	12,113
Ceded	-	580	1,042	6,950	5,857	990	89	23,973	-	-
Net incurred	7,453	9,887	7,991	13,621	13,255	14,816	17,889	10,778	1,910	12,113
4. Net paid (cumulative) as of:										
End of Accident Year	2,257	4,086	1,638	6,724	2,956	2,229	6,245	4,617	1,450	2,980
One Year Later	5,534	8,732	6,962	12,336	8,432	10,068	12,391	14,468	6,257	
Two Years Later	7,134	9,764	7,408	11,636	9,549	12,021	14,930	15,893		
Three Years Later	7,138	9,782	7,424	11,983	10,301	12,138	14,977			
Four Years Later	7,098	9,796	7,424	11,066	10,347	12,096				
Five Years Later	7,098	9,796	7,453	10,957	10,231					
Six Years Later	7,096	9,796	7,459	10,730						
Seven Years Later	7,098	9,746	7,278							
Eight Years Later	7,064	9,582								
Nine Years Later	6,867									
5. Reestimated ceded losses and expenses	-	537	2,221	6,173	26,167	15,667	87	16,293	-	-
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	7,453	9,887	7,991	13,621	13,255	14,816	17,889	10,778	1,910	12,113
One Year Later	7,315	9,726	7,716	13,057	10,602	13,801	16,170	16,662	7,535	
Two Years Later	7,384	10,103	7,687	12,054	10,662	13,247	15,133	16,120		
Three Years Later	7,350	10,021	7,471	11,999	10,623	12,292	15,160			
Four Years Later	7,241	9,846	7,449	11,113	10,347	12,096				
Five Years Later	7,098	9,796	7,513	10,957	10,231					
Six Years Later	7,096	9,796	7,459	10,730						
Seven Years Later	7,098	9,746	7,278							
Eight Years Later	7,064	9,582								
Nine Years Later	6,867									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(586)	(305)	(713)	(2,891)	(3,024)	(2,720)	(2,729)	5,342	5,625	-

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Employees' Retirement System****For the Fiscal Year Ended September 30, 2009****State Employees and State Policemen**

(Amounts In Thousands)

	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8
9/30/2004	4,922,875	5,464,579	541,704	90.1	1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5
9/30/2008	5,262,934	7,102,856	1,839,922	74.1	1,582,712	116.3

The Retirement Systems of Alabama issues a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2009. Copies may be obtained by writing to:

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

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Retired State Employees' Health Care Trust**For the Fiscal Year Ended September 30, 2009

Retired State Employees Health Care Trust

(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2005	\$ 0	\$ 5,286,341	\$ 5,286,341	0.0%	\$ 1,290,589	409.6%
9/30/2006	\$ 0	\$ 3,103,872	\$ 3,103,872	0.0%	\$ 1,372,085	226.2%
9/30/2007	\$ 0	\$ 2,984,796	\$ 2,984,796	0.0%	\$ 1,582,827	188.6%
9/30/2008	\$ 52,185	\$ 3,003,381	\$ 2,951,196	1.7%	\$ 1,623,879	181.7%

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Fiscal Year Ended September 30, 2009

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Schedule of Funding Progress. The table below summarizes these changes.

Actuarial Valuation Date	Investment Rate of Return	Medical Cost Trend Rate		Ultimate Trend Rate	Year of Ultimate Trend Rate
		Medicare Eligible	Pre-Medicare		
9/30/2005	4%		12%	6%	2009
9/30/2006	5%	9.5%	12%	5%	2013
9/30/2007	5%	9.5%	11%	5%	2016
9/30/2008	5%	9.0%	11%	5%	2016

The medical cost trend rate for Medicare-eligible retirees was changed from 9.5 percent to 9 percent for the 9/30/2008 valuation and for Pre-Medicare retirees was changed from 12 percent to 11 percent for the 9/30/2007 valuation. The investment rate of return was changed from 4 percent to 5 percent and the ultimate trend rate was changed from 6 percent to 5 percent for the 9/30/2006 valuation. Also, a Medicare Advantage Plan was established for Medicare-eligible retirees. The effects of these changes are reflected in the actuarial valuations.

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and required supplementary information for the year ended September 30, 2009. A copy may be obtained by writing to:

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2009

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2009 include approximately 10,876 miles of state maintained highways and 5,368 of state maintained bridges and culverts.

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

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

Roads

Measurement Scale

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

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

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

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2009

Established Condition Level

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

Assessed Conditions

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

Category	As of September 30,					
	2009		2008		2007	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National						
Highway System	7,192	79.50	7,197	83.12	7,151	87.12
Non-Interstate National						
Highway System	2,779	64.08	2,773	66.49	2,783	73.80
Interstate System	906	62.77	906	62.79	906	73.19
Summary Total and						
Weighted Average Rating	10,876	74.17	10,875	77.19	10,840	82.54

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, 2009

Category	As of September 30,					
	2009		2008		2007	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National						
Highway System	2,594	6.71	2,592	6.76	2,590	6.76
Non-Interstate National						
Highway System	1,625	6.91	1,621	6.91	1,600	6.91
Interstate System	1,149	6.08	1,149	6.11	1,148	6.12
Summary Total and						
Weighted Average Rating	5,368	6.64	5,362	6.67	5,338	6.67

Estimated and Actual Costs

In fiscal years 2009, 2008, 2007, 2006, and 2005 the State estimated it would need to spend \$310.0, \$320.0, \$277.7, \$247.1, and \$247.1 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$316,082,000 for roadway preservation and \$34,457,000 for bridge preservation in fiscal year 2009. In fiscal year 2008, the State spent \$265,160,000 for road preservation and \$22,434,000 for bridge preservation. In fiscal year 2007, the State spent \$293,253,000 for roadway preservation and \$2,821,000 for bridge preservation. In fiscal year 2006, the State spent \$249,823,000 for roadway preservation and \$2,188,000 for bridge preservation. In fiscal year 2005, the State spent \$179,902,767 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 \$306,038,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Condition levels are expected to continue to meet or exceed the “Established Condition Levels”.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2009

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 899,254	\$ 461	\$ 86,388	\$ 11,907	\$ 998,010
Investment Sales Receivable	240	-	-	-	240
Investments	374,309	307	710	51,562	426,888
Due from Other Funds	53,866	-	-	-	53,866
Due from Component Units	3,448	-	-	-	3,448
Accounts Receivable	5,766	-	-	121	5,887
Due from Other Governments	118,993	-	-	14	119,007
Taxes Receivable	292,048	-	-	-	292,048
Interest and Dividends Receivable	3,388	-	5	17	3,410
Mortgages, Notes, and Loans Receivable	-	-	-	55	55
Securities Lending Collateral	55,147	-	11	6,914	62,072
Inventory	1,238	-	-	-	1,238
Restricted Assets	3,251	-	-	-	3,251
TOTAL ASSETS	\$ 1,810,948	\$ 768	\$ 87,114	\$ 70,590	\$ 1,969,420
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 6,922	\$ 0	\$ 2	\$ 0	\$ 6,924
Investment Purchases Payable	772	-	-	-	772
Salaries Payable	43,644	-	-	-	43,644
Due to Other Funds	40,199	-	-	13	40,212
Due to Component Units	132,739	-	-	-	132,739
Accounts Payable	106,465	-	1,862	41	108,368
Due to Other Governments	183,735	-	274	11	184,020
Securities Lending Obligation	55,147	-	11	6,914	62,072
Deferred Revenue	123,846	-	-	-	123,846
Amounts Held in Custody for Others	20,117	-	-	-	20,117
Compensated Absences	423	-	-	-	423
Total Liabilities	714,009	0	2,149	6,979	723,137
Fund Balances					
Reserved for:					
Encumbrances	26,687	-	1,484	-	28,171
Inventory	1,238	-	-	-	1,238
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	-	-	-	33,410	33,410
Unreserved, Designated for Capital Projects	-	-	83,481	-	83,481
Unreserved, Designated for Debt Service	-	768	-	-	768
Unreserved, Undesignated	1,061,105	-	-	30,201	1,091,306
Total Fund Balances	1,096,939	768	84,965	63,611	1,246,283
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,810,948	\$ 768	\$ 87,114	\$ 70,590	\$ 1,969,420

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, 2009

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 1,167,120	\$ 0	\$ 0	\$ 0	\$ 1,167,120
Licenses, Permits, and Fees	360,440	-	-	1,382	361,822
Fines, Forfeits, and Court Settlements	148,204	-	-	-	148,204
Investment Income	30,008	297	560	4,304	35,169
Federal Grants and Reimbursements	1,934,769	-	-	-	1,934,769
Other Revenues	315,530	2,285	-	1,785	319,600
Total Revenues	3,956,071	2,582	560	7,471	3,966,684
EXPENDITURES					
Current:					
Economic Development and Regulation	216,321	-	-	-	216,321
Education and Cultural Resources	1,265,157	-	-	822	1,265,979
Natural Resources and Recreation	145,328	-	13,411	26	158,765
Health	967,266	-	-	-	967,266
Social Services	334,166	-	-	-	334,166
Protection of Persons and Property	471,977	-	-	-	471,977
Transportation	236,061	-	-	-	236,061
General Government	608,621	-	-	-	608,621
Capital Outlay	-	-	92,995	-	92,995
Debt Service - Principal Retirement	2,705	50,040	-	-	52,745
Debt Service - Interest and Other Charges	2,569	43,802	3	-	46,374
Total Expenditures	4,250,171	93,842	106,409	848	4,451,270
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(294,100)	(91,260)	(105,849)	6,623	(484,586)
OTHER FINANCING SOURCES (USES)					
Transfers In	845,660	91,463	1,859	1,611	940,593
Transfers Out	(318,289)	(4,065)	(5,630)	(1,101)	(329,085)
Capital Leases	1,750	-	5,296	-	7,046
Insurance Recovery Proceeds	904	-	-	-	904
Total Other Financing Sources (Uses)	530,025	87,398	1,525	510	619,458
Net Change in Fund Balances	235,925	(3,862)	(104,324)	7,133	134,872
Fund Balances, October 1, 2008, as Restated	860,817	4,630	189,289	56,478	1,111,214
Increase (Decrease) in Inventory	197	-	-	-	197
Fund Balances, September 30, 2009	\$ 1,096,939	\$ 768	\$ 84,965	\$ 63,611	\$ 1,246,283



Nonmajor Special Revenue Funds

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

Public Health Department

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

Education Department

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

Economic and Community Affairs

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

Revenues Allocated to Other Governments

Account for revenues from taxes and other revenue sources which are shared with local governments and component units.

Other Medicaid Funds

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

Rehabilitation Services

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

Public School Fund

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

Children First Trust

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

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

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

Conservation and Natural Resources

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

Other Nonmajor Special Revenue Funds

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

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2009

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 54,089	\$ 45,098	\$ 23,365	\$ 73,064	\$ 3,768
Investment Sales Receivable	-	-	-	-	-
Investments	-	-	-	-	-
Due from Other Funds	17,531	4,350	1,382	928	-
Due from Component Units	1,336	2	-	-	-
Accounts Receivable	74	187	223	-	-
Due from Other Governments	13,144	76,006	13,988	-	-
Taxes Receivable	-	3	-	145,000	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	3,401	3,421	649	5,549	286
Inventory	-	-	285	-	-
Restricted Assets	-	-	-	-	-
TOTAL ASSETS	\$ 89,575	\$ 129,067	\$ 39,892	\$ 224,541	\$ 4,054
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 284	\$ 1,068	\$ 230	\$ 116	\$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	457	3,977	1,120	-	-
Due to Other Funds	10,300	428	3,517	1,854	-
Due to Component Units	26	41	2	131,838	-
Accounts Payable	29,583	5,217	10,273	41	-
Due to Other Governments	193	82,100	2,986	85,130	-
Securities Lending Obligation	3,401	3,421	649	5,549	286
Deferred Revenue	-	-	256	13	-
Amounts Held in Custody for Others	6	-	-	-	-
Compensated Absences	60	83	47	-	-
Total Liabilities	44,310	96,335	19,080	224,541	286
Fund Balances					
Reserved for:					
Encumbrances	3,894	5,540	451	-	-
Inventory	-	-	285	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	41,371	27,192	12,200	-	3,768
Total Fund Balances	45,265	32,732	20,812	0	3,768
TOTAL LIABILITIES AND FUND BALANCES	\$ 89,575	\$ 129,067	\$ 39,892	\$ 224,541	\$ 4,054

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 24,146	\$ 31,304	\$ 21,624	\$ 4,038	\$ 19,422	\$ 69,143	\$ 530,193	\$ 899,254
-	-	-	-	-	-	240	240
-	-	-	-	-	16	374,293	374,309
2,302	13	566	5	1,264	531	24,994	53,866
6	-	-	-	-	-	2,104	3,448
7	-	7	-	-	3,160	2,108	5,766
-	-	-	-	-	3,331	12,524	118,993
-	129,133	-	12,335	-	296	5,281	292,048
-	-	-	-	-	52	3,336	3,388
1,814	2,378	1,642	306	1,475	5,249	28,977	55,147
128	-	-	95	-	563	167	1,238
-	-	-	-	-	-	3,251	3,251
\$ 28,403	\$ 162,828	\$ 23,839	\$ 16,779	\$ 22,161	\$ 82,341	\$ 987,468	\$ 1,810,948
\$ 95	\$ 1	\$ 157	\$ 9	\$ 18	\$ 123	\$ 4,821	\$ 6,922
-	-	-	-	-	-	772	772
2,884	-	63	7,010	4,891	5,011	18,231	43,644
1,804	-	1,207	1,313	1,787	1,849	16,140	40,199
18	-	456	-	22	6	330	132,739
8,338	-	2,548	1,812	1,138	4,235	43,280	106,465
226	-	457	23	20	279	12,321	183,735
1,814	2,378	1,642	306	1,475	5,249	28,977	55,147
-	111,717	-	-	-	11	11,849	123,846
1	-	-	18	-	184	19,908	20,117
2	-	-	48	90	-	93	423
15,182	114,096	6,530	10,539	9,441	16,947	156,722	714,009
523	-	2	934	187	2,577	12,579	26,687
128	-	-	95	-	563	167	1,238
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
12,570	48,732	17,307	5,211	12,533	62,254	817,967	1,061,105
13,221	48,732	17,309	6,240	12,720	65,394	830,746	1,096,939
\$ 28,403	\$ 162,828	\$ 23,839	\$ 16,779	\$ 22,161	\$ 82,341	\$ 987,468	\$ 1,810,948

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 2,540	\$ 3,538	\$ 0	\$ 769,081	\$ 58,500
Licenses, Permits, and Fees	36,834	1,634	10	28,115	-
Fines, Forfeits, and Court Settlements	-	1	2,015	116,594	-
Investment Income	-	-	97	-	-
Federal Grants and Reimbursements	383,726	884,166	215,506	2,576	-
Other Revenues	48,014	9,833	4,116	-	35,112
Total Revenues	471,114	899,172	221,744	916,366	93,612
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	141,518	-
Education and Cultural Resources	-	859,040	-	171,041	-
Natural Resources and Recreation	-	-	-	1,833	-
Health	601,723	-	-	200,445	56,617
Social Services	-	42,877	24,541	-	-
Protection of Persons and Property	-	-	23,250	621	-
Transportation	-	-	-	209,538	-
General Government	-	-	153,504	223,219	-
Debt Service - Principal Retirement	512	-	-	-	-
Debt Service - Interest and Other Charges	685	-	-	-	-
Total Expenditures	602,920	901,917	201,295	948,215	56,617
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(131,806)	(2,745)	20,449	(31,849)	36,995
OTHER FINANCING SOURCES (USES)					
Transfers In	184,953	2,533	8,933	31,849	-
Transfers Out	(36,001)	(2,176)	(34,407)	-	(35,112)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	148,952	357	(25,474)	31,849	(35,112)
Net Change in Fund Balances	17,146	(2,388)	(5,025)	0	1,883
Fund Balances, October 1, 2008, as Restated	28,119	35,120	25,781	-	1,885
Increase (Decrease) in Inventory	-	-	56	-	-
Fund Balances, September 30, 2009	\$ 45,265	\$ 32,732	\$ 20,812	\$ 0	\$ 3,768

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 161,747	\$ 0	\$ 107,409	\$ 4,723	\$ 9,692	\$ 49,890	\$ 1,167,120
-	-	-	3,126	230	30,288	260,203	360,440
1,448	-	-	-	75	1,193	26,878	148,204
-	-	-	-	183	884	28,844	30,008
65,449	-	8	1,184	60,227	25,928	295,999	1,934,769
1,390	2,117	60,159	4,669	1,365	59,125	89,630	315,530
68,287	163,864	60,167	116,388	66,803	127,110	751,444	3,956,071
-	-	-	-	-	-	74,803	216,321
8,676	165,000	-	-	-	-	61,400	1,265,157
-	-	-	-	-	122,662	20,833	145,328
-	-	5,920	-	-	-	102,561	967,266
80,817	-	20,771	-	64,526	-	100,634	334,166
-	-	9,261	-	9,144	-	429,701	471,977
-	-	-	-	-	-	26,523	236,061
-	-	6,115	115,614	-	-	110,169	608,621
-	-	-	40	-	-	2,153	2,705
96	533	-	3	-	-	1,252	2,569
89,589	165,533	42,067	115,657	73,670	122,662	930,029	4,250,171
(21,302)	(1,669)	18,100	731	(6,867)	4,448	(178,585)	(294,100)
30,452	533	-	6,619	12,655	23,690	543,443	845,660
(387)	-	(14,769)	(12,419)	(3,861)	(21,547)	(157,610)	(318,289)
-	-	-	-	-	-	1,750	1,750
7	-	-	-	-	247	650	904
30,072	533	(14,769)	(5,800)	8,794	2,390	388,233	530,025
8,770	(1,136)	3,331	(5,069)	1,927	6,838	209,648	235,925
4,443	49,868	13,978	11,214	10,793	58,510	621,106	860,817
8	-	-	95	-	46	(8)	197
\$ 13,221	\$ 48,732	\$ 17,309	\$ 6,240	\$ 12,720	\$ 65,394	\$ 830,746	\$ 1,096,939

STATE OF ALABAMA

COMBINING BALANCE SHEET

Other Nonmajor Special Revenue Funds

September 30, 2009

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
ASSETS					
Cash and Cash Equivalents	\$ 6,130	\$ 33,713	\$ 52,037	\$ 2,383	\$ 858
Investment Sales Receivable	-	-	-	-	-
Investments	316	1,528	7,354	-	3,004
Due from Other Funds	6,223	1,524	62	554	-
Due from Component Units	-	2,070	3	-	-
Accounts Receivable	70	-	205	-	1,203
Due from Other Governments	-	-	-	7,257	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	252	-	-
Securities Lending Collateral	349	1,084	2,629	177	-
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	1,501
TOTAL ASSETS	\$ 13,088	\$ 39,919	\$ 62,542	\$ 10,371	\$ 6,566
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 12	\$ 364	\$ 62	\$ 70	\$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	161	3,661	1,326	338	-
Due to Other Funds	951	9,951	308	442	-
Due to Component Units	-	253	6	7	-
Accounts Payable	269	6,389	4,545	226	963
Due to Other Governments	5	483	1	22	-
Securities Lending Obligation	349	1,084	2,629	177	-
Deferred Revenue	-	-	10,505	-	80
Amounts Held in Custody for Others	-	26	917	-	-
Compensated Absences	-	-	17	-	-
Total Liabilities	1,747	22,211	20,316	1,282	1,043
Fund Balances					
Reserved for:					
Encumbrances	-	1,153	815	245	-
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	11,341	16,555	41,411	8,844	5,523
Total Fund Balances	11,341	17,708	42,226	9,089	5,523
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,088	\$ 39,919	\$ 62,542	\$ 10,371	\$ 6,566

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 8,459	\$ 38,869	\$ 4,394	\$ 132	\$ 20	\$ 0	\$ 383,198	\$ 530,193
-	-	-	-	240	-	-	240
259	-	-	19,596	332,762	-	9,474	374,293
-	-	-	-	-	-	16,631	24,994
-	-	-	-	-	-	31	2,104
-	-	-	-	-	-	630	2,108
5	-	-	-	-	-	5,262	12,524
-	-	-	-	-	-	5,281	5,281
2	1	-	64	3,016	-	1	3,336
-	714	-	10	-	-	24,014	28,977
-	-	-	-	-	-	167	167
-	-	-	-	-	-	1,750	3,251
\$ 8,725	\$ 39,584	\$ 4,394	\$ 19,802	\$ 336,038	\$ 0	\$ 446,439	\$ 987,468
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,313	\$ 4,821
-	-	-	-	772	-	-	772
-	-	-	-	-	-	12,745	18,231
-	14	-	-	-	-	4,474	16,140
-	-	-	-	-	-	64	330
72	1	724	-	-	-	30,091	43,280
-	-	-	-	-	-	11,810	12,321
-	714	-	10	-	-	24,014	28,977
-	-	-	22	911	-	331	11,849
-	-	-	-	-	-	18,965	19,908
-	-	-	-	-	-	76	93
72	729	724	32	1,683	0	106,883	156,722
-	-	173	-	-	-	10,193	12,579
-	-	-	-	-	-	167	167
-	-	-	-	-	-	33	33
8,653	38,855	3,497	19,770	334,355	-	329,163	817,967
8,653	38,855	3,670	19,770	334,355	0	339,556	830,746
\$ 8,725	\$ 39,584	\$ 4,394	\$ 19,802	\$ 336,038	\$ 0	\$ 446,439	\$ 987,468

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, 2009

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
REVENUES					
Taxes	\$ 0	\$ 4,525	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	5,168	60,169	38,479	-	-
Fines, Forfeits, and Court Settlements	2,095	1,365	8,417	-	-
Investment Income	13	50	793	-	(178)
Federal Grants and Reimbursements	348	19,167	276	67,952	20
Other Revenues	17,077	1,618	1,309	3,547	10,981
Total Revenues	24,701	86,894	49,274	71,499	10,823
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	2,144	-	-
Education and Cultural Resources	-	-	-	-	9,979
Natural Resources and Recreation	-	-	-	-	-
Health	-	89,602	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	40,352	-	45,200	67,292	-
Transportation	-	-	-	-	-
General Government	-	-	28	-	-
Debt Service - Principal Retirement	-	340	-	-	-
Debt Service - Interest and Other Charges	-	1,086	-	-	-
Total Expenditures	40,352	91,028	47,372	67,292	9,979
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(15,651)	(4,134)	1,902	4,207	844
OTHER FINANCING SOURCES (USES)					
Transfers In	23,975	10,088	1,465	6,175	3
Transfers Out	-	(3,679)	(1,574)	(4,091)	(417)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	262	1	4	-	-
Total Other Financing Sources (Uses)	24,237	6,410	(105)	2,084	(414)
Net Change in Fund Balances	8,586	2,276	1,797	6,291	430
Fund Balances, October 1, 2008, as Restated	2,755	15,432	40,429	2,798	5,093
Increase (Decrease) in Inventory	-	-	-	-	-
Fund Balances, September 30, 2009	\$ 11,341	\$ 17,708	\$ 42,226	\$ 9,089	\$ 5,523

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,365	\$ 49,890
-	249	-	-	-	-	156,138	260,203
-	-	-	-	-	-	15,001	26,878
32	67	19	(20)	27,120	130	818	28,844
-	-	-	-	-	-	208,236	295,999
-	-	-	-	-	-	55,098	89,630
32	316	19	(20)	27,120	130	480,656	751,444
-	-	-	2,000	-	-	70,659	74,803
-	-	-	-	-	-	51,421	61,400
-	6,065	2,791	-	-	-	11,977	20,833
6,449	-	-	5,215	-	-	1,295	102,561
-	-	-	-	-	-	100,634	100,634
-	-	-	6,000	-	-	270,857	429,701
-	-	-	-	-	-	26,523	26,523
-	-	-	-	145	-	109,996	110,169
-	-	-	1,655	-	-	158	2,153
14	-	-	130	-	-	22	1,252
6,463	6,065	2,791	15,000	145	0	643,542	930,029
(6,431)	(5,749)	(2,772)	(15,020)	26,975	130	(162,886)	(178,585)
9,140	12,948	-	96,665	133,514	-	249,470	543,443
-	(1,328)	(50)	(76,356)	(9,520)	(130)	(60,465)	(157,610)
-	-	-	-	-	-	1,750	1,750
-	-	-	-	-	-	383	650
9,140	11,620	(50)	20,309	123,994	(130)	191,138	388,233
2,709	5,871	(2,822)	5,289	150,969	0	28,252	209,648
5,944	32,984	6,492	14,481	183,386	-	311,312	621,106
-	-	-	-	-	-	(8)	(8)
\$ 8,653	\$ 38,855	\$ 3,670	\$ 19,770	\$ 334,355	\$ 0	\$ 339,556	\$ 830,746



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.

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.

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.

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, 2009

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	\$ 461	\$ 0	\$ 0	\$ 0
Investments	-	307	-	-
TOTAL ASSETS	\$ 461	\$ 307	\$ 0	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities				
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances				
Unreserved, Designated for Debt Service	461	307	-	-
Total Fund Balances	461	307	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 461	\$ 307	\$ 0	\$ 0

Federal Aid	
Highway	
Finance	
Authority	Totals
<hr/>	<hr/>
\$ 0	\$ 461
-	307
<hr/>	<hr/>
\$ 0	\$ 768
<hr/>	<hr/>

<hr/>	<hr/>
\$ 0	\$ 0

-	768
<hr/>	<hr/>
0	768

<hr/>	<hr/>
\$ 0	\$ 768
<hr/>	<hr/>

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
REVENUES				
Investment Income	\$ 0	\$ 165	\$ 132	\$ 0
Other Revenues	2,139	-	146	-
Total Revenues	2,139	165	278	0
EXPENDITURES				
Debt Service - Principal Retirement	1,620	2,125	2,575	31,270
Debt Service - Interest and Other Charges	519	2,535	1,398	32,823
Total Expenditures	2,139	4,660	3,973	64,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(4,495)	(3,695)	(64,093)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	8,393	-	64,093
Transfers Out	-	(4,065)	-	-
Total Other Financing Sources (Uses)	0	4,328	0	64,093
Net Change in Fund Balances	0	(167)	(3,695)	0
Fund Balances, October 1, 2008, as Restated	461	474	3,695	-
Fund Balances, September 30, 2009	\$ 461	\$ 307	\$ 0	\$ 0

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 297
-	2,285
0	2,582
12,450	50,040
6,527	43,802
18,977	93,842
(18,977)	(91,260)
18,977	91,463
-	(4,065)
18,977	87,398
0	(3,862)
-	4,630
\$ 0	\$ 768



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.

Public Health Care Authority Capital

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction of public health facilities.

Judicial Building Authority Capital Projects

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

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, 2009

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority	Federal Aid Highway Finance Authority
ASSETS					
Cash and Cash Equivalents	\$ 47,679	\$ 12,998	\$ 15,810	\$ 9,805	\$ 0
Investments	-	-	710	-	-
Interest and Dividends Receivable	-	-	5	-	-
Securities Lending Collateral	-	4	-	-	-
TOTAL ASSETS	\$ 47,679	\$ 13,002	\$ 16,525	\$ 9,805	\$ 0
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0
Accounts Payable	1,138	270	450	-	-
Due to Other Governments	99	175	-	-	-
Securities Lending Obligation	-	4	-	-	-
Total Liabilities	1,237	450	450	0	0
Fund Balances					
Reserved for:					
Encumbrances	26	1,458	-	-	-
Unreserved, Designated for Capital Projects	46,416	11,094	16,075	9,805	-
Total Fund Balances	46,442	12,552	16,075	9,805	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,679	\$ 13,002	\$ 16,525	\$ 9,805	\$ 0

Other Capital Project Funds	Totals
\$ 96	\$ 86,388
-	710
-	5
7	11
<u>\$ 103</u>	<u>\$ 87,114</u>

\$ 1	\$ 2
4	1,862
-	274
7	11
<u>12</u>	<u>2,149</u>

-	1,484
91	83,481
<u>91</u>	<u>84,965</u>
<u>\$ 103</u>	<u>\$ 87,114</u>

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority	Federal Aid Highway Finance Authority
REVENUES					
Investment Income	\$ 433	\$ 74	\$ 19	\$ 31	\$ 0
Total Revenues	433	74	19	31	0
EXPENDITURES					
Current:					
Natural Resources and Recreation	-	13,411	-	-	-
Capital Outlay	85,622	-	6,272	487	-
Debt Service - Interest and Other Charges	-	-	-	-	-
Total Expenditures	85,622	13,411	6,272	487	0
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(85,189)	(13,337)	(6,253)	(456)	0
OTHER FINANCING SOURCES (USES)					
Transfers In	-	1,000	859	-	-
Transfers Out	-	-	(5,621)	-	(9)
Capital Leases	-	-	5,296	-	-
Total Other Financing Sources (Uses)	0	1,000	534	0	(9)
Net Change in Fund Balances	(85,189)	(12,337)	(5,719)	(456)	(9)
Fund Balances, October 1, 2008, as Restated	131,631	24,889	21,794	10,261	9
Fund Balances, September 30, 2009	\$ 46,442	\$ 12,552	\$ 16,075	\$ 9,805	\$ 0

Other Capital Project Funds	Totals
\$ 3	\$ 560
<u>3</u>	<u>560</u>
-	13,411
614	92,995
3	3
<u>617</u>	<u>106,409</u>
(614)	(105,849)
-	1,859
-	(5,630)
-	5,296
<u>0</u>	<u>1,525</u>
(614)	(104,324)
<u>705</u>	<u>189,289</u>
<u>\$ 91</u>	<u>\$ 84,965</u>



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, 2009

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 22	\$ 11	\$ 0	\$ 11,874	\$ 11,907
Investments	17,085	15,571	18,803	103	51,562
Accounts Receivable	121	-	-	-	121
Due from Other Governments	14	-	-	-	14
Interest and Dividends Receivable	-	17	-	-	17
Mortgages, Notes, and Loans Receivable	-	-	-	55	55
Securities Lending Collateral	3,470	1	3,360	83	6,914
TOTAL ASSETS	\$ 20,712	\$ 15,600	\$ 22,163	\$ 12,115	\$ 70,590
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 13	\$ 0	\$ 0	\$ 13
Accounts Payable	-	41	-	-	41
Due to Other Governments	-	11	-	-	11
Securities Lending Obligation	3,470	1	3,360	83	6,914
Total Liabilities	3,470	66	3,360	83	6,979
Fund Balances					
Reserved for:					
Permanent Trust Principal	17,242	11,500	2,340	2,328	33,410
Unreserved, Undesignated	-	4,034	16,463	9,704	30,201
Total Fund Balances	17,242	15,534	18,803	12,032	63,611
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,712	\$ 15,600	\$ 22,163	\$ 12,115	\$ 70,590

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 972	\$ 0	\$ 0	\$ 410	\$ 1,382
Investment Income	917	1,603	1,761	23	4,304
Other Revenues	-	-	1,780	5	1,785
Total Revenues	1,889	1,603	3,541	438	7,471
EXPENDITURES					
Current:					
Education and Cultural Resources	-	822	-	-	822
Natural Resources and Recreation	26	-	-	-	26
Total Expenditures	26	822	0	0	848
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	1,863	781	3,541	438	6,623
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	558	1,053	1,611
Transfers Out	-	(513)	(588)	-	(1,101)
Total Other Financing Sources (Uses)	0	(513)	(30)	1,053	510
Net Change in Fund Balances	1,863	268	3,511	1,491	7,133
Fund Balances, October 1, 2008, as Restated	15,379	15,266	15,292	10,541	56,478
Fund Balances, September 30, 2009	\$ 17,242	\$ 15,534	\$ 18,803	\$ 12,032	\$ 63,611



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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	5,584	5,584	-
Alabama Sentencing Commission	544	544	-
Court Operations	134,370	134,370	-
Drug Court	3,429	3,429	-
Juvenile Probation Officer Services	15,295	15,295	-
TOTAL Administrative Office of Courts	159,222	159,222	-
<u>Agriculture and Industries</u>			
Administrative Services	3,868	3,868	-
Agricultural Development Services	1,592	1,589	3
Agricultural Inspection Services	7,342	7,339	3
Lab Analysis and Disease Control	4,202	4,202	-
TOTAL Agriculture and Industries	17,004	16,998	6
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	637	637	-
Legal Advice and Legal Service: Attorney General - Operations	11,899	11,899	-
Legal Advice and Legal Service: Cold Case Unit	156	156	-
Legal Advice and Legal Service: Consumer Utility Fund	265	265	-
TOTAL Attorney General	12,957	12,957	-
<u>Auditor</u>			
Fiscal Management	818	815	3
TOTAL Auditor	818	815	3
<u>Commission on Higher Education</u>			
Alabama Teacher Recruitment Incentive	-	-	-
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	19,796	19,777	19
Correctional Industries	-	-	-
Institutional Service Corrections	352,650	346,295	6,355
TOTAL Corrections	372,446	366,072	6,374
<u>Economic and Community Affairs</u>			
Administrative Support Service	245	163	82
Energy Management	495	335	160
Law Enforcement Planning and Development	676	631	45
Planning	10,982	10,779	203
Skills Enhancement/Employment Opportunities	987	987	-
Surplus Property	500	499	1
Water Resources	4,207	3,915	292
TOTAL Economic and Community Affairs	18,092	17,309	783

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	5,584	5,584	-
-	-	-	-	-	-	544	544	-
-	-	-	22,137	19,059	3,078	156,507	153,429	3,078
-	-	-	-	-	-	3,429	3,429	-
-	-	-	6,108	6,050	58	21,403	21,345	58
-	-	-	28,245	25,109	3,136	187,467	184,331	3,136
-	-	-	3,757	3,113	644	7,625	6,981	644
-	-	-	2,701	2,545	156	4,293	4,134	159
-	-	-	13,047	9,489	3,558	20,389	16,828	3,561
-	-	-	15,233	13,520	1,713	19,435	17,722	1,713
-	-	-	34,738	28,667	6,071	51,742	45,665	6,077
-	-	-	-	-	-	637	637	-
-	-	-	7,850	6,054	1,796	19,749	17,953	1,796
-	-	-	-	-	-	156	156	-
-	-	-	-	-	-	265	265	-
-	-	-	7,850	6,054	1,796	20,807	19,011	1,796
-	-	-	-	-	-	818	815	3
-	-	-	-	-	-	818	815	3
1,948	422	1,526	-	-	-	1,948	422	1,526
2,957	2,594	363	-	-	-	2,957	2,594	363
6,545	6,167	378	5,161	4,268	893	11,706	10,435	1,271
2,912	2,824	88	1,595	1,242	353	4,507	4,066	441
5,429	5,429	-	75	-	75	5,504	5,429	75
19,791	17,436	2,355	6,831	5,510	1,321	26,622	22,946	3,676
-	-	-	-	-	-	19,796	19,777	19
-	-	-	27,258	15,023	12,235	27,258	15,023	12,235
-	-	-	51,451	36,348	15,103	404,101	382,643	21,458
-	-	-	78,709	51,371	27,338	451,155	417,443	33,712
-	-	-	10,484	9,511	973	10,729	9,674	1,055
-	-	-	157,690	67,781	89,909	158,185	68,116	90,069
-	-	-	63,242	35,910	27,332	63,918	36,541	27,377
-	-	-	89,439	68,422	21,017	100,421	79,201	21,220
-	-	-	56,000	45,372	10,628	56,987	46,359	10,628
-	-	-	1,844	1,694	150	2,344	2,193	151
-	-	-	6,664	6,285	379	10,871	10,200	671
-	-	-	385,363	234,975	150,388	403,455	252,284	151,171

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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Student Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Information Technology Services	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	6,464	4,577	1,887
TOTAL Emergency Management Agency	6,464	4,577	1,887
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	12,842	12,842	-
TOTAL Examiners of Public Accounts	12,842	12,842	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Director's Office	1,078	741	337
Executive Planning: Executive Planning	656	473	183
Fiscal Management: Budget Office	1,577	1,239	338
Fiscal Management: Comptroller's Office	5,660	5,058	602
Fiscal Management: Purchasing	2,060	1,598	462
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex Maintenance and Repair	-	-	-
General Services: Capitol	1,026	840	186
General Services: Service Division	1,037	838	199
General Services: Space Management	1,123	-	1,123
Information Services	-	-	-
Legal Management	-	-	-
Legal Management: Legal Division	119	115	4
Risk Management	-	-	-
SMART Business Systems	-	-	-
TOTAL Finance	14,336	10,902	3,434
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	40	-	40
Executive Direction: Governor's Contingency Fund	336	297	39
Executive Direction: Governor's Mansion	449	414	35
Executive Direction: Governor's Office	3,914	3,359	555
Executive Direction: Governor's Proclamation Expense	625	575	50
Executive Direction: National Governors' Conference	198	198	-
TOTAL Governor	5,562	4,843	719

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
190,798	182,873	7,925	81,968	39,495	42,473	272,766	222,368	50,398
-	-	-	2,824	1,792	1,032	2,824	1,792	1,032
25,699	25,699	-	-	-	-	25,699	25,699	-
906	690	216	-	-	-	906	690	216
-	-	-	81,461	42,158	39,303	81,461	42,158	39,303
-	-	-	533	533	-	533	533	-
43,855	36,163	7,692	1,028,770	788,943	239,827	1,072,625	825,106	247,519
3,212,295	3,212,295	-	165,000	165,000	-	3,377,295	3,377,295	-
4,193	4,193	-	-	-	-	4,193	4,193	-
20,027	20,027	-	-	-	-	20,027	20,027	-
30,062	30,062	-	-	-	-	30,062	30,062	-
299,672	299,590	82	-	-	-	299,672	299,590	82
3,827,507	3,811,592	15,915	1,360,556	1,037,921	322,635	5,188,063	4,849,513	338,550
-	-	-	130,719	71,546	59,173	137,183	76,123	61,060
-	-	-	130,719	71,546	59,173	137,183	76,123	61,060
6,687	6,687	-	5,260	3,907	1,353	24,789	23,436	1,353
6,687	6,687	-	5,260	3,907	1,353	24,789	23,436	1,353
-	-	-	3,872	2,619	1,253	3,872	2,619	1,253
-	-	-	-	-	-	1,078	741	337
-	-	-	-	-	-	656	473	183
-	-	-	-	-	-	1,577	1,239	338
-	-	-	-	-	-	5,660	5,058	602
-	-	-	-	-	-	2,060	1,598	462
-	-	-	12,783	9,862	2,921	12,783	9,862	2,921
-	-	-	10,954	9,977	977	10,954	9,977	977
-	-	-	9,946	9,693	253	9,946	9,693	253
-	-	-	-	-	-	1,026	840	186
-	-	-	-	-	-	1,037	838	199
-	-	-	-	-	-	1,123	-	1,123
-	-	-	77,203	55,059	22,144	77,203	55,059	22,144
-	-	-	1,572	986	586	1,572	986	586
-	-	-	-	-	-	119	115	4
-	-	-	8,124	5,363	2,761	8,124	5,363	2,761
-	-	-	5,630	264	5,366	5,630	264	5,366
-	-	-	130,084	93,823	36,261	144,420	104,725	39,695
-	-	-	-	-	-	40	-	40
-	-	-	-	-	-	336	297	39
-	-	-	-	-	-	449	414	35
-	-	-	-	-	-	3,914	3,359	555
-	-	-	-	-	-	625	575	50
-	-	-	-	-	-	198	198	-
-	-	-	-	-	-	5,562	4,843	719

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Human Resources</u>			
Human Services: Adult Protective Services	-	-	-
Human Services: Child Day Care	-	-	-
Human Services: Child Support	-	-	-
Human Services: Child Welfare	-	-	-
Human Services: Combination Eligibility	-	-	-
Human Services: Combination Service	-	-	-
Human Services: County Administration	-	-	-
Human Services: Food Assistance	-	-	-
Human Services: State Administration	-	-	-
Human Services: Temporary Assistance to Needy Families	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	2,291	2,178	113
Regulation Workers Compensation	-	-	-
Small Business Program	145	117	28
TOTAL Industrial Relations	2,436	2,295	141
<u>Legislature</u>			
Commission to Reduce Poverty	5	-	5
Legislative Operations and Support	32,594	23,050	9,544
TOTAL Legislature	32,599	23,050	9,549
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid: Administrative Cost	20,241	19,140	1,101
Medical Assistance Through Medicaid: Alternative Care	26,166	25,181	985
Medical Assistance Through Medicaid: Family Planning	-	-	-
Medical Assistance Through Medicaid: Health Support	16,997	16,997	-
Medical Assistance Through Medicaid: Hospital Care	156,293	152,269	4,024
Medical Assistance Through Medicaid: Mental Health- Facilities	-	-	-
Medical Assistance Through Medicaid: Mental Health- Other Health Insurance	-	-	-
Medical Assistance Through Medicaid: Mental Health- Waivers	-	-	-
Medical Assistance Through Medicaid: Nursing Home Care	99,368	90,985	8,383
Medical Assistance Through Medicaid: Pharmaceutical	61,958	54,998	6,960
Medical Assistance Through Medicaid: Physician Care	39,869	36,541	3,328
Medical Assistance Through Medicaid: Premiums	31,153	22,376	8,777
TOTAL Medicaid Agency	452,045	418,487	33,558
<u>Mental Health</u>			
Administrative Services	-	-	-
Institutional Treatment and Care of Intellectually Disabled	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Special Services	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,867	12,065	802	12,867	12,065	802
-	-	-	117,955	98,355	19,600	117,955	98,355	19,600
-	-	-	60,023	56,255	3,768	60,023	56,255	3,768
-	-	-	325,293	292,111	33,182	325,293	292,111	33,182
-	-	-	16,709	15,334	1,375	16,709	15,334	1,375
-	-	-	916	647	269	916	647	269
-	-	-	43,300	40,829	2,471	43,300	40,829	2,471
-	-	-	1,178,925	1,014,785	164,140	1,178,925	1,014,785	164,140
-	-	-	51,685	45,193	6,492	51,685	45,193	6,492
-	-	-	72,656	70,956	1,700	72,656	70,956	1,700
-	-	-	1,880,329	1,646,530	233,799	1,880,329	1,646,530	233,799
-	-	-	18,639	12,579	6,060	18,639	12,579	6,060
-	-	-	73,800	56,612	17,188	73,800	56,612	17,188
-	-	-	7,584	3,245	4,339	9,875	5,423	4,452
-	-	-	5,800	4,890	910	5,800	4,890	910
-	-	-	-	-	-	145	117	28
-	-	-	105,823	77,326	28,497	108,259	79,621	28,638
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	32,594	23,050	9,544
-	-	-	-	-	-	32,599	23,050	9,549
-	-	-	155,592	151,276	4,316	175,833	170,416	5,417
-	-	-	431,138	417,015	14,123	457,304	442,196	15,108
-	-	-	52,601	52,486	115	52,601	52,486	115
-	-	-	202,895	201,693	1,202	219,892	218,690	1,202
-	-	-	1,323,087	1,322,816	271	1,479,380	1,475,085	4,295
-	-	-	45,622	41,924	3,698	45,622	41,924	3,698
-	-	-	113,385	104,692	8,693	113,385	104,692	8,693
-	-	-	286,297	273,471	12,826	286,297	273,471	12,826
-	-	-	877,806	844,266	33,540	977,174	935,251	41,923
-	-	-	520,564	477,843	42,721	582,522	532,841	49,681
-	-	-	340,552	326,374	14,178	380,421	362,915	17,506
-	-	-	262,592	216,566	46,026	293,745	238,942	54,803
-	-	-	4,612,131	4,430,422	181,709	5,064,176	4,848,909	215,267
-	-	-	24,929	21,864	3,065	24,929	21,864	3,065
-	-	-	472,411	422,001	50,410	472,411	422,001	50,410
-	-	-	390,002	353,358	36,644	390,002	353,358	36,644
-	-	-	21,374	15,818	5,556	21,374	15,818	5,556
-	-	-	53,852	40,003	13,849	53,852	40,003	13,849
-	-	-	962,568	853,044	109,524	962,568	853,044	109,524

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Community Educational Programs: CITY Programs	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Industrial Training: AIDT/Workforce Development	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Mine Safety	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Technical Colleges: Truck Driver Training-CACC	-	-	-
Postsecondary-Two Year Colleges	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Two Year Colleges: Workforce Development	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	12,156	12,155	1
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	31,671	29,857	1,814
TOTAL Public Health	43,827	42,012	1,815
<u>Public Safety</u>			
Administrative Services	8,651	8,604	47
Police Services	63,114	60,636	2,478
Public Safety Support Services	6,807	6,362	445
Readiness and Recovery	180	-	180
TOTAL Public Safety	78,752	75,602	3,150
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	31	31	-
TOTAL Rehabilitation Services	31	31	-
<u>Revenue</u>			
State Revenue Administration	202	181	21
TOTAL Revenue	202	181	21

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,745	9,907	2,838	12,745	9,907	2,838
13,421	10,363	3,058	-	-	-	13,421	10,363	3,058
6,083	6,083	-	-	-	-	6,083	6,083	-
4,012	4,012	-	-	-	-	4,012	4,012	-
5,732	5,732	-	-	-	-	5,732	5,732	-
5,774	5,774	-	-	-	-	5,774	5,774	-
25,872	25,872	-	-	-	-	25,872	25,872	-
-	-	-	5,567	4,111	1,456	5,567	4,111	1,456
5,643	4,876	767	-	-	-	5,643	4,876	767
9,152	8,926	226	-	-	-	9,152	8,926	226
267	267	-	-	-	-	267	267	-
4,910	4,093	817	-	-	-	4,910	4,093	817
-	-	-	2,100	1,981	119	2,100	1,981	119
178	178	-	-	-	-	178	178	-
-	-	-	20,505	14,812	5,693	20,505	14,812	5,693
5,193	5,193	-	-	-	-	5,193	5,193	-
6,598	6,598	-	-	-	-	6,598	6,598	-
303,218	303,218	-	-	-	-	303,218	303,218	-
6,588	6,143	445	5,581	1,077	4,504	12,169	7,220	4,949
12,288	12,288	-	-	-	-	12,288	12,288	-
414,929	409,616	5,313	46,498	31,888	14,610	461,427	441,504	19,923
1,065	1,065	-	21,461	18,794	2,667	34,682	32,014	2,668
-	-	-	175,054	154,209	20,845	175,054	154,209	20,845
1,602	1,602	-	-	-	-	1,602	1,602	-
1,716	1,600	116	-	-	-	1,716	1,600	116
12,665	12,633	32	496,476	453,432	43,044	540,812	495,922	44,890
17,048	16,900	148	692,991	626,435	66,556	753,866	685,347	68,519
-	-	-	36,367	29,884	6,483	45,018	38,488	6,530
-	-	-	39,274	22,955	16,319	102,388	83,591	18,797
-	-	-	20,647	13,602	7,045	27,454	19,964	7,490
-	-	-	-	-	-	180	-	180
-	-	-	96,288	66,441	29,847	175,040	142,043	32,997
-	-	-	19,532	15,137	4,395	19,532	15,137	4,395
-	-	-	19,532	15,137	4,395	19,532	15,137	4,395
37,285	37,284	1	118,131	97,334	20,797	155,447	134,649	20,798
37,285	37,284	1	118,131	97,334	20,797	155,447	134,649	20,798
-	-	-	142,497	128,546	13,951	142,699	128,727	13,972
-	-	-	142,497	128,546	13,951	142,699	128,727	13,972

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	362	322	40
Administrative Support Service: Printing of Acts/Journals	428	279	149
Administrative Support Service: Printing of Codes	200	200	-
Administrative Support Service: Secretary of State	1,744	1,500	244
Special Services: Training Elected Officials	63	-	63
TOTAL Secretary of State	2,797	2,301	496
<u>Transportation</u>			
Aviation Stimulus	-	-	-
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Roads and Transit Stimulus	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	2,396	2,104	292
TOTAL Treasurer	2,396	2,104	292
<u>Youth Services</u>			
Financial Assistance	-	-	-
Youth Services	10,809	10,809	-
Youth Services Camp Programs	4,703	4,684	19
TOTAL Youth Services	15,512	15,493	19
<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-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for the Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4,707	1,593	3,114	4,707	1,593	3,114
-	-	-	14,500	800	13,700	14,500	800	13,700
-	-	-	-	-	-	362	322	40
-	-	-	-	-	-	428	279	149
-	-	-	-	-	-	200	200	-
-	-	-	-	-	-	1,744	1,500	244
-	-	-	-	-	-	63	-	63
-	-	-	19,207	2,393	16,814	22,004	4,694	17,310
-	-	-	24,334	532	23,802	24,334	532	23,802
-	-	-	153,385	124,918	28,467	153,385	124,918	28,467
-	-	-	31,531	25,686	5,845	31,531	25,686	5,845
-	-	-	731,736	79	731,657	731,736	79	731,657
-	-	-	1,713,248	1,238,651	474,597	1,713,248	1,238,651	474,597
-	-	-	2,654,234	1,389,866	1,264,368	2,654,234	1,389,866	1,264,368
-	-	-	3,517	2,838	679	5,913	4,942	971
-	-	-	3,517	2,838	679	5,913	4,942	971
7,970	7,880	90	1,091	651	440	9,061	8,531	530
51,173	50,705	468	33,344	19,418	13,926	95,326	80,932	14,394
-	-	-	-	-	-	4,703	4,684	19
59,143	58,585	558	34,435	20,069	14,366	109,090	94,147	14,943
267	267	-	-	-	-	267	267	-
1,336	1,336	-	-	-	-	1,336	1,336	-
403	403	-	-	-	-	403	403	-
34,748	34,748	-	-	-	-	34,748	34,748	-
3,489	3,489	-	-	-	-	3,489	3,489	-
40,243	40,243	-	-	-	-	40,243	40,243	-
9,964	9,964	-	-	-	-	9,964	9,964	-
27,488	27,488	-	-	-	-	27,488	27,488	-
8,491	8,491	-	-	-	-	8,491	8,491	-
45,943	45,943	-	-	-	-	45,943	45,943	-
42,365	42,365	-	-	-	-	42,365	42,365	-
42,365	42,365	-	-	-	-	42,365	42,365	-
170,667	170,667	-	-	-	-	170,667	170,667	-
24,831	24,831	-	-	-	-	24,831	24,831	-
31,769	31,769	-	-	-	-	31,769	31,769	-
34,130	34,130	-	-	-	-	34,130	34,130	-
261,397	261,397	-	-	-	-	261,397	261,397	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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/University of Alabama Birmingham	-	-	-
Support of State Universities: UAB Cancer Center	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-
University of North Alabama			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
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	-	-	-
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	113	84	29
Total Agricultural Museum Board	113	84	29
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	113	111	2
Agricultural Development Services: Livestock Coliseum	258	258	-
Agricultural Development Services: Operations	413	413	-
Total Agriculture Center Board	784	782	2
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
39,462	39,462	-	-	-	-	39,462	39,462	-
39,462	39,462	-	-	-	-	39,462	39,462	-
49,035	49,035	-	-	-	-	49,035	49,035	-
49,035	49,035	-	-	-	-	49,035	49,035	-
-	-	-	22	22	-	22	22	-
3,826	3,826	-	-	-	-	3,826	3,826	-
4,450	4,450	-	-	-	-	4,450	4,450	-
276,623	276,623	-	-	-	-	276,623	276,623	-
284,899	284,899	-	22	22	-	284,921	284,921	-
45,861	45,861	-	-	-	-	45,861	45,861	-
45,861	45,861	-	-	-	-	45,861	45,861	-
156,521	156,521	-	-	-	-	156,521	156,521	-
156,521	156,521	-	-	-	-	156,521	156,521	-
19,391	19,391	-	-	-	-	19,391	19,391	-
19,391	19,391	-	-	-	-	19,391	19,391	-
27,360	27,360	-	-	-	-	27,360	27,360	-
27,360	27,360	-	-	-	-	27,360	27,360	-
108,451	108,451	-	-	-	-	108,451	108,451	-
108,451	108,451	-	-	-	-	108,451	108,451	-
13,529	13,529	-	-	-	-	13,529	13,529	-
13,529	13,529	-	-	-	-	13,529	13,529	-
1,134,457	1,134,457	-	22	22	-	1,134,479	1,134,479	-
-	-	-	1,475	1,118	357	1,475	1,118	357
-	-	-	1,475	1,118	357	1,475	1,118	357
-	-	-	-	-	-	113	84	29
-	-	-	-	-	-	113	84	29
-	-	-	-	-	-	113	111	2
-	-	-	525	366	159	783	624	159
-	-	-	-	-	-	413	413	-
-	-	-	525	366	159	1,309	1,148	161
-	-	-	105	73	32	105	73	32
-	-	-	105	73	32	105	73	32

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Alabama Law Institute			
Support - Other Educational Activities	861	846	15
Total Alabama Law Institute	861	846	15
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	20	19	1
Total Alabama Trust Fund	20	19	1
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	-	-	-
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	-	-	-
Archives and History			
Historical Resources Management	2,256	2,250	6
Total Archives and History	2,256	2,250	6
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	-	-	-
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	14	5	9
Special Services: Death Claims-Board of Adjustment	913	913	-
Total Board of Adjustment	927	918	9
Board of Prosthetists and Orthotists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthotists	-	-	-
Board of Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Respiratory Therapy	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
245	244	1	-	-	-	1,106	1,090	16
245	244	1	-	-	-	1,106	1,090	16
-	-	-	450	295	155	450	295	155
-	-	-	450	295	155	450	295	155
-	-	-	890	341	549	890	341	549
-	-	-	-	-	-	20	19	1
-	-	-	890	341	549	910	360	550
-	-	-	7,797	5,605	2,192	7,797	5,605	2,192
-	-	-	54,813	46,803	8,010	54,813	46,803	8,010
-	-	-	17,673	14,931	2,742	17,673	14,931	2,742
-	-	-	80,283	67,339	12,944	80,283	67,339	12,944
-	-	-	505	416	89	505	416	89
-	-	-	505	416	89	505	416	89
3,483	3,480	3	768	604	164	6,507	6,334	173
3,483	3,480	3	768	604	164	6,507	6,334	173
-	-	-	86	60	26	86	60	26
-	-	-	86	60	26	86	60	26
-	-	-	75	5	70	75	5	70
-	-	-	75	5	70	75	5	70
-	-	-	51	45	6	51	45	6
-	-	-	51	45	6	51	45	6
-	-	-	195	158	37	195	158	37
-	-	-	195	158	37	195	158	37
-	-	-	14,463	12,367	2,096	14,463	12,367	2,096
-	-	-	14,463	12,367	2,096	14,463	12,367	2,096
-	-	-	-	-	-	14	5	9
-	-	-	-	-	-	913	913	-
-	-	-	-	-	-	927	918	9
-	-	-	140	111	29	140	111	29
-	-	-	140	111	29	140	111	29
-	-	-	127	81	46	127	81	46
-	-	-	127	81	46	127	81	46

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	286	273	13
Total Building Commission	286	273	13
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	342	244	98
Total Children's Affairs	342	244	98
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	412	399	13
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	412	399	13
Clerk of the House			
Legislative Operations and Support	2,686	2,080	606
Total Clerk of the House	2,686	2,080	606
Commission on Uniform State Laws			
Special Services	97	69	28
Total Commission on Uniform State Laws	97	69	28
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	3,753	3,597	156
Total Court of Civil Appeals	3,753	3,597	156
Court of Criminal Appeals			
Court Operations	4,353	4,101	252
Total Court of Criminal Appeals	4,353	4,101	252

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	152	113	39	152	113	39
-	-	-	1,774	1,292	482	2,060	1,565	495
-	-	-	1,926	1,405	521	2,212	1,678	534
-	-	-	9,324	9,188	136	9,324	9,188	136
-	-	-	9,324	9,188	136	9,324	9,188	136
-	-	-	3,879	3,274	605	3,879	3,274	605
-	-	-	3,879	3,274	605	3,879	3,274	605
-	-	-	1,218	491	727	1,218	491	727
16,398	15,542	856	175	169	6	16,915	15,955	960
16,398	15,542	856	1,393	660	733	18,133	16,446	1,687
-	-	-	385	320	65	385	320	65
-	-	-	385	320	65	385	320	65
-	-	-	251	80	171	663	479	184
-	-	-	251	80	171	663	479	184
-	-	-	-	-	-	2,686	2,080	606
-	-	-	-	-	-	2,686	2,080	606
-	-	-	-	-	-	97	69	28
-	-	-	-	-	-	97	69	28
-	-	-	11,655	8,688	2,967	11,655	8,688	2,967
-	-	-	38,062	32,896	5,166	38,062	32,896	5,166
-	-	-	10,585	7,964	2,621	10,585	7,964	2,621
-	-	-	29,418	24,411	5,007	29,418	24,411	5,007
-	-	-	8,314	7,130	1,184	8,314	7,130	1,184
-	-	-	35,929	18,458	17,471	35,929	18,458	17,471
-	-	-	133,963	99,547	34,416	133,963	99,547	34,416
-	-	-	2,665	2,142	523	2,665	2,142	523
-	-	-	2,665	2,142	523	2,665	2,142	523
4,891	4,856	35	772	772	-	5,663	5,628	35
4,891	4,856	35	772	772	-	5,663	5,628	35
-	-	-	410	321	89	410	321	89
-	-	-	410	321	89	410	321	89
-	-	-	-	-	-	3,753	3,597	156
-	-	-	-	-	-	3,753	3,597	156
-	-	-	-	-	-	4,353	4,101	252
-	-	-	-	-	-	4,353	4,101	252

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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	2,225	2,225	-
Total Criminal Justice Information Center	2,225	2,225	-
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A General Obligation Bonds	-	-	-
Debt Service: 2005-A General Obligation Bonds	-	-	-
Debt Service: Administrative Office of Courts	-	-	-
Debt Service: Alabama Building Renovation Fin Authority	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-B Refunding	-	-	-
Debt Service: General Obligation 2001-A Agriculture Development Bond	-	-	-
Debt Service: General Obligation 2001-B Forensic Sciences	-	-	-
Debt Service: General Obligation 2001-C Parks System Bonds	-	-	-
Debt Service: General Obligation 2001-D Historic Site Bonds	-	-	-
Debt Service: General Obligation 2006 Debt Service	-	-	-
Debt Service: General Obligation 2007-A Debt Service	-	-	-
Total Debt Service and Reserve	-	-	-
Development Office			
Industrial Development: Alabama Development Office	3,887	3,630	257
Total Development Office	3,887	3,630	257
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	38,705	38,669	36
Total District Attorneys	38,705	38,669	36
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
-	-	-	1,697	1,199	498	1,697	1,199	498
-	-	-	1,697	1,199	498	1,697	1,199	498
-	-	-	3,645	2,200	1,445	3,645	2,200	1,445
-	-	-	3,645	2,200	1,445	3,645	2,200	1,445
-	-	-	14,281	9,135	5,146	16,506	11,360	5,146
-	-	-	14,281	9,135	5,146	16,506	11,360	5,146
-	-	-	55,117	55,117	-	55,117	55,117	-
-	-	-	7,679	7,679	-	7,679	7,679	-
-	-	-	4,142	4,142	-	4,142	4,142	-
2,398	2,398	-	5,467	5,467	-	7,865	7,865	-
-	-	-	146	146	-	146	146	-
-	-	-	2,816	2,816	-	2,816	2,816	-
-	-	-	2,171	2,139	32	2,171	2,139	32
-	-	-	5,215	5,215	-	5,215	5,215	-
-	-	-	3,539	3,362	177	3,539	3,362	177
-	-	-	1,785	1,785	-	1,785	1,785	-
-	-	-	4,629	4,629	-	4,629	4,629	-
-	-	-	1,364	1,364	-	1,364	1,364	-
-	-	-	8,501	8,501	-	8,501	8,501	-
-	-	-	474	474	-	474	474	-
-	-	-	4,782	4,782	-	4,782	4,782	-
-	-	-	24,656	24,656	-	24,656	24,656	-
2,398	2,398	-	132,483	132,274	209	134,881	134,672	209
-	-	-	1,375	1,196	179	5,262	4,826	436
-	-	-	1,375	1,196	179	5,262	4,826	436
-	-	-	150	112	38	150	112	38
-	-	-	150	112	38	150	112	38
-	-	-	-	-	-	38,705	38,669	36
-	-	-	-	-	-	38,705	38,669	36
7,515	7,510	5	970	969	1	8,485	8,479	6
7,515	7,510	5	970	969	1	8,485	8,479	6
-	-	-	428	259	169	428	259	169
-	-	-	428	259	169	428	259	169
-	-	-	362	307	55	362	307	55
-	-	-	362	307	55	362	307	55
-	-	-	67,308	55,647	11,661	67,308	55,647	11,661
-	-	-	67,308	55,647	11,661	67,308	55,647	11,661

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	1,608	1,505	103
Total Ethics Commission	1,608	1,505	103
Farmers' Market Authority			
Agricultural Development Services	1,063	927	136
Total Farmers' Market Authority	1,063	927	136
Finance Special Appropriations			
Administration Service and Logistical Supply: Removal of Prisoners	800	684	116
Criminal Investigation: Arrest of Absconding Felons	58	10	48
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: Cash Management Improvement Act	300	31	269
Institutional Service Corrections: Feeding of Prisoners	8,750	8,743	7
Legal Advice and Legal Service: Automatic Appeal Expense	39	-	39
Legal Advice and Legal Service: Court Assessed Cost not Provided	291	221	70
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	4,464	4,304	160
Special Services: Election Expenses	6,750	6,750	-
Special Services: Emergency Fund, Departmental	2,322	100	2,222
Special Services: Registration of Voters	2,702	2,576	126
Total Finance Special Appropriations	26,492	23,433	3,059
Finance Special Funds			
Appropriation Transfers	-	-	-
Industrial Development: Hudson-Alpha	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	13,354	13,309	45
Total Forensic Sciences	13,354	13,309	45
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	-
813	813	-	-	-	-	813	813	-
6,806	6,806	-	-	-	-	6,806	6,806	-
113	107	6	-	-	-	113	107	6
579	579	-	-	-	-	579	579	-
298	298	-	-	-	-	298	298	-
3,896	3,896	-	-	-	-	3,896	3,896	-
167	167	-	-	-	-	167	167	-
12,754	12,748	6	-	-	-	12,754	12,748	6
261	261	-	-	-	-	261	261	-
877	877	-	-	-	-	877	877	-
10,570	10,570	-	-	-	-	10,570	10,570	-
11,708	11,708	-	-	-	-	11,708	11,708	-
-	-	-	-	-	-	1,608	1,505	103
-	-	-	-	-	-	1,608	1,505	103
-	-	-	4,924	2,625	2,299	5,987	3,552	2,435
-	-	-	4,924	2,625	2,299	5,987	3,552	2,435
-	-	-	-	-	-	800	684	116
-	-	-	-	-	-	58	10	48
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	300	31	269
-	-	-	-	-	-	8,750	8,743	7
-	-	-	-	-	-	39	-	39
-	-	-	-	-	-	291	221	70
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	4,464	4,304	160
-	-	-	-	-	-	6,750	6,750	-
-	-	-	-	-	-	2,322	100	2,222
-	-	-	-	-	-	2,702	2,576	126
-	-	-	-	-	-	26,492	23,433	3,059
-	-	-	208,023	200,711	7,312	208,023	200,711	7,312
-	-	-	6,000	6,000	-	6,000	6,000	-
-	-	-	65,354	65,354	-	65,354	65,354	-
-	-	-	118	108	10	118	108	10
-	-	-	279,495	272,173	7,322	279,495	272,173	7,322
-	-	-	15,072	11,662	3,410	28,426	24,971	3,455
-	-	-	15,072	11,662	3,410	28,426	24,971	3,455
-	-	-	200	88	112	200	88	112
-	-	-	200	88	112	200	88	112

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - General Fund Share	1,902	1,902	-
Total Fringe Benefit Accounts	1,902	1,902	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-
General Fund Direct Disbursements			
Employment and Social Opportunities: Women's Hall of Fame	18	18	-
Fine Arts: Music Hall of Fame	225	225	-
Historical Resources Management: Brierfield Ironworks Park	90	90	-
Historical Resources Management: Cahaba Advisory Committee	225	225	-
Historical Resources Management: Citizenship Trust	270	270	-
Historical Resources Management: Historic Blakeley Authority	203	203	-
Historical Resources Management: Historic Chattahoochee Commission	248	248	-
Historical Resources Management: Historic Ironworks Commission	90	90	-
Historical Resources Management: Men's Hall of Fame	18	18	-
Historical Resources Management: Sports Hall of Fame	183	183	-
Historical Resources Management: St. Stephens Historical Commission	135	135	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	90	90	-
Water Resource Development: Bear Creek Development Authority	32	32	-
Water Resource Development: Choccolocco Creek Watershed	17	17	-
Water Resource Development: Tennessee-Tombigbee Waterway	135	135	-
Total General Fund Direct Disbursements	1,979	1,979	-
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	495	495	-
Non-State: Kidney Foundation, Inc	225	225	-
Non-State: Network of Children's Advocacy Centers	991	991	-
Total General Fund Non-State	1,711	1,711	-
Geological Survey			
Mineral, Energy, and Water Resources	3,764	3,146	618
Total Geological Survey	3,764	3,146	618
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	90	79	11
Total Governor's Office of Faith-Based and Community Initiatives	90	79	11
Governor's Office on Disability			
Executive Direction	279	192	87
Total Governor's Office on Disability	279	192	87
Health Planning and Development			
Health Planning Development and Regulation	245	245	-
Total Health Planning and Development	245	245	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	35,748	32,295	3,453	35,748	32,295	3,453
-	-	-	35,748	32,295	3,453	35,748	32,295	3,453
-	-	-	9,348	1,347	8,001	9,348	1,347	8,001
-	-	-	9,348	1,347	8,001	9,348	1,347	8,001
-	-	-	-	-	-	1,902	1,902	-
-	-	-	-	-	-	1,902	1,902	-
-	-	-	268	227	41	268	227	41
-	-	-	268	227	41	268	227	41
-	-	-	1,919	1,571	348	1,919	1,571	348
-	-	-	1,919	1,571	348	1,919	1,571	348
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	270	270	-
-	-	-	-	-	-	203	203	-
-	-	-	-	-	-	248	248	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	183	183	-
-	-	-	-	-	-	135	135	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	32	32	-
-	-	-	-	-	-	17	17	-
-	-	-	-	-	-	135	135	-
-	-	-	-	-	-	1,979	1,979	-
-	-	-	-	-	-	495	495	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	991	991	-
-	-	-	-	-	-	1,711	1,711	-
-	-	-	2,262	1,273	989	6,026	4,419	1,607
-	-	-	2,262	1,273	989	6,026	4,419	1,607
144	119	25	3,659	1,754	1,905	3,893	1,952	1,941
144	119	25	3,659	1,754	1,905	3,893	1,952	1,941
-	-	-	-	-	-	279	192	87
-	-	-	-	-	-	279	192	87
-	-	-	1,140	1,031	109	1,385	1,276	109
-	-	-	1,140	1,031	109	1,385	1,276	109

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating, Air Conditioning, and Refrigeration Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating, Air Conditioning, and Refrigeration Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Aliceville POW Camp	-	-	-
Historical Resources Management: Anniston Museum of Natural History	-	-	-
Historical Resources Management: Bellemont	-	-	-
Historical Resources Management: Berman Museum of World History	-	-	-
Historical Resources Management: Birmingham Civil Rights Institute	-	-	-
Historical Resources Management: Birmingham Unity Breakfast	-	-	-
Historical Resources Management: Black Heritage	-	-	-
Historical Resources Management: Bob Jones Community Center	-	-	-
Historical Resources Management: Buffalo Soldier Memorial	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Civil Rights Foot Soldiers	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Donnell House	-	-	-
Historical Resources Management: Fort Payne Depot Museum	-	-	-
Historical Resources Management: Hartselle Historic Society	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Historic Shirley Place	-	-	-
Historical Resources Management: Houston Memorial Library	-	-	-
Historical Resources Management: Inzer Home, St. Clair County	-	-	-
Historical Resources Management: Jesse Owens Park	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Mentone Historic Preservation	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Pickens County Courthouse	-	-	-
Historical Resources Management: Ralph Abernathy House	-	-	-
Historical Resources Management: Russell County Historical Commission	-	-	-
Historical Resources Management: Somerville Court House Morgan	-	-	-
Historical Resources Management: Tuskegee Human & Civil Rights	-	-	-
Historical Resources Management: University of West Alabama	-	-	-
Historical Resources Management: USS Alabama Battleship Commission	-	-	-
Historical Resources Management: Voting Rights Museum	-	-	-
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	54	29	25	54	29	25
-	-	-	54	29	25	54	29	25
-	-	-	1,117	767	350	1,117	767	350
-	-	-	1,117	767	350	1,117	767	350
6,231	6,222	9	541	484	57	6,772	6,706	66
6,231	6,222	9	541	484	57	6,772	6,706	66
-	-	-	5,654	4,767	887	5,654	4,767	887
-	-	-	45	45	-	45	45	-
-	-	-	50	50	-	50	50	-
-	-	-	42	37	5	42	37	5
-	-	-	25	25	-	25	25	-
-	-	-	23	23	-	23	23	-
-	-	-	23	23	-	23	23	-
-	-	-	46	29	17	46	29	17
-	-	-	5	5	-	5	5	-
-	-	-	45	45	-	45	45	-
-	-	-	310	271	39	310	271	39
-	-	-	14	14	-	14	14	-
-	-	-	686	473	213	686	473	213
-	-	-	36	36	-	36	36	-
-	-	-	14	14	-	14	14	-
-	-	-	70	70	-	70	70	-
-	-	-	225	225	-	225	225	-
-	-	-	90	90	-	90	90	-
-	-	-	9	9	-	9	9	-
-	-	-	23	23	-	23	23	-
-	-	-	45	45	-	45	45	-
-	-	-	581	255	326	581	255	326
-	-	-	5	5	-	5	5	-
-	-	-	68	68	-	68	68	-
-	-	-	23	23	-	23	23	-
-	-	-	90	90	-	90	90	-
-	-	-	90	90	-	90	90	-
-	-	-	25	25	-	25	25	-
-	-	-	68	68	-	68	68	-
-	-	-	45	45	-	45	45	-
-	-	-	180	180	-	180	180	-
-	-	-	190	190	-	190	190	-
-	-	-	8,845	7,358	1,487	8,845	7,358	1,487
-	-	-	4,342	2,455	1,887	4,342	2,455	1,887
-	-	-	4,342	2,455	1,887	4,342	2,455	1,887
-	-	-	255	199	56	255	199	56
-	-	-	255	199	56	255	199	56

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Homeland Security Office			
Readiness and Recovery	405	405	-
Total Homeland Security Office	405	405	-
Indian Affairs Commission			
Social Services	166	163	3
Total Indian Affairs Commission	166	163	3
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	685	408	277
Total Judicial Inquiry Commission	685	408	277
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-PhD Microbiology Program	-	-	-
Support of State Universities: Doctoral Program in Education-Alabama State	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama A&M	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama State	-	-	-
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	580	470	110
Total Labor	580	470	110
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Council			
Legislative Operations and Support	1,106	393	713
Total Legislative Council	1,106	393	713
Legislative Fiscal Office			
Legislative Operations and Support	2,243	1,833	410
Total Legislative Fiscal Office	2,243	1,833	410
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	147	101	46
Legislative Operations and Support: Legislative Reference Service	2,975	2,834	141
Total Legislative Reference Service	3,122	2,935	187
Lieutenant Governor			
Legislative Operations and Support	995	823	172
Total Lieutenant Governor	995	823	172

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	41,791	18,061	23,730	42,196	18,466	23,730
-	-	-	41,791	18,061	23,730	42,196	18,466	23,730
-	-	-	49	49	-	215	212	3
-	-	-	49	49	-	215	212	3
-	-	-	12,932	10,153	2,779	12,932	10,153	2,779
-	-	-	12,932	10,153	2,779	12,932	10,153	2,779
-	-	-	50	43	7	50	43	7
-	-	-	50	43	7	50	43	7
-	-	-	67	42	25	67	42	25
-	-	-	67	42	25	67	42	25
-	-	-	-	-	-	685	408	277
-	-	-	-	-	-	685	408	277
1,278	1,278	-	-	-	-	1,278	1,278	-
2,054	2,054	-	-	-	-	2,054	2,054	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	784	216	-	-	-	1,000	784	216
1,000	1,000	-	-	-	-	1,000	1,000	-
9,332	9,116	216	-	-	-	9,332	9,116	216
-	-	-	1,156	831	325	1,736	1,301	435
-	-	-	1,156	831	325	1,736	1,301	435
-	-	-	69	58	11	69	58	11
-	-	-	69	58	11	69	58	11
-	-	-	-	-	-	1,106	393	713
-	-	-	-	-	-	1,106	393	713
277	269	8	-	-	-	2,520	2,102	418
277	269	8	-	-	-	2,520	2,102	418
96	96	-	150	-	150	246	96	150
-	-	-	-	-	-	147	101	46
-	-	-	-	-	-	2,975	2,834	141
96	96	-	150	-	150	3,368	3,031	337
-	-	-	-	-	-	995	823	172
-	-	-	-	-	-	995	823	172

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
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	-	-	-
Military Operations: About Face	-	-	-
Military Operations: Active Military Service	488	135	353
Military Operations: ANG Operations & Maintenance	874	855	19
Military Operations: Dropping Allowance	1	-	1
Military Operations: Military- Army MCCA	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	911	781	130
Military Operations: Operations and Maintenance	4,147	2,343	1,804
Military Operations: Quartering Allowance to Headquarters	1,178	1,177	1
Military Operations: State Defense Force	23	22	1
Total Military	7,622	5,313	2,309
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	-	-	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	729	729	-
Total Office of Prosecution Services	729	729	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	3,640	3,218	422
Total Oil and Gas Board	3,640	3,218	422
Pardons and Paroles			
Administration of Pardons and Paroles	41,808	39,905	1,903
Total Pardons and Paroles	41,808	39,905	1,903
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,659	880	779	1,659	880	779
-	-	-	1,659	880	779	1,659	880	779
-	-	-	3,961	2,319	1,642	3,961	2,319	1,642
-	-	-	3,961	2,319	1,642	3,961	2,319	1,642
-	-	-	60	28	32	60	28	32
-	-	-	60	28	32	60	28	32
-	-	-	150	115	35	150	115	35
-	-	-	150	115	35	150	115	35
1,158	1,157	1	400	-	400	1,558	1,157	401
1,158	1,157	1	400	-	400	1,558	1,157	401
-	-	-	35	24	11	35	24	11
-	-	-	433	421	12	433	421	12
-	-	-	-	-	-	488	135	353
-	-	-	4,017	3,673	344	4,891	4,528	363
-	-	-	-	-	-	1	-	1
-	-	-	53,424	38,165	15,259	53,424	38,165	15,259
-	-	-	925	782	143	925	782	143
-	-	-	-	-	-	911	781	130
583	99	484	38,569	29,436	9,133	43,299	31,878	11,421
-	-	-	-	-	-	1,178	1,177	1
-	-	-	-	-	-	23	22	1
583	99	484	97,403	72,501	24,902	105,608	77,913	27,695
229	229	-	7,407	5,624	1,783	7,636	5,853	1,783
229	229	-	7,407	5,624	1,783	7,636	5,853	1,783
-	-	-	115	76	39	115	76	39
-	-	-	115	76	39	115	76	39
-	-	-	135	109	26	135	109	26
-	-	-	135	109	26	135	109	26
-	-	-	3,700	2,653	1,047	4,429	3,382	1,047
-	-	-	3,700	2,653	1,047	4,429	3,382	1,047
-	-	-	1,254	471	783	4,894	3,689	1,205
-	-	-	1,254	471	783	4,894	3,689	1,205
-	-	-	14,119	10,766	3,353	55,927	50,671	5,256
-	-	-	14,119	10,766	3,353	55,927	50,671	5,256
-	-	-	586	468	118	586	468	118
-	-	-	586	468	118	586	468	118

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	3,405	1,787	1,618
Total President Pro Tempore Senate	3,405	1,787	1,618
Proessional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Proessional Engineers Registration Board	-	-	-
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	-	-	-
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	-	-	-
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	-	-	-
Public Library Service			
APLS Special Grant Program	-	-	-
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
414	414	-	450	400	50	864	814	50
306	306	-	4,784	4,592	192	5,090	4,898	192
720	720	-	5,234	4,992	242	5,954	5,712	242
-	-	-	9,434	8,829	605	9,434	8,829	605
-	-	-	9,434	8,829	605	9,434	8,829	605
824	823	1	19	-	19	843	823	20
824	823	1	19	-	19	843	823	20
-	-	-	376	267	109	376	267	109
-	-	-	376	267	109	376	267	109
-	-	-	2,287	1,692	595	2,287	1,692	595
-	-	-	2,287	1,692	595	2,287	1,692	595
-	-	-	30	11	19	30	11	19
-	-	-	30	11	19	30	11	19
-	-	-	-	-	-	3,405	1,787	1,618
-	-	-	-	-	-	3,405	1,787	1,618
-	-	-	1,678	1,211	467	1,678	1,211	467
-	-	-	1,678	1,211	467	1,678	1,211	467
-	-	-	60	48	12	60	48	12
-	-	-	60	48	12	60	48	12
-	-	-	269	131	138	269	131	138
-	-	-	269	131	138	269	131	138
-	-	-	4,470	2,797	1,673	4,470	2,797	1,673
-	-	-	4,470	2,797	1,673	4,470	2,797	1,673
348	254	94	-	-	-	348	254	94
7,727	7,678	49	2,911	2,760	151	10,638	10,438	200
8,075	7,932	143	2,911	2,760	151	10,986	10,692	294
-	-	-	4	1	3	4	1	3
-	-	-	4	1	3	4	1	3
-	-	-	1,072	808	264	1,072	808	264
-	-	-	1,072	808	264	1,072	808	264
-	-	-	5,028	3,451	1,577	5,028	3,451	1,577
-	-	-	5,028	3,451	1,577	5,028	3,451	1,577

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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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	2,110	1,894	216
Medicaid Waiver Services	9,148	9,141	7
Planning and Advocacy for Elderly	5,881	4,067	1,814
Total Senior Services	17,139	15,102	2,037
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
R C & D Program	2,013	2,013	-
Water Resource Development	1,470	1,432	38
Total Soil and Water Conservation Commission	3,483	3,445	38
Speaker of the House			
Speaker of House, Office of	787	501	286
Total Speaker of the House	787	501	286
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	-	-	-
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	-	-	-
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	2,000	1,793	207
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	2,000	1,793	207
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	9,604	9,144	460
Total Supreme Court	9,604	9,144	460

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	48,029	32,499	15,530	48,029	32,499	15,530
-	-	-	48,029	32,499	15,530	48,029	32,499	15,530
-	-	-	9,552	6,121	3,431	9,552	6,121	3,431
-	-	-	9,552	6,121	3,431	9,552	6,121	3,431
-	-	-	-	-	-	2,110	1,894	216
-	-	-	58,753	46,269	12,484	67,901	55,410	12,491
-	-	-	33,422	25,238	8,184	39,303	29,305	9,998
-	-	-	92,175	71,507	20,668	109,314	86,609	22,705
1,465	1,465	-	-	-	-	1,465	1,465	-
1,465	1,465	-	-	-	-	1,465	1,465	-
-	-	-	355	284	71	355	284	71
-	-	-	355	284	71	355	284	71
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	2,013	2,013	-
-	-	-	1,600	946	654	3,070	2,378	692
-	-	-	1,605	948	657	5,088	4,393	695
-	-	-	-	-	-	787	501	286
-	-	-	-	-	-	787	501	286
-	-	-	294	189	105	294	189	105
-	-	-	294	189	105	294	189	105
-	-	-	5,772	4,673	1,099	5,772	4,673	1,099
-	-	-	5,772	4,673	1,099	5,772	4,673	1,099
-	-	-	8,688	5,590	3,098	8,688	5,590	3,098
-	-	-	1,494	1,345	149	1,494	1,345	149
-	-	-	10,182	6,935	3,247	10,182	6,935	3,247
4,450	4,447	3	-	-	-	6,450	6,240	210
4,463	4,433	30	-	-	-	4,463	4,433	30
8,913	8,880	33	-	-	-	10,913	10,673	240
-	-	-	2,350	1,654	696	2,350	1,654	696
-	-	-	2,350	1,654	696	2,350	1,654	696
-	-	-	12,645	11,797	848	12,645	11,797	848
-	-	-	12,645	11,797	848	12,645	11,797	848
-	-	-	-	-	-	9,604	9,144	460
-	-	-	-	-	-	9,604	9,144	460

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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Supreme Court Law Library			
Court Operations	1,461	1,389	72
Total Supreme Court Law Library	1,461	1,389	72
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism			
Instructional Technical Assistance	-	-	-
Tourism and Travel Promotion	1,587	1,578	9
Total Tourism	1,587	1,578	9
Veterans Affairs			
Administration of Veterans Affairs	3,486	2,959	527
Student Financial Aid	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	3,486	2,959	527
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	62	48	14
Total Women's Commission	62	48	14
TOTAL Other	220,309	202,955	17,354
TOTAL EXPENDITURES	\$ 1,470,649	\$ 1,391,048	\$ 79,601
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1,461	1,389	72
-	-	-	-	-	-	1,461	1,389	72
-	-	-	3,705	2,994	711	3,705	2,994	711
-	-	-	3,705	2,994	711	3,705	2,994	711
-	-	-	850	594	256	850	594	256
-	-	-	14,789	10,636	4,153	16,376	12,214	4,162
-	-	-	15,639	11,230	4,409	17,226	12,808	4,418
2,985	2,935	50	3,519	2,321	1,198	9,990	8,215	1,775
23,156	23,088	68	-	-	-	23,156	23,088	68
-	-	-	37,656	26,705	10,951	37,656	26,705	10,951
26,141	26,023	118	41,175	29,026	12,149	70,802	58,008	12,794
-	-	-	445	441	4	445	441	4
-	-	-	445	441	4	445	441	4
-	-	-	-	-	-	62	48	14
-	-	-	-	-	-	62	48	14
123,580	121,636	1,944	1,311,002	1,074,267	236,735	1,654,891	1,398,858	256,033
\$ 5,640,427	\$ 5,614,193	\$ 26,234	\$ 14,867,560	\$ 12,021,441	\$ 2,846,119	\$ 21,978,636	\$ 19,026,682	\$ 2,951,954
572	572	-	-	-	-	572	572	-
1,725	1,725	-	-	-	-	1,725	1,725	-
1,974	1,974	-	-	-	-	1,974	1,974	-
1,246	1,246	-	-	-	-	1,246	1,246	-
14,008	14,008	-	-	-	-	14,008	14,008	-
29,505	29,505	-	-	-	-	29,505	29,505	-
524	524	-	-	-	-	524	524	-
533	533	-	-	-	-	533	533	-
9,145	9,145	-	-	-	-	9,145	9,145	-
59,232	59,232	-	-	-	-	59,232	59,232	-

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, 2009

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>General Fund Transfers</u>			
Alabama Building Renovation Finance Authority	636	636	-
Alabama Bureau of Investigation Cost of Evidence	77	77	-
Child Abuse Board	916	916	-
Child Health Insurance Program	29,400	29,400	-
Children's Policy Council	18	18	-
Crime Victims Compensation Commission	90	90	-
Environmental Management - Operations	4,828	4,828	-
Environmental Management-Hazardous Substance Fund	23	23	-
Environmental Management-Steel / Dust Sludge	360	232	128
Fair Trial Tax Transfer	41,000	41,000	-
Finance - Telephone Revolving	1,000	1,000	-
Forestry Commission	14,082	14,082	-
Forestry Emergency Forest Fire	180	180	-
Historical Commission	4,858	4,858	-
Human Resources	107,562	95,944	11,618
Local Emergency Management Agency Assistance	200	200	-
Mental Health	105,930	91,444	14,486
Peace Officers Annuity & Benefit	90	90	-
Penny Trust Fund	530	530	-
Pollution Control Grant	1,549	1,549	-
Pollution Grant	465	465	-
Postsecondary Department	1,021	1,021	-
Revenue-Ad Valorem Equalization	225	225	-
Surface Mining Commission	524	524	-
Treasurer-SAFE Program	218	218	-
Agriculture and Conservation Development Commission	608	608	-
TOTAL General Fund Transfers	316,390	290,158	26,232
TOTAL TRANSFERS OUT	\$ 316,390	\$ 290,158	\$ 26,232
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,787,039	\$ 1,681,206	\$ 105,833

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	636	636	-
-	-	-	-	-	-	77	77	-
-	-	-	-	-	-	916	916	-
-	-	-	-	-	-	29,400	29,400	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	4,828	4,828	-
-	-	-	-	-	-	23	23	-
-	-	-	-	-	-	360	232	128
-	-	-	-	-	-	41,000	41,000	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	14,082	14,082	-
-	-	-	-	-	-	180	180	-
-	-	-	-	-	-	4,858	4,858	-
-	-	-	-	-	-	107,562	95,944	11,618
-	-	-	-	-	-	200	200	-
-	-	-	-	-	-	105,930	91,444	14,486
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	530	530	-
-	-	-	-	-	-	1,549	1,549	-
-	-	-	-	-	-	465	465	-
-	-	-	-	-	-	1,021	1,021	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	524	524	-
-	-	-	-	-	-	218	218	-
-	-	-	-	-	-	608	608	-
-	-	-	-	-	-	316,390	290,158	26,232
\$ 59,232	\$ 59,232	\$ -	\$ -	\$ -	\$ -	\$ 375,622	\$ 349,390	\$ 26,232
\$ 5,699,659	\$ 5,673,425	\$ 26,234	\$ 14,867,560	\$ 12,021,441	\$ 2,846,119	\$ 22,354,258	\$ 19,376,072	\$ 2,978,186

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, 2009

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	\$ 1,828,808	10.5%
General Use Tax	245,189	1.4%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,086,469	17.6%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	45,588	0.3%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	312,659	1.8%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	403,366	2.4%
Utilities Tax (6% telephone, 4% other)	425,834	2.4%
Insurance Premium Tax (1% to 6%)	268,586	1.5%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	100,247	0.6%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	140,725	0.8%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	164,559	0.9%
State Beer Tax (5¢ per 12 oz.)	56,927	0.3%
Public Utilities (2.2%)	142,909	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	142,288	0.8%
Tennessee Valley Authority (payments in-lieu of all state taxes)	122,283	0.7%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	66,037	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	110,651	0.6%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	43,253	0.2%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	61,164	0.3%
Coal Severance Tax (33.5¢ per ton)	6,200	0.0%
Forestry Severance Tax	4,691	0.0%
Inheritance Tax (amount of federal credit)	(24)	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	34,755	0.2%
Lodgings Tax (4% or 5% of charge)	43,656	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	1,146	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,597	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	2,427	0.0%
Court Cost Taxes	36,682	0.2%
Medicaid Taxes	58,812	0.3%
Cellular Telephones (6%)	108,781	0.6%
Ground Materials Severance Tax	3,929	0.0%
Miscellaneous Taxes	13,172	0.1%
TOTAL TAXES	8,083,366	45.9%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	27,634	0.2%
Drivers Licenses and Fees	50,967	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	59,640	0.3%
Agricultural Licenses and Fees	12,277	0.1%
Wholesale Oil Company License	6,552	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	147,921	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	75,385	0.4%
Court Fees	77,652	0.4%
Alcoholic Beverage Licenses	2,477	0.0%
Insurance Corporation Licenses and Fees	1,242	0.0%
Miscellaneous License and Fees	148,592	0.9%
TOTAL LICENSES AND FEES	610,339	3.5%

FINES AND FORFEITS

Court Fines and Forfeits	34,323	0.2%
Tobacco Settlement	116,588	0.6%
Miscellaneous Fines and Forfeits	99,181	0.6%
TOTAL FINES AND FORFEITS	250,092	1.4%

INVESTMENT INCOME

119,775	0.7%
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FEDERAL REVENUES

7,568,492	42.9%
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OTHER REVENUES

Rents and Royalties	230,033	1.3%
Reimbursements	40,779	0.2%
Sales of Property or Services	43,470	0.2%
Contributions	13,293	0.1%
Intragovernmental Services	43,927	0.2%
Local Revenues	46,454	0.3%
Disproportionate Hospital Receipts (Medicaid)	455,530	2.6%
Miscellaneous Revenues	119,339	0.7%
TOTAL OTHER REVENUES	992,825	5.6%

TOTAL REVENUES

\$17,624,889	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, 2009

(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	\$ 1,828,808	\$ 37,623	\$ 1,791,185	\$ 46,095	\$ 74,559	\$ 0	\$ 1,466,901	\$ 0
General Use Tax	245,189	3,900	241,289	500	2,273	-	237,459	-
Income Tax	3,086,469	48,940	3,037,529	-	-	-	3,037,529	-
Property Tax Relief	45,588	-	45,588	6,733	18,656	20,199	-	-
General Property Tax	312,659	5,299	307,360	46,728	118,223	142,409	-	-
Gasoline Taxes	403,366	11,089	392,277	-	-	-	-	-
Utilities Tax	425,834	372	425,462	-	-	-	410,862	-
Insurance Premium Tax	268,586	-	268,586	-	231,866	-	30,946	-
Liquor & Wine Tax	100,247	-	100,247	35,958	50,124	-	-	-
Tobacco & Cigarette Taxes	140,725	428	140,297	3,193	122,419	-	-	-
Corporation Taxes	164,559	-	164,559	-	127,395	-	-	-
State Beer Tax	56,927	-	56,927	11,385	17,078	-	22,771	-
Public Utilities	142,909	-	142,909	-	21,764	-	-	-
Motor Fuel Tax	142,288	4,178	138,110	-	-	-	-	-
Tennessee Valley Authority	122,283	-	122,283	-	-	-	-	-
Leasing/Renting Personal Property	66,037	-	66,037	-	66,037	-	-	-
Production Privilege Tax	110,651	-	110,651	-	94,442	-	-	-
Financial Institutions Excise Tax	43,253	127	43,126	-	21,297	-	-	-
Documentary Filing Taxes	61,164	1	61,163	-	61,163	-	-	-
Coal Severance Tax	6,200	-	6,200	-	-	-	-	-
Forestry Severance Tax	4,691	283	4,408	-	-	-	-	-
Inheritance Tax	(24)	-	(24)	-	(24)	-	-	-
Contractors Gross Receipts Tax	34,755	45	34,710	5,194	-	-	-	-
Lodgings Tax	43,656	22	43,634	-	31,347	-	-	-
Hydroelectric Companies	1,146	1	1,145	-	-	-	481	-
Lubricating Oil Tax	1,597	13	1,584	-	532	-	-	-
Pari-mutuel Betting	2,427	-	2,427	-	2,427	-	-	-
Court Cost Taxes	36,682	-	36,682	-	10,474	-	-	-
Medicaid Provider Taxes	58,812	312	58,500	-	-	-	-	-
Cellular Telephone Tax	108,781	-	108,781	-	70,209	-	37,354	-
Ground Materials Severance Tax	3,929	-	3,929	-	-	-	-	-
Hazardous Waste	-	-	-	-	-	-	-	-
Miscellaneous Taxes	13,172	47	13,125	48	3,624	91	-	-
TOTAL TAXES	8,083,366	112,680	7,970,686	155,834	1,145,885	162,699	5,244,303	0
LICENSES AND FEES								
Conservation Licenses	27,634	-	27,634	-	-	-	-	-
Drivers Licenses and Fees	50,967	-	50,967	-	33,355	-	-	-
Petroleum Products Inspection Fee	59,640	-	59,640	-	-	-	-	-
Agricultural License and Fees	12,277	-	12,277	-	-	-	-	-
Wholesale Oil Company License	6,552	-	6,552	-	6,552	-	-	-
Motor Vehicle License	147,921	1,475	146,446	-	42,174	-	-	-
Privilege License	75,385	1,545	73,840	-	11,070	-	47	-
Court Fees	77,652	-	77,652	-	58,189	-	-	-
Alcoholic Beverage Licenses	2,477	-	2,477	-	2,477	-	-	-
Insurance Corp Licenses and Fees	1,242	-	1,242	-	602	-	-	-
Miscellaneous License and Fees	148,592	106	148,486	501	3,691	-	57	-
TOTAL LICENSES AND FEES	610,339	3,126	607,213	501	158,110	0	104	0
FINES AND FORFEITS								
Court Fines and Forfeits	34,323	-	34,323	-	23,233	-	-	-
Tobacco Settlement	116,588	-	116,588	-	-	-	-	-
Miscellaneous Fines and Forfeits	99,181	-	99,181	-	53,559	-	-	4
TOTAL FINES AND FORFEITS	250,092	-	250,092	0	76,792	-	0	4
INVESTMENT INCOME	119,775	-	119,775	7	33,900	-	-	66,639
FEDERAL REVENUES	7,568,492	1,083	7,567,409	1,331,689	-	-	-	-
Disproportionate Public Hospital	455,530	-	455,530	-	-	-	-	-
Miscellaneous Revenues	537,295	4,564	532,731	14,928	833	1,989	772	200,891
TOTAL REVENUES	\$ 17,624,889	\$ 121,453	\$ 17,503,436	\$ 1,502,959	\$ 1,415,520	\$ 164,688	\$ 5,245,179	\$ 267,534

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 4,589	\$ 194,041	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,057	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
174,644	-	-	213,502	-	-	-	4,131	Conservation 3.6M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,249	Insurance Dept
-	-	-	-	14,165	-	-	-	-
769	2,850	-	-	7,862	-	-	3,204	State Parks
36,655	-	-	-	-	-	-	509	Secretary of State
5,693	-	-	-	-	-	-	-	-
-	-	-	-	121,145	-	-	-	-
2,228	-	-	135,882	-	-	-	-	-
101,615	20,668	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
16,209	-	-	-	-	-	-	-	-
21,829	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,698	-	-	-	-	-	-	2,502	State Port Authority
-	-	-	-	-	-	-	4,408	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	29,516	-	-	-	-
1,833	-	-	-	-	-	-	10,454	Tourism
-	-	-	-	664	-	-	-	-
579	-	-	473	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,560	-	22,648	Fair Trial Fd 19.5M
-	-	58,500	-	-	-	-	-	-
-	1,218	-	-	-	-	-	-	-
3,929	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
241	-	-	39	-	-	-	9,082	ADEM 4.5M; Indus Rel 4.5M
374,511	218,777	58,500	349,896	192,477	3,560	0	64,244	
-	-	-	-	-	-	-	27,634	Conservation
614	-	-	-	-	-	-	16,998	Public Safety
9,400	-	-	47,196	-	-	-	3,044	Agriculture
-	-	-	-	-	-	-	12,277	Agriculture
-	-	-	-	-	-	-	-	-
17,472	-	-	82,196	-	-	-	4,604	Corrections 3.7M
-	-	-	3,436	2,316	1,611	-	55,360	Prof & Occup Bds 29 M
-	-	-	-	160	-	-	19,303	AOC 10M; DPS 3.5; DFS 3.4
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	640	Insurance Dept
-	-	-	1,378	33,341	-	18	109,500	ADEM 56M; PSC 18M; Bank 12M
27,486	0	0	134,206	35,817	1,611	18	249,360	
-	-	-	-	-	-	2,035	9,055	Forensics 2.7M
-	-	-	-	-	-	-	116,588	21st Century Fund
6	-	29,892	-	-	1	-	15,719	
6	0	29,892	0	0	1	2,035	141,362	
-	243	78	2,316	1	-	186	16,405	
2,582	-	3,577,738	744,095	399,342	846,591	212,540	452,832	Rehab 65M; EMA 50; DIR 60; Mil 71
-	-	455,530	-	-	-	-	-	-
-	2,285	68,585	33,082	61,091	9,742	3,606	134,927	Corr 8.6; Cons 46.5; Uncl Prop 18.3
\$ 404,585	\$ 221,305	\$ 4,190,323	\$ 1,263,595	\$ 688,728	\$ 861,505	\$ 218,385	\$ 1,059,130	



Nonmajor Enterprise Funds

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

Alabama Health Insurance Plan

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

Motor Sports Hall of Fame

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

Corrections Canteen

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

National Guard Canteen

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

Corrections Farms

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

Other Enterprise Funds

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2009

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 10,785	\$ 104	\$ 781	\$ 2,388
Due from Other Funds	-	-	-	-
Accounts Receivable	36	-	15	5
Inventory	-	-	629	178
Securities Lending Collateral	-	-	-	-
Other Current Assets	300	-	-	-
Total Current Assets	11,121	104	1,425	2,571
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	11	1,805	-	676
Capital Assets Not Depreciated	-	2,630	-	-
Total Noncurrent Assets	11	4,435	0	676
TOTAL ASSETS	11,132	4,539	1,425	3,247
LIABILITIES				
Current Liabilities				
Salaries Payable	-	2	-	2
Due to Other Funds	-	-	644	-
Due to Component Units	121	-	-	-
Accounts Payable	18	15	43	1
Due to Other Governments	-	-	-	-
Claims Payable	3,503	-	-	-
Unearned Revenue	388	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	4,030	17	687	3
Long-term Liabilities				
Compensated Absences	-	9	-	-
Other Post-employment Benefits	-	8	-	-
Notes and Capital Leases Payable	-	1,896	-	-
Total Long-term Liabilities	0	1,913	0	0
Total Liabilities	4,030	1,930	687	3
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11	2,539	-	676
Unrestricted	7,091	70	738	2,568
TOTAL NET ASSETS	\$ 7,102	\$ 2,609	\$ 738	\$ 3,244

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 1,059	\$ 224	\$ 15,341
-	8	8
-	-	56
-	-	807
80	17	97
-	-	300
1,139	249	16,609
335	83	2,910
-	-	2,630
335	83	5,540
1,474	332	22,149
-	33	37
-	-	644
-	-	121
-	17	94
-	3	3
-	-	3,503
-	-	388
80	17	97
80	70	4,887
-	11	20
42	62	112
-	-	1,896
42	73	2,028
122	143	6,915
335	83	3,644
1,017	106	11,590
\$ 1,352	\$ 189	\$ 15,234

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
OPERATING REVENUES				
Charges for Goods and Services	\$ 0	\$ 0	\$ 20,331	\$ 11,064
Premiums and Contributions	15,717	-	-	-
Rents and Leases	-	200	-	-
Total Operating Revenues	15,717	200	20,331	11,064
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	54	-	116
Utilities and Communications	-	7	-	-
Professional Services	354	6	-	-
Supplies, Materials, and Operating Expenses	-	43	11,493	10,368
Depreciation	6	172	-	56
Claims and Benefits	21,745	-	-	-
Other	-	23	-	-
Total Operating Expenses	22,105	305	11,493	10,540
Operating Income (Loss)	(6,388)	(105)	8,838	524
NONOPERATING REVENUES (EXPENSES)				
Taxes	3,829	-	-	-
Grants	2,189	-	-	-
Investment Income	13	-	-	36
Other Nonoperating Revenues	-	135	-	-
Interest Expense	-	(93)	-	-
Total Nonoperating Revenues (Expenses)	6,031	42	0	36
Income (Loss) Before Contributions and Transfers	(357)	(63)	8,838	560
Transfers Out	-	-	(9,311)	(114)
Increase (Decrease) in Net Assets	(357)	(63)	(473)	446
Total Net Assets, October 1, 2008, as Restated	7,459	2,672	1,211	2,798
Total Net Assets, September 30, 2009	\$ 7,102	\$ 2,609	\$ 738	\$ 3,244

Corrections	Other	
Farms	Nonmajor	
	Enterprise	Totals
Funds		
\$ 229	\$ 0	\$ 31,624
-	-	15,717
-	444	644
229	444	47,985
-	448	618
8	229	244
2	9	371
56	95	22,055
80	20	334
-	-	21,745
7	2	32
153	803	45,399
76	(359)	2,586
-	-	3,829
51	1	2,241
-	-	49
125	-	260
-	-	(93)
176	1	6,286
252	(358)	8,872
-	(472)	(9,897)
252	(830)	(1,025)
1,100	1,019	16,259
\$ 1,352	\$ 189	\$ 15,234

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2009

(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	\$ 19,519	\$ 200	\$ 20,317	\$ 11,060
Receipts from Other Operating Activities	-	134	-	-
Payments for Goods Held for Resale	(451)	-	(11,457)	(10,227)
Payments for Other Goods & Services	(21,750)	(79)	-	(175)
Payments for Employees Services	-	(50)	-	(116)
Payments for Interfund Services	-	-	-	-
Payments for Other Operating Activities	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(2,682)	205	8,860	542
Cash Flows from Noncapital Financing Activities:				
Receipts from Noncapital Financing Grants & Donations	2,189	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	(8,729)	(114)
Net Cash Provided By (Used In)				
Noncapital Financing Activities	2,189	0	(8,729)	(114)
Cash Flows From Capital & Related Financing Activities:				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	-	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(52)	-	(82)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(69)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(93)	-	-
Net Cash Provided by (Used in)				
Capital and Related Financing Activities	0	(214)	0	(82)
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	13	-	-	36
Net Cash Provided By (Used In) Investing Activities	13	0	0	36
Net Increase (Decrease) In Cash and Cash Equivalents	(480)	(9)	131	382
Cash Balance as Restated, October 1, 2008	11,265	113	650	2,006
Cash Balance, September 30, 2009	10,785	104	781	2,388
Cash and Cash Equivalents,				
as Reported on Balance Sheet	\$ 10,785	\$ 104	\$ 781	\$ 2,388

Corrections	Other Nonmajor Enterprise	
Farms	Funds	Totals
\$ 229	\$ 444	\$ 51,769
54	-	188
-	-	(22,135)
(183)	(320)	(22,507)
-	(448)	(614)
(4)	(9)	(13)
(1)	-	(1)
95	(333)	6,687
-	-	2,189
-	(472)	(9,315)
0	(472)	(7,126)
148	-	148
-	(5)	(139)
-	-	(69)
-	-	(93)
148	(5)	(153)
-	-	49
0	0	49
243	(810)	(543)
816	1,034	15,884
1,059	224	15,341
\$ 1,059	\$ 224	\$ 15,341

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, 2009

(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)	\$ (6,388)	\$ (105)	\$ 8,838	\$ 524
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	-	-
Accounts Receivable	9	-	(15)	(5)
Inventory	-	-	25	12
Salaries Payable	-	-	-	-
Due to Other Funds	(101)	-	-	-
Accounts Payable	(7)	(1)	12	(45)
Claims Payable	(5)	-	-	-
Unearned Revenue	(25)	-	-	-
Compensated Absences	-	1	-	-
Other Post-employment Benefits	-	-	-	-
Other Liabilities	-	3	-	-
Depreciation	6	172	-	56
Nonoperating Revenues	3,829	135	-	-
Total Adjustments	3,706	310	22	18
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,682)</u>	<u>\$ 205</u>	<u>\$ 8,860</u>	<u>\$ 542</u>
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Transfers and Donations of Capital Assets	-	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	-

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 76	\$ (359)	\$ 2,586
-	(8)	(8)
-	-	(11)
-	-	37
-	(6)	(6)
(2)	(3)	(106)
(113)	10	(144)
-	-	(5)
-	-	(25)
-	(8)	(7)
-	20	20
-	-	3
80	20	334
54	1	4,019
19	26	4,101
<u>\$ 95</u>	<u>\$ (333)</u>	<u>\$ 6,687</u>

2,775	5	2,780
(2,574)	-	(2,574)



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 efficiency in the acquisition, operation and maintenance of telecommunications and computer equipment, services, systems, and networks used by state agencies.

Service Division

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

Correctional Industries

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

Building Renovation Finance Authority

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

Risk Management

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

Other Internal Service Funds

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS

Internal Service Funds

September 30, 2009

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 9,152	\$ 3,210	\$ 4,639	\$ 16,878	\$ 42,406
Investments, Short-term	-	-	-	-	42,022
Due from Other Funds	7,675	1,313	1,121	964	1,080
Due from Component Units	295	145	14	7	13
Accounts Receivable	860	200	-	11	403
Interest and Dividends Receivable	-	-	-	-	237
Inventory	-	844	8,583	-	-
Securities Lending Collateral	695	243	352	737	215
Other Current Assets	-	-	-	-	10,333
Total Current Assets	18,677	5,955	14,709	18,597	96,709
Noncurrent Assets					
Investments, Long-term	-	-	-	-	61,892
Due From Other Funds, Noncurrent	-	-	-	-	9,475
Due From Component Unit, Noncurrent	-	-	-	-	1,325
Other Noncurrent Assets	-	-	-	699	-
Capital Assets, Net of Accumulated Depreciation	1,880	1,216	2,281	40,183	180
Capital Assets Not Depreciated	-	-	620	24,344	2,424
Total Noncurrent Assets	1,880	1,216	2,901	65,226	75,296
TOTAL ASSETS	20,557	7,171	17,610	83,823	172,005
LIABILITIES					
Current Liabilities					
Warrants Payable	15	1	5	19	86
Salaries Payable	1,312	97	482	295	310
Due to Other Funds	1,163	13	144	19	134
Due to Component Units	36	-	-	1	-
Accounts Payable	3,711	768	621	740	210
Due to Other Governments	166	-	2	31	1
Claims Payable	-	-	-	-	11,744
Securities Lending Obligation	695	243	352	737	215
Revenue Bonds Payable	-	-	-	7,085	-
Total Current Liabilities	7,098	1,122	1,606	8,927	12,700
Long-term Liabilities					
Claims Payable	-	-	-	-	47,665
Compensated Absences	2,573	77	987	422	378
Other Post-employment Benefits	1,521	213	840	524	407
Revenue Bonds Payable	-	-	-	72,328	-
Total Long-term Liabilities	4,094	290	1,827	73,274	48,450
Total Liabilities	11,192	1,412	3,433	82,201	61,150
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,880	1,216	2,901	(7,726)	2,604
Restricted for:					
Capital Projects	-	-	-	25,476	-
Unrestricted	7,485	4,543	11,276	(16,128)	108,251
TOTAL NET ASSETS	\$ 9,365	\$ 5,759	\$ 14,177	\$ 1,622	\$ 110,855

Other Internal Service Funds		Totals	
\$	1,625	\$	77,910
	-		42,022
	-		12,153
	-		474
	-		1,474
	-		237
	-		9,427
	123		2,365
	-		10,333
	1,748		156,395
	-		61,892
	-		9,475
	-		1,325
	-		699
	22		45,762
	-		27,388
	22		146,541
	1,770		302,936
	-		126
	209		2,705
	17		1,490
	-		37
	6		6,056
	-		200
	-		11,744
	123		2,365
	-		7,085
	355		31,808
	-		47,665
	417		4,854
	320		3,825
	-		72,328
	737		128,672
	1,092		160,480
	22		897
	-		25,476
	656		116,083
\$	678	\$	142,456

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 44,038	\$ 10,207	\$ 11,769	\$ 2,241	\$ 316
Premiums and Contributions	-	-	-	-	53,834
Rents and Leases	-	-	-	17,496	-
Total Operating Revenues	44,038	10,207	11,769	19,737	54,150
OPERATING EXPENSES					
Salaries, Wages, and Benefits	16,013	1,121	6,164	3,648	3,891
Utilities and Communications	18,525	32	610	4,596	127
Professional Services	8,214	247	238	2,005	5,871
Supplies, Materials, and Operating Expenses	6,227	6,757	11,147	389	20,628
Interest	-	-	-	4,355	-
Depreciation	1,651	596	533	2,838	78
Claims and Benefits	-	-	-	-	22,402
Other	3,992	1,226	1,025	1,107	4,782
Total Operating Expenses	54,622	9,979	19,717	18,938	57,779
Operating Income (Loss)	(10,584)	228	(7,948)	799	(3,629)
NONOPERATING REVENUES (EXPENSES)					
Grants	15	2	8	5	4
Investment Income	-	-	-	47	2,854
Other Nonoperating Revenues	11	107	549	202	435
Interest Expense	-	-	(5)	-	-
Other Nonoperating Expenses	(605)	-	-	-	-
Total Nonoperating Revenues (Expenses)	(579)	109	552	254	3,293
Income (Loss) Before Contributions and Transfers	(11,163)	337	(7,396)	1,053	(336)
Transfers In	2,246	3	4,303	3,580	-
Transfers Out	(54)	(8)	(38)	(634)	(14)
Increase (Decrease) in Net Assets	(8,971)	332	(3,131)	3,999	(350)
Total Net Assets, October 1, 2008, as Restated	18,336	5,427	17,308	(2,377)	111,205
Total Net Assets, September 30, 2009	\$ 9,365	\$ 5,759	\$ 14,177	\$ 1,622	\$ 110,855

Other Internal Service Funds		Totals	
<hr/>		<hr/>	
\$	3,098	\$	71,669
	-		53,834
	-		17,496
<hr/>		<hr/>	
	3,098		142,999
	2,923		33,760
	34		23,924
	356		16,931
	41		45,189
	-		4,355
	19		5,715
	-		22,402
	144		12,276
<hr/>		<hr/>	
	3,517		164,552
	(419)		(21,553)
	3		37
	-		2,901
	-		1,304
	-		(5)
<hr/>		<hr/>	
	(20)		(625)
<hr/>		<hr/>	
	(17)		3,612
	(436)		(17,941)
	6		10,138
<hr/>		<hr/>	
	(9)		(757)
	(439)		(8,560)
<hr/>		<hr/>	
	1,117		151,016
\$	678	\$	142,456
<hr/>		<hr/>	

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 1,582	\$ 956	\$ 3,667	\$ 20	\$ 47,755
Receipts from Interfund Services	46,714	8,596	7,871	19,274	25,102
Receipts from Other Operating Activities	4,008	26	17	186	433
Payments for Goods Held for Resale	(32)	(6,557)	(5,958)	-	(1)
Payments for Other Goods & Services	(35,500)	(1,063)	(1,891)	(7,468)	(26,779)
Payments for Employees Services	(15,444)	(1,036)	(5,914)	(3,389)	(3,693)
Payments for Taxes, Fines, Penalties, & Similar Fees	(109)	-	(4)	-	-
Payments for Interfund Services	(1,657)	(412)	(492)	(506)	(1,757)
Payments for Other Operating Activities	(4,532)	(4)	(193)	-	(4,748)
Payments for Claims	-	-	-	-	(22,132)
Net Cash Provided by (Used In) Operating Activities	(4,970)	506	(2,897)	8,117	14,180
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	2,246	-	4,303	3,457	37,078
Transfers to Other Funds for Noncapital Financing	(52)	(8)	(38)	(598)	(13)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	2,194	(8)	4,265	2,859	37,065
Cash Flows From Capital & Related Financing Activities:					
Receipts from Sale of Capital Assets & Insurance Proceeds	3	82	498	22	-
Payments to Acquire, Construct, & Improve Capital Assets	(1,166)	(553)	(363)	(3,272)	(2,522)
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	-	(6,750)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	(6)	(4,277)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(1,163)	(471)	129	(14,277)	(2,522)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	131,332
Receipts from Interest & Dividends on Investments & Loans	-	-	-	47	4,063
Purchase of Investments	-	-	-	-	(162,488)
Net Cash Provided By (Used In) Investing Activities	0	0	0	47	(27,093)
Net Increase (Decrease) In Cash and Cash Equivalents	(3,939)	27	1,497	(3,254)	21,630
Cash Balance as Restated, October 1, 2008	13,076	3,182	3,137	20,113	20,690
Cash Balance, September 30, 2009	9,137	3,209	4,634	16,859	42,320
Add: Warrants Payable	15	1	5	19	86
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 9,152	\$ 3,210	\$ 4,639	\$ 16,878	\$ 42,406

Other Internal Service Funds	Totals
\$ 0	\$ 53,980
3,100	110,657
3	4,673
-	(12,548)
(248)	(72,949)
(2,711)	(32,187)
-	(113)
(332)	(5,156)
(26)	(9,503)
-	(22,132)
(214)	14,722
-	47,084
(8)	(717)
(8)	46,367
-	605
(6)	(7,882)
-	(6,750)
-	(4,283)
(6)	(18,310)
-	131,332
-	4,110
-	(162,488)
0	(27,046)
(228)	15,733
1,853	62,051
1,625	77,784
-	126
\$ 1,625	\$ 77,910

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, 2009

(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)	\$ (10,584)	\$ 228	\$ (7,948)	\$ 799	\$ (3,629)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	3,315	(440)	112	(451)	(782)
Accounts Receivable	274	40	1	(1)	10,590
Inventory	-	380	4,743	-	-
Other Assets	-	-	-	-	(645)
Capital Assets	-	-	-	-	1,341
Salaries Payable	25	5	(22)	22	20
Due to Other Funds	190	10	(349)	10	8
Accounts Payable	(388)	(422)	(255)	124	(342)
Claims Payable	-	-	-	-	6,930
Unearned Revenue	-	-	-	-	(2)
Funds Held in Escrow	-	-	-	-	(1)
Compensated Absences	6	14	(16)	53	25
Other Post-employment Benefits	522	67	280	177	149
Operating Interest Expense	-	-	-	4,355	-
Depreciation	1,651	596	533	2,838	78
Nonoperating Revenues	19	28	24	191	440
Nonoperating Expenses	-	-	-	-	-
Total Adjustments	5,614	278	5,051	7,318	17,809
Net Cash Provided (Used) by Operating Activities	\$ (4,970)	\$ 506	\$ (2,897)	\$ 8,117	\$ 14,180
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	79	31	846	18,111	1,310
Disposals, Write-offs, and Other Reductions to Capital Asset	(814)	(188)	(1,149)	(18,183)	(1,491)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	37	-
Interest Accruals and Other Adjustments	-	-	-	-	401
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(404)
Transfers In (Out)	2	(3)	-	(87)	37,079

Other Internal Service Funds	Totals
\$ (419)	\$ (21,553)
-	1,754
-	10,904
-	5,123
-	(645)
-	1,341
22	72
(6)	(137)
-	(1,283)
-	6,930
-	(2)
-	(1)
85	167
102	1,297
-	4,355
19	5,715
3	705
(20)	(20)
205	36,275
<u>\$ (214)</u>	<u>\$ 14,722</u>

13	20,390
(6)	(21,831)
-	37
-	401
-	(404)
(6)	36,985



Pension and Other Employee Benefit Trust Funds

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

Employees' Retirement System

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

Teachers' Retirement System

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

Judicial Retirement Fund

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

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

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

State Port Authority Railway Plan

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

Clerks and Registers Supernumerary

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

Flexible Employees' Benefits Board

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

Employee Savings Plans

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

Retired Education Employees' Health Care Trust

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

Retired State Employees' Health Care Trust

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

STATE OF ALABAMA

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

September 30, 2009

(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	\$ 17,923	\$ 29,792	\$ 1,667	\$ 261	\$ 0
Investment Sales Receivable	8,690	16,498	-	-	-
Investments					
U.S. Treasury Securities	209,110	453,319	10,042	2,030	1,632
U.S. Agency Securities	176,508	374,948	9,836	811	1,675
Mortgage Backed Securities	147,655	328,508	7,013	4,051	900
Corporate Stocks	3,378,526	7,002,023	109,305	160	1,327
Corporate Bonds	1,640,556	3,447,265	37,136	2,547	3,713
Real Estate	683,221	1,404,652	2,530	-	-
Commercial Paper	169,893	309,982	12,506	-	-
International Stocks	1,050,599	2,383,873	15,112	-	-
Mutual and Money Market Funds	93,967	161,195	5,086	8,264	1,103
Receivables					
Employer Contributions Receivable	29,616	61,263	351	-	-
Member Contributions Receivable	14,640	25,381	117	-	-
Accounts Receivable	54	7	-	2	-
Interest and Dividends Receivable	27,166	59,045	1,047	86	-
Securities Lending Collateral	1,029,196	2,396,897	23,339	14	2,860
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	52,234	104,552	-	14	-
Capital Assets Not Depreciated	2,535	5,085	-	-	-
TOTAL ASSETS	8,732,089	18,564,285	235,087	18,240	13,210
LIABILITIES					
Warrants Payable	\$ 10,761	\$ 23,392	\$ 512	\$ 117	\$ 0
Investment Purchases Payable	8,768	16,613	-	-	-
Salaries Payable	856	1,097	40	28	-
Due to Other Funds	-	-	-	2	-
Accounts Payable	1,272	2,445	12	11	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	1,029,196	2,396,897	23,339	14	2,860
Deferred Revenue	28	51	-	-	-
Compensated Absences	1,723	2,680	181	91	-
Other Post-employment Benefits	1,147	1,091	17	33	-
TOTAL LIABILITIES	1,053,751	2,444,266	24,101	296	2,860
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	7,678,338	16,120,019	210,986	17,944	10,350
TOTAL NET ASSETS	\$ 7,678,338	\$ 16,120,019	\$ 210,986	\$ 17,944	\$ 10,350

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 29	\$ 696	\$ 500	\$ 0	\$ 0	\$ 50,868
-	-	-	-	-	-	25,188
98	1,806	-	177,946	49,644	6,413	912,040
101	1,601	-	132,841	35,534	9,795	743,650
54	999	-	107,533	24,855	2,527	624,095
80	3	-	167,573	264,382	27,335	10,950,714
222	4,455	-	445,549	77,106	20,181	5,678,730
-	-	-	-	-	-	2,090,403
-	-	-	177,989	98,994	-	769,364
-	-	-	-	81,670	9,175	3,540,429
66	568	-	51,624	50,498	3,486	375,857
-	-	-	-	-	-	91,230
-	-	-	-	-	2	40,140
-	-	1,546	-	11,170	9,044	21,823
-	-	-	10,862	2,894	632	101,732
172	2,917	53	307,019	68,971	25,751	3,857,189
-	-	-	-	6,540	-	6,540
-	-	-	-	-	-	156,800
-	-	-	-	-	-	7,620
793	12,378	2,295	1,579,436	772,258	114,341	30,044,412
\$ 0	\$ 27	\$ 0	\$ 500	\$ 0	\$ 0	\$ 35,309
-	-	-	-	-	-	25,381
-	-	-	-	-	-	2,021
-	-	-	-	-	-	2
-	-	2,257	-	-	-	5,997
-	-	-	-	33,282	6,622	39,904
172	2,917	53	307,019	68,971	25,751	3,857,189
-	-	-	-	-	2,028	2,107
-	-	-	-	-	-	4,675
-	-	152	-	-	-	2,440
172	2,944	2,462	307,519	102,253	34,401	3,975,025
621	9,434	(167)	1,271,917	670,005	79,940	26,069,387
\$ 621	\$ 9,434	\$ (167)	\$ 1,271,917	\$ 670,005	\$ 79,940	\$ 26,069,387

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, 2009

(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	\$ 208,442	\$ 321,100	\$ 2,603	\$ 681	\$ 0
Employer	451,112	753,487	10,661	90	623
Medicare Part D Retiree Drug Subsidy	-	-	-	-	-
Total Contributions	659,554	1,074,587	13,264	771	623
Investment Earnings					
Investment Interest and Dividends	285,022	580,656	7,026	584	440
Net Increase (Decrease) in Fair Value of Investments	(1,180,522)	(2,083,048)	(6,612)	(890)	468
Securities Lending Income	15,335	33,782	543	-	33
Total Investment Earnings	(880,165)	(1,468,610)	957	(306)	941
Less:					
Investment Expense	2,651	5,419	11	40	-
Securities Lending Interest and Fees	5,065	11,096	187	-	10
Net Investment Income	(887,881)	(1,485,125)	759	(346)	931
Other Additions					
Licenses and Fees	-	-	-	3,356	-
Miscellaneous	2,113	2,771	98	164	-
Total Other Additions	2,113	2,771	98	3,520	0
Total Additions	(226,214)	(407,767)	14,121	3,945	1,554
DEDUCTIONS					
Benefit Payments and Refunds	728,084	1,554,695	23,968	4,366	-
Administrative Expense	14,605	17,343	619	423	-
Transfers Out	-	-	-	1	-
Total Deductions	742,689	1,572,038	24,587	4,790	0
Changes in Net Assets	(968,903)	(1,979,805)	(10,466)	(845)	1,554
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2008, as Restated	8,647,241	18,099,824	221,452	18,789	8,796
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2009	\$ 7,678,338	\$ 16,120,019	\$ 210,986	\$ 17,944	\$ 10,350

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 351	\$ 10,583	\$ 107,706	\$ 67,186	\$ 24,123	\$ 742,775
-	-	2,195	-	302,415	102,771	1,623,354
-	-	-	-	24,720	3,195	27,915
0	351	12,778	107,706	394,321	130,089	2,394,044
27	470	-	55,782	20,767	2,392	953,166
8	608	-	35,860	30,712	4,830	(3,198,586)
2	40	-	4,196	1,263	237	55,431
37	1,118	0	95,838	52,742	7,459	(2,189,989)
-	-	-	-	-	-	8,121
1	15	-	1,666	426	98	18,564
36	1,103	0	94,172	52,316	7,361	(2,216,674)
-	-	-	-	-	-	3,356
-	-	2	-	-	-	5,148
0	0	2	0	0	0	8,504
36	1,454	12,780	201,878	446,637	137,450	185,874
-	322	10,884	87,903	355,635	100,450	2,866,307
-	-	1,920	-	811	237	35,958
-	-	-	-	-	-	1
0	322	12,804	87,903	356,446	100,687	2,902,266
36	1,132	(24)	113,975	90,191	36,763	(2,716,392)
585	8,302	(143)	1,157,942	579,814	43,177	28,785,779
\$ 621	\$ 9,434	\$ (167)	\$ 1,271,917	\$ 670,005	\$ 79,940	\$ 26,069,387



Private-Purpose Trust Funds

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

Prepaid Affordable College Tuition

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

Alabama College Education Savings Plan

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

Local Education Endowments

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

Foundation for Local Schools

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

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

Private-Purpose Trust Funds

September 30, 2009

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,725	\$ 626	\$ 418	\$ 0	\$ 2,769
Investment Sales Receivable	36	4,925	-	-	4,961
Investments					
Time Deposits	-	-	132	-	132
U.S. Treasury Securities	17,870	-	-	122	17,992
U.S. Agency Securities	7,650	-	275	115	8,040
State and Local Government Securities	-	-	563	-	563
Mortgage Backed Securities	79,055	-	324	69	79,448
Corporate Stocks	256,618	-	3,072	-	259,690
Corporate Bonds	40,166	-	1,384	368	41,918
Real Estate	-	-	840	-	840
International Stocks	102,439	-	-	-	102,439
International Bonds	51	-	-	-	51
Mutual and Money Market Funds	24,256	632,633	282	58	657,229
Receivables					
Due from Other Funds	32	-	-	-	32
Accounts Receivable	535	430	-	-	965
Interest and Dividends Receivable	1,798	211	-	-	2,009
Securities Lending Collateral	78,991	6	863	318	80,178
TOTAL ASSETS	611,222	638,831	8,153	1,050	1,259,256
LIABILITIES					
Warrants Payable	510	-	-	-	510
Investment Purchases Payable	6,606	337	-	-	6,943
Salaries Payable	18	8	-	-	26
Due to Other Funds	37	48	-	-	85
Accounts Payable	35,701	706	-	-	36,407
Due to Other Governments	70	-	-	-	70
Securities Lending Obligation	78,991	6	863	318	80,178
Compensated Absences	32	-	-	-	32
Other Post-employment Benefits	33	6	-	-	39
TOTAL LIABILITIES	121,998	1,111	863	318	124,290
NET ASSETS					
Held in Trust for Beneficiaries	489,224	637,720	7,290	732	1,134,966
TOTAL NET ASSETS	\$ 489,224	\$ 637,720	\$ 7,290	\$ 732	\$ 1,134,966

STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 25,098	\$ 187,017	\$ 0	\$ 0	\$ 212,115
Total Contributions	25,098	187,017	0	0	212,115
Investment Earnings					
Investment Interest and Dividends	19,581	12,486	188	36	32,291
Net Increase (Decrease) in Fair Value of Investments	(23,845)	13,950	(58)	50	(9,903)
Securities Lending Income	810	-	21	3	834
Total Investment Earnings	(3,454)	26,436	151	89	23,222
Less:					
Securities Lending Interest and Fees	360	-	9	1	370
Net Investment Income	(3,814)	26,436	142	88	22,852
Other Additions					
Miscellaneous	815	-	-	-	815
Total Other Additions	815	0	0	0	815
Total Additions	22,099	213,453	142	88	235,782
DEDUCTIONS					
Benefit Payments and Refunds	102,002	177,976	19	-	279,997
Administrative Expense	2,720	4,847	-	-	7,567
Transfers Out	-	513	-	-	513
Total Deductions	104,722	183,336	19	0	288,077
Changes in Net Assets	(82,623)	30,117	123	88	(52,295)
Net Assets Held in Trust					
for Beneficiaries, October 1, 2008, as Restated	571,847	607,603	7,167	644	1,187,261
Net Assets Held in Trust					
for Beneficiaries, September 30, 2009	\$ 489,224	\$ 637,720	\$ 7,290	\$ 732	\$ 1,134,966



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, 2009

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 173,675	\$ 3,112	\$ 2,664	\$ 33,676	\$ 213,127
Investments	-	-	-	56,743	56,743
Due from Other Funds	-	-	7	39	46
Accounts Receivable	10	-	2	16	28
Securities Lending Collateral	2,323	236	202	2,150	4,911
TOTAL ASSETS	\$ 176,008	\$ 3,348	\$ 2,875	\$ 92,624	\$ 274,855
LIABILITIES					
Warrants Payable	\$ 31,367	\$ 38	\$ 1,812	\$ 3,672	\$ 36,889
Accounts Payable	-	-	-	692	692
Due to Other Governments	1,712	1,826	-	54	3,592
Securities Lending Obligation	2,323	236	202	2,150	4,911
Amounts Held in Custody for Others	140,606	1,248	861	86,056	228,771
TOTAL LIABILITIES	\$ 176,008	\$ 3,348	\$ 2,875	\$ 92,624	\$ 274,855



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	\$ 145,744	\$ 16,562,495	\$ 16,534,564	\$ 173,675
Due from Other Funds	-	1,246	1,246	-
Accounts Receivable	9	1	-	10
Taxes Receivable	-	700,997	700,997	-
Securities Lending Collateral	1,067	2,323	1,067	2,323
TOTAL ASSETS	\$ 146,820	\$ 17,267,062	\$ 17,237,874	\$ 176,008
LIABILITIES				
Warrants Payable	\$ 9,092	\$ 720,340	\$ 698,065	\$ 31,367
Due to Other Funds	-	361,373	361,373	-
Accounts Payable	4	29,674	29,678	-
Tax Refunds Payable	-	201,721	201,721	-
Due to Other Governments	1,217	10,275	9,780	1,712
Securities Lending Obligation	1,067	2,323	1,067	2,323
Amounts Held Pending Distribution	-	30,588,146	30,588,146	-
Deferred Revenue	-	4,470	4,470	-
Amounts Held in Custody for Others	135,440	456,657	451,491	140,606
TOTAL LIABILITIES	\$ 146,820	\$ 32,374,979	\$ 32,345,791	\$ 176,008
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	\$ 3,555	\$ 249,515	\$ 249,958	\$ 3,112
Securities Lending Collateral	243	236	243	236
TOTAL ASSETS	\$ 3,798	\$ 249,751	\$ 250,201	\$ 3,348
LIABILITIES				
Warrants Payable	\$ 164	\$ 243,351	\$ 243,477	\$ 38
Accounts Payable	-	9,427	9,427	-
Due to Other Governments	2,079	248,902	249,155	1,826
Securities Lending Obligation	243	236	243	236
Amounts Held in Custody for Others	1,312	1,247	1,311	1,248
TOTAL LIABILITIES	\$ 3,798	\$ 503,163	\$ 503,613	\$ 3,348
PAYROLL				
ASSETS				
Cash and Cash Equivalents	\$ 3,347	\$ 2,447,993	\$ 2,448,676	\$ 2,664
Due from Other Funds	4	56	53	7
Accounts Receivable	2	-	-	2
Securities Lending Collateral	229	202	229	202
TOTAL ASSETS	\$ 3,582	\$ 2,448,251	\$ 2,448,958	\$ 2,875
LIABILITIES				
Warrants Payable	\$ 1,691	\$ 1,955,225	\$ 1,955,104	\$ 1,812
Due to Other Funds	-	136	136	-
Accounts Payable	-	782,167	782,167	-
Securities Lending Obligation	229	202	229	202
Amounts Held Pending Distribution	-	691,327	691,327	-
Amounts Held in Custody for Others	1,662	584,270	585,071	861
TOTAL LIABILITIES	\$ 3,582	\$ 4,013,327	\$ 4,014,034	\$ 2,875

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 17,034	\$ 760,526	\$ 743,884	\$ 33,676
Investments	57,287	2,813	3,357	56,743
Due from Other Funds	54	92	107	39
Accounts Receivable	53	383	420	16
Securities Lending Collateral	770	2,150	770	2,150
TOTAL ASSETS	\$ 75,198	\$ 765,964	\$ 748,538	\$ 92,624
LIABILITIES				
Warrants Payable	\$ 4,364	\$ 324,278	\$ 324,970	\$ 3,672
Accounts Payable	612	17,628	17,548	692
Due to Other Governments	81	701	728	54
Securities Lending Obligation	770	2,150	770	2,150
Amounts Held Pending Distribution	-	346,061	346,061	-
Amounts Held in Custody for Others	69,371	410,554	393,869	86,056
TOTAL LIABILITIES	\$ 75,198	\$ 1,101,372	\$ 1,083,946	\$ 92,624
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 169,680	\$ 20,020,529	\$ 19,977,082	\$ 213,127
Investments	57,287	2,813	3,357	56,743
Due from Other Funds	58	1,394	1,406	46
Accounts Receivable	64	384	420	28
Taxes Receivable	-	700,997	700,997	-
Securities Lending Collateral	2,309	4,911	2,309	4,911
TOTAL ASSETS	\$ 229,398	\$ 20,731,028	\$ 20,685,571	\$ 274,855
LIABILITIES				
Warrants Payable	\$ 15,311	\$ 3,243,194	\$ 3,221,616	\$ 36,889
Due to Other Funds	-	361,509	361,509	-
Accounts Payable	616	838,896	838,820	692
Tax Refunds Payable	-	201,721	201,721	-
Due to Other Governments	3,377	259,878	259,663	3,592
Securities Lending Obligation	2,309	4,911	2,309	4,911
Amounts Held Pending Distribution	-	31,625,534	31,625,534	-
Deferred Revenue	-	4,470	4,470	-
Amounts Held in Custody for Others	207,785	1,452,728	1,431,742	228,771
TOTAL LIABILITIES	\$ 229,398	\$ 37,992,841	\$ 37,947,384	\$ 274,855



Nonmajor Component Units

Higher Education Loan Corporation

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

Drinking Water Finance Authority

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

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy University

Reports the operations and balances of the University.

Space Science Exhibit Commission

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

Historical Commission

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

Incentives Finance Authority

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

Twenty-first Century Authority

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

Other Nonmajor Component Units

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

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Component Units

September 30, 2009

(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	\$ 7,830	\$ 40,477	\$ 2,443	\$ 133,473	\$ 73,787
Investments	-	55,124	12,742	61,622	33,476
Due from Primary Government	-	-	-	-	-
Accounts Receivable	84	-	14,976	6,652	12,890
Due from Other Governments	-	240,598	-	2,129	-
Interest and Dividends Receivable	2,597	1,227	-	41	-
Mortgages, Notes, and Loans Receivable	79,958	-	13,144	2,070	1,228
Securities Lending Collateral	-	315	-	-	-
Inventory	-	-	-	13	-
Restricted Assets	-	-	-	-	-
Other Assets	970	6,847	11,978	5,149	2,707
Capital Assets, Net of Accumulated Depreciation	-	15	92,979	142,788	54,379
Capital Assets Not Depreciated	-	-	32,226	22,129	41,766
TOTAL ASSETS	91,439	344,603	180,488	376,066	220,233
LIABILITIES					
Warrants Payable	-	-	-	-	-
Salaries Payable	-	-	-	-	3,102
Due to Primary Government	-	1,322	-	-	-
Accounts Payable	195	-	7,824	15,040	11,116
Interest Payable	186	1,079	1,208	-	-
Due to Other Governments	866	26,353	-	-	-
Securities Lending Obligation	-	315	-	-	-
Unearned Revenue	-	-	24,254	16,072	18,485
Amounts Held in Custody for Others	-	-	2,516	-	2,228
Noncurrent Liabilities:					
Due Within One Year	-	6,410	3,441	3,320	1,897
Due In More Than One Year	75,441	173,564	63,455	169,251	83,060
TOTAL LIABILITIES	76,688	209,043	102,698	203,683	119,888
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	15	61,751	89,626	54,510
Restricted for:					
Permanent - Expendable	12,231	-	9,435	18,599	29,488
Permanent - Non-expendable	-	-	-	41,683	9,957
Debt Service	-	135,545	5,827	-	-
Other Purposes	-	-	7,099	-	-
Unrestricted	2,520	-	(6,322)	22,475	6,390
TOTAL NET ASSETS	\$ 14,751	\$ 135,560	\$ 77,790	\$ 172,383	\$ 100,345

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 55,006	\$ 192,747	\$ 175	\$ 8,230	\$ 30,074	\$ 36,568	\$ 73,918	\$ 654,728
16,034	26,241	-	7,978	-	-	51,787	265,004
-	-	-	11	-	-	301	312
6,959	40,487	1,246	-	-	105,799	14,484	203,577
-	-	-	-	-	-	400	243,127
7	-	-	-	-	-	208	4,080
2,003	2,486	-	-	-	-	719	101,608
-	-	-	1,916	23	418	727	3,399
55	86	418	286	-	-	7,672	8,530
-	-	3,610	-	-	-	1,438	5,048
405	6,006	344	-	725	-	3,783	38,914
56,841	155,951	46,197	790	8,351	617	105,695	664,603
5,136	13,612	6,709	71,878	596	-	28,133	222,185
142,446	437,616	58,699	91,089	39,769	143,402	289,265	2,415,115
-	-	-	9	-	-	-	9
835	-	-	342	-	-	161	4,440
-	-	-	41	-	-	1,598	2,961
2,082	11,485	1,792	143	254	10	11,967	61,908
460	-	346	-	514	2,574	138	6,505
-	-	-	127	148	-	786	28,280
-	-	-	1,916	23	418	727	3,399
12,911	37,579	2,219	-	-	-	16,992	128,512
482	6,843	-	-	-	-	2,211	14,280
1,069	3,178	4,467	-	-	5,910	7,668	37,360
22,529	125,734	15,490	1,098	142,720	115,981	40,203	1,028,526
40,368	184,819	24,314	3,676	143,659	124,893	82,451	1,316,180
39,618	84,301	38,431	72,667	8,947	617	106,908	557,391
8,625	19,387	-	-	-	-	10,018	107,783
14,746	16,204	-	7,978	-	-	16,804	107,372
4,212	-	-	-	-	-	-	145,584
-	-	3,549	-	-	-	-	10,648
34,877	132,905	(7,595)	6,768	(112,837)	17,892	73,084	170,157
\$ 102,078	\$ 252,797	\$ 34,385	\$ 87,413	\$ (103,890)	\$ 18,509	\$ 206,814	\$ 1,098,935

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES Nonmajor Component Units

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 1,022	\$ 13,257	\$ 122,278	\$ 129,396	\$ 108,648
Program Revenues					
Charges for Services	1,923	8,936	40,291	46,764	47,720
Operating Grants and Contributions	-	8,276	44,183	40,097	29,134
Capital Grants and Contributions	-	-	-	2,814	-
Total Program Revenues	1,923	17,212	84,474	89,675	76,854
Net (Expense) Revenue	901	3,955	(37,804)	(39,721)	(31,794)
General Revenues:					
Investment Earnings	30	3,606	151	(575)	(7,634)
Miscellaneous	-	1,651	2,213	-	-
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Payments from State of Alabama	-	-	40,244	42,365	39,462
Total General Revenues, Special Items, and Transfers	30	5,257	42,608	41,790	31,828
Change in Net Assets	931	9,212	4,804	2,069	34
Net Assets, October 1, 2008, as Restated	13,820	126,348	72,986	170,314	100,311
Net Assets, September 30, 2009	\$ 14,751	\$ 135,560	\$ 77,790	\$ 172,383	\$ 100,345

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 85,141	\$ 244,209	\$ 26,809	\$ 8,957	\$ 48,632	\$ 107,457	\$ 227,144	\$ 1,122,950
38,838	147,773	22,953	3,475	-	-	94,878	453,551
14,853	51,096	14	1,640	-	-	40,051	229,344
165	1,993	865	199	30	-	5,925	11,991
53,856	200,862	23,832	5,314	30	0	140,854	694,886
(31,285)	(43,347)	(2,977)	(3,643)	(48,602)	(107,457)	(86,290)	(428,064)
749	1,736	8	468	70	42	(2,295)	(3,644)
380	-	-	1	-	-	146	4,391
2	-	-	-	-	-	-	2
27,360	49,035	1,490	5,616	20,668	116,588	99,037	441,865
28,491	50,771	1,498	6,085	20,738	116,630	96,888	442,614
(2,794)	7,424	(1,479)	2,442	(27,864)	9,173	10,598	14,550
104,872	245,373	35,864	84,971	(76,026)	9,336	196,216	1,084,385
\$ 102,078	\$ 252,797	\$ 34,385	\$ 87,413	\$ (103,890)	\$ 18,509	\$ 206,814	\$ 1,098,935

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2009

(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	\$ 4,908	\$ 1,380	\$ 95	\$ 19,177	\$ 25,454
Investments	-	760	-	1,909	31,207
Due from Primary Government	51	-	-	-	-
Accounts Receivable	-	4	-	6,244	3,691
Due from Other Governments	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	683
Securities Lending Collateral	373	-	-	-	-
Inventory	-	196	38	944	-
Restricted Assets	-	-	-	-	1,438
Other Assets	63	77	-	741	2,691
Capital Assets, Net of Accumulated Depreciation	2,672	10,811	2,471	10,598	44,037
Capital Assets Not Depreciated	174	255	1,033	493	1,284
TOTAL ASSETS	8,241	13,483	3,637	40,106	110,485
LIABILITIES					
Salaries Payable	-	-	28	-	-
Due to Primary Government	5	-	-	-	-
Accounts Payable	976	187	51	1,063	5,157
Interest Payable	-	-	-	31	-
Due to Other Governments	15	-	-	-	496
Securities Lending Obligation	373	-	-	-	-
Unearned Revenue	-	-	-	7,477	8,472
Amounts Held in Custody for Others	-	-	-	1,344	531
Noncurrent Liabilities:					
Due Within One Year	-	1,088	45	190	891
Due In More Than One Year	244	288	663	3,372	22,292
TOTAL LIABILITIES	1,613	1,563	787	13,477	37,839
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,846	11,066	3,504	9,859	23,517
Restricted for:					
Permanent - Expendable	-	-	-	-	7,894
Permanent - Non-expendable	-	-	-	679	13,180
Unrestricted	3,782	854	(654)	16,091	28,055
TOTAL NET ASSETS	\$ 6,628	\$ 11,920	\$ 2,850	\$ 26,629	\$ 72,646

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 13,073	\$ 196	\$ 412	\$ 4,077	\$ 0	\$ 2,125	\$ 3,021	\$ 73,918
13,684	-	920	-	-	3,307	-	51,787
-	-	-	-	-	-	250	301
3,498	1,047	-	-	-	-	-	14,484
-	-	-	-	-	-	400	400
208	-	-	-	-	-	-	208
36	-	-	-	-	-	-	719
-	-	-	310	-	10	34	727
6,315	147	-	-	-	-	32	7,672
-	-	-	-	-	-	-	1,438
206	-	-	-	-	-	5	3,783
26,113	7,150	-	-	-	1,235	608	105,695
6,552	4,146	14,035	-	-	-	161	28,133
69,685	12,686	15,367	4,387	0	6,677	4,511	289,265
-	-	-	-	-	133	-	161
-	-	-	-	-	1,343	250	1,598
3,915	95	-	497	-	25	1	11,967
-	-	-	47	60	-	-	138
-	-	-	275	-	-	-	786
-	-	-	310	-	10	34	727
880	163	-	-	-	-	-	16,992
227	106	-	-	-	1	2	2,211
1,092	139	40	1,900	515	1,628	140	7,668
2,343	712	747	630	8,330	427	155	40,203
8,457	1,215	787	3,659	8,905	3,567	582	82,451
29,696	11,162	13,255	-	-	1,235	768	106,908
1,734	390	-	-	-	-	-	10,018
2,945	-	-	-	-	-	-	16,804
26,853	(81)	1,325	728	(8,905)	1,875	3,161	73,084
\$ 61,228	\$ 11,471	\$ 14,580	\$ 728	\$ (8,905)	\$ 3,110	\$ 3,929	\$ 206,814

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 12,348	\$ 3,993	\$ 1,910	\$ 49,147	\$ 54,241
Program Revenues					
Charges for Services	2,092	4,009	1,308	29,722	23,969
Operating Grants and Contributions	1	3	215	9,433	10,735
Capital Grants and Contributions	-	28	-	-	1,273
Total Program Revenues	2,093	4,040	1,523	39,155	35,977
Net (Expense) Revenue	(10,255)	47	(387)	(9,992)	(18,264)
General Revenues:					
Investment Earnings	-	19	-	35	(3,070)
Miscellaneous	-	-	-	-	-
Payments from State of Alabama	9,145	-	180	13,529	19,391
Total General Revenues, Special Items, and Transfers	9,145	19	180	13,564	16,321
Change in Net Assets	(1,110)	66	(207)	3,572	(1,943)
Net Assets, October 1, 2008, as Restated	7,738	11,854	3,057	23,057	74,589
Net Assets, September 30, 2009	\$ 6,628	\$ 11,920	\$ 2,850	\$ 26,629	\$ 72,646

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 86,617	\$ 10,940	\$ 730	\$ 1,905	\$ 739	\$ 3,206	\$ 1,368	\$ 227,144
27,029	1,985	-	150	-	4,495	119	94,878
9,950	7,816	1,099	-	-	741	58	40,051
4,434	-	-	-	-	-	190	5,925
41,413	9,801	1,099	150	0	5,236	367	140,854
(45,204)	(1,139)	369	(1,755)	(739)	2,030	(1,001)	(86,290)
574	1	21	-	-	92	33	(2,295)
137	-	-	-	-	-	9	146
45,942	3,896	-	5,043	1,218	90	603	99,037
46,653	3,897	21	5,043	1,218	182	645	96,888
1,449	2,758	390	3,288	479	2,212	(356)	10,598
59,779	8,713	14,190	(2,560)	(9,384)	898	4,285	196,216
\$ 61,228	\$ 11,471	\$ 14,580	\$ 728	\$ (8,905)	\$ 3,110	\$ 3,929	\$ 206,814



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, 2009

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 730
Agriculture and Industries	12,594
Archives and History	55
Attorney General	698
Child Abuse Prevention	1,217
Children's Affairs	155
Choctawhatchee, Pea & Yellow Rivers Watershed Mgt Authority	21
Commission On Higher Education	1,683
Conservation and Natural Resources	25,845
Corrections	387
Council on the Arts	772
Crime Victims Compensation Commission	739
Criminal Justice Information Center	3,232
Drinking Water Finance Authority	7,687
Economic and Community Affairs	215,564
Education	884,116
Emergency Management	67,948
Environmental Management	19,121
ETV Foundation Authority	20
Farmers' Market Authority	2,249
Finance Special Funds	2,576
Forensic Sciences	4,008
Forestry Commission	4,858
Geological Survey	606
Governor's Office of Faith Based and Community Initiatives	1,460
High School of Math and Science	225
Historical Commission	1,131
Human Resources	1,325,578
Industrial Relations	429,170
Insurance	62
Labor	156
Manufactured Housing Commission	252
Medicaid	3,562,604
Mental Health	50,579
Military	71,444
Office of Homeland Security	17,192
Other - Medicare Part D	3,195
Pardons and Paroles	54
Postsecondary Education	8,528
Public Health	383,433
Public Library Service	2,695
Public Safety	6,998
Public Service Commission	880
Rehabilitation Services	65,409
Revenue	1,083
School of Fine Arts	52
Secretary of State	234
Senior Services	24,992
Soil and Water Conservation Commission	713
State Employees Insurance Board	2,189
State Port Authority	19,364
Surface Mining Commission	1,278
Tourism	126
Transportation	807,681
Veterans Affairs	12,012
Water Pollution Control Authority	6,147
Total Federal Revenues	\$ 8,063,797

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 264

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 274

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 280

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 286

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 290

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 Eight Fiscal Years Ended September 30

(Amounts in Thousands)

	2009	2008	2007	2006	2005
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 18,178,877	\$ 17,609,211	\$ 16,973,157	\$ 16,360,753	\$ 15,820,864
Restricted	4,448,305	4,624,715	6,020,208	5,853,605	5,004,105
Unrestricted	(543,864)	(223,495)	(113,210)	204,854	299,693
Total Governmental Activities Net Assets	22,083,318	22,010,431	22,880,155	22,419,212	21,124,662
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	865,220	754,001	709,460	643,742	508,280
Restricted	92,470	479,666	513,663	503,024	352,524
Unrestricted	253,978	344,797	284,537	244,630	330,692
Total Business-type Activities Net Assets	1,211,668	1,578,464	1,507,660	1,391,396	1,191,496
Primary government					
Invested in Capital Assets, Net of Related Debt	19,044,097	18,363,212	17,682,617	17,004,495	16,329,144
Restricted	4,540,775	5,104,381	6,533,871	6,356,629	5,356,629
Unrestricted	(289,886)	121,302	171,327	449,484	630,385
Total Primary Government Net Assets	\$ 23,294,986	\$ 23,588,895	\$ 24,387,815	\$ 23,810,608	\$ 22,316,158

2004	2003	2002
\$ 15,241,575	\$ 14,774,902	\$ 3,924,791
4,245,991	3,869,559	3,145,156
310,172	185,427	489,765
19,797,738	18,829,888	7,559,712

459,250	425,588	433,667
351,847	365,594	470,196
204,790	182,270	117,372
1,015,887	973,452	1,021,235

15,700,825	15,200,490	4,358,458
4,597,838	4,235,153	3,615,352
514,962	367,697	607,137
\$ 20,813,625	\$ 19,803,340	\$ 8,580,947

STATE OF ALABAMA

CHANGES IN NET ASSETS

For the Last Eight Fiscal Years Ended September 30

(Amounts in Thousands)

	2009	2008	2007	2006	2005
Expenses					
Governmental Activities					
Economic Development and Regulation	\$ 306,515	\$ 410,911	\$ 335,373	\$ 215,950	\$ 185,680
Education and Cultural Resources	6,393,582	7,197,095	6,680,377	5,764,988	5,203,315
Natural Resources and Recreation	119,246	131,327	131,688	145,414	82,841
Health	5,555,654	5,316,763	5,361,666	4,823,686	4,641,314
Social Services	1,978,380	1,753,526	1,678,091	1,627,951	1,606,588
Protection of Persons and Property	1,098,489	1,095,652	1,014,248	1,032,088	1,031,731
Transportation	1,120,721	1,067,671	997,376	1,025,928	882,823
General Government	981,753	1,020,453	925,737	819,122	776,791
Debt Service - Interest and Other Charges	51,184	57,253	43,391	42,672	43,052
Total Governmental Activities Expenses	17,605,524	18,050,651	17,167,947	15,497,799	14,454,135
Business-type Activities					
Unemployment Compensation	1,005,780	330,068	248,448	232,447	251,137
State Port Authority	127,192	127,200	115,714	89,939	85,984
Alabama College System	832,456	812,195	745,122	683,618	646,868
Alcoholic Beverage Control Board	253,312	249,389	230,370	215,832	192,278
Public Education Employees Health Insurance	-	-	-	-	-
Nonmajor Proprietary Funds	45,492	47,168	45,955	48,972	47,838
Total Business-type Activities Expenses	2,264,232	1,566,020	1,385,609	1,270,808	1,224,105
Total Primary Government Expenses	19,869,756	19,616,671	18,553,556	16,768,607	15,678,240
Program Revenues					
Governmental Activities					
Economic Development and Regulation	178,549	166,008	157,421	146,568	151,204
Education and Cultural Resources	15,435	12,131	12,406	10,070	10,952
Natural Resources and Recreation	72,004	164,709	53,920	54,121	60,111
Health	231,929	204,561	259,598	194,339	206,017
Social Services	6,416	6,590	5,905	6,127	4,141
Protection of Persons and Property	231,722	230,745	208,252	187,325	183,281
Transportation	180,924	198,669	199,489	192,458	174,509
General Government	427,003	573,465	464,574	565,311	460,047
Debt Service - Interest and Other Charges	-	-	-	-	450
Operating Grants and Contributions	7,609,667	6,670,099	6,618,419	6,612,934	6,315,902
Capital Grants and Contributions	812,481	874,111	719,041	801,902	673,977
Total Governmental Activities Program Revenues	9,766,130	9,101,088	8,699,025	8,771,155	8,240,591
Business-type Activities					
Unemployment Compensation	221,086	227,906	228,572	264,895	307,724
State Port Authority	103,422	132,481	108,235	90,998	87,022
Alabama College System	160,839	155,559	152,558	145,714	146,194
Alcoholic Beverage Control Board	250,949	252,265	239,852	219,429	202,959
Public Education Employees Health Insurance	-	-	-	-	-
Operating Grants and Contributions	666,982	305,339	270,897	277,667	269,667
Capital Grants and Contributions	49,654	13,717	19,413	45,053	22,776
Nonmajor Proprietary Funds	48,240	47,019	49,548	52,384	167,257
Total Business-type Activities Program Revenues	1,501,172	1,134,286	1,069,075	1,096,140	1,203,599
Total Primary Government Program Revenues	\$ 11,267,302	\$ 10,235,374	\$ 9,768,100	\$ 9,867,295	\$ 9,444,190

2004	2003	2002
\$ 59,894	\$ 63,623	\$ 66,746
4,833,259	4,755,420	4,607,245
95,032	101,811	94,449
4,529,302	4,365,295	4,312,713
1,496,160	1,511,438	1,425,124
746,763	692,104	650,341
856,603	772,935	1,059,637
726,150	770,431	641,869
42,083	43,493	64,538
13,385,246	13,076,550	12,922,662
308,281	410,384	404,133
74,679	74,894	66,988
627,846	593,278	545,491
184,391	177,003	170,550
736,669	667,564	581,877
144,714	127,559	114,199
2,076,580	2,050,682	1,883,238
15,461,826	15,127,232	14,805,900
155,228	165,122	167,412
8,352	7,853	12,647
52,059	369,582	72,072
142,941	121,827	298,783
118,185	114,269	111,610
176,256	173,417	162,981
168,153	172,801	167,467
436,115	198,426	324,839
3,030	9,398	8,311
5,584,314	5,427,425	5,106,726
565,871	593,673	802,218
7,410,504	7,353,793	7,235,066
263,229	239,871	191,825
77,870	66,749	59,832
142,786	137,015	123,472
198,482	184,758	184,182
717,546	627,094	600,646
297,858	324,201	265,425
6,479	21,121	12,960
154,604	133,868	109,990
1,858,854	1,734,677	1,548,332
\$ 9,269,358	\$ 9,088,470	\$ 8,783,398

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STATE OF ALABAMA

CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Eight Fiscal Years Ended September 30

(Amounts in Thousands)

	2009	2008	2007	2006	2005
Net (Expense)/Revenue					
Governmental Activities	\$ (7,839,394)	\$ (8,949,563)	\$ (8,468,922)	\$ (6,726,644)	\$ (6,213,544)
Business Activities	(763,060)	(431,734)	(316,534)	(174,668)	(20,506)
Total Primary Government					
Net (Expense) Revenue	(8,602,454)	(9,381,297)	(8,785,456)	(6,901,312)	(6,234,050)
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,079,718	2,261,452	2,475,940	2,110,577	2,086,071
Income Taxes	3,108,459	3,512,255	3,446,018	3,172,117	2,938,046
Motor Fuels Taxes	542,887	550,811	569,369	568,880	534,696
Utility Taxes	697,141	667,573	656,027	601,473	556,211
Insurance Premium Tax	267,726	292,866	278,139	275,230	274,698
Property Tax	320,335	314,181	301,002	266,916	251,960
Liquor Taxes	155,592	136,125	163,161	147,651	137,244
Tobacco and Cigarette Taxes	140,016	143,836	156,700	152,751	157,715
Grants and Contributions Not Restricted to Specific Programs	785	-	-	-	6,159
Investment Earnings	245,601	(141,251)	513,750	284,139	236,191
Miscellaneous	711,644	786,305	792,957	786,250	688,857
Contributions to Permanent Funds and Endowments	-	-	-	-	2
Transfers	(357,623)	(444,314)	(379,209)	(321,020)	(261,067)
Total Governmental Activities	7,912,281	8,079,839	8,973,854	8,044,964	7,606,783
Business-type Activities					
Liquor Taxes	9,930	9,912	9,831	9,314	8,598
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	16,241	34,631	40,206	34,056	25,124
Miscellaneous	12,399	13,257	3,421	10,056	4,330
Contributions to Permanent Funds and Endowments	71	88	131	122	201
Transfers	357,623	444,314	379,209	321,020	261,067
Total Business-type Activities	396,264	502,202	432,798	374,568	299,320
Total Primary Government					
General Revenues and Other Charges	8,308,545	8,582,041	9,406,652	8,419,532	7,906,103
Change in Net Assets					
Governmental Activities	72,887	(869,724)	504,932	1,318,320	1,393,239
Business-type Activities	(366,796)	70,468	116,264	199,900	278,814
Total Primary Government Changes in Net Assets	\$ (293,909)	\$ (799,256)	\$ 621,196	\$ 1,518,220	\$ 1,672,053

2004	2003	2002
\$ (5,974,742)	\$ (5,722,757)	\$ (5,687,596)
(217,726)	(316,005)	(334,906)
(6,192,468)	(6,038,762)	(6,022,502)
1,873,359	1,821,911	1,659,796
2,494,384	2,520,393	2,049,460
564,031	530,255	510,342
598,245	517,757	471,369
243,761	231,020	223,448
232,057	213,908	340,557
129,651	128,746	121,486
-	-	-
75,741	84,231	7,018
173,657	210,143	113,966
911,405	911,336	866,276
-	204	680
(229,114)	(226,788)	(216,423)
7,067,177	6,943,116	6,147,975
8,492	7,790	7,440
-	1,806	112,684
22,658	29,605	27,253
2,765	2,026	2,045
6	207	174
229,114	226,788	216,423
263,035	268,222	366,019
7,330,212	7,211,338	6,513,994
1,092,435	1,220,359	460,379
45,309	(47,783)	31,113
\$ 1,137,744	\$ 1,172,576	\$ 491,492

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Eight Fiscal Years Ended September 30

(Amounts in Thousands)

	2009	2008	2007	2006	2005
General Fund					
Reserved	\$ 5,519	\$ 5,303	\$ 5,772	\$ 3,314	\$ 6,003
Unreserved	216,623	376,391	399,009	401,393	317,879
Total General Fund	222,142	381,694	404,781	404,707	323,882
All Other Governmental Funds					
Reserved	3,163,363	3,191,402	3,498,507	3,165,956	2,888,340
Unreserved, Designated for Capital Projects	83,481	185,790	441,221	275,528	292,934
Unreserved, Designated for Debt Service	768	4,630	5,449	4,866	4,606
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	1,192,314	1,351,620	2,133,319	2,607,528	2,105,050
Permanent Funds	30,201	24,938	20,659	16,173	12,147
Total All Other Governmental Funds	\$ 4,470,127	\$ 4,758,380	\$ 6,099,155	\$ 6,070,051	\$ 5,303,077

2004	2003	2002
\$ 4,228	\$ 4,699	\$ 4,087
232,501	158,346	147,941
236,729	163,045	152,028
2,667,067	2,528,464	2,452,710
381,579	465,437	498,935
8,208	8,979	9,249
1,480,649	1,226,798	733,488
4,538	4,708	2,123
\$ 4,542,041	\$ 4,234,386	\$ 3,696,505

STATE OF ALABAMA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Eight Fiscal Years Ended September 30

(Amounts in Thousands)

	2009	2008	2007	2006	2005
Revenues					
Taxes	\$ 8,010,768	\$ 8,646,397	\$ 8,627,293	\$ 8,126,310	\$ 7,566,234
Licenses, Permits, and Fees	657,292	647,535	650,635	608,770	562,461
Fines, Forfeits, and Court Settlements	254,739	254,179	143,149	136,901	149,040
Investment Income	243,477	(142,347)	520,517	300,993	227,980
Federal Grants and Reimbursements	7,606,333	6,697,069	6,380,166	6,643,162	6,216,771
Other Revenues	1,243,937	1,523,910	1,550,167	1,379,482	1,309,343
Total Revenues	18,016,546	17,626,743	17,871,927	17,195,618	16,031,829
Expenditures					
Economic Development and Regulation	226,554	214,211	201,026	185,916	185,558
Education and Cultural Resources	6,388,357	7,166,373	6,575,887	5,722,732	5,198,444
Natural Resources and Recreation	164,682	194,725	133,234	171,825	120,188
Health	5,535,484	5,299,205	5,362,737	4,813,599	4,639,203
Social Services	1,969,621	1,717,523	1,693,797	1,625,180	1,610,677
Protection of Persons and Property	1,085,493	1,025,662	982,932	1,011,393	1,005,967
Transportation	1,577,388	1,556,330	1,522,329	1,512,116	1,399,903
General Government	959,411	987,450	934,355	840,293	726,704
Capital Outlay	92,995	272,032	168,402	56,835	66,823
Debt Service - Principal Retirement	56,388	71,213	68,616	81,727	78,195
Debt Service - Interest and Other Charges	47,655	61,514	48,336	40,319	37,201
Total Expenditures	18,104,028	18,566,238	17,691,651	16,061,935	15,068,863
Other Financing Sources (Uses)					
Transfers In	1,391,457	1,841,818	1,520,089	1,460,110	1,254,049
Transfers Out	(1,757,948)	(2,289,913)	(1,907,908)	(1,791,969)	(1,527,416)
Bonds Issued	-	10,000	305,000	61,150	103,920
Refunding Bonds Issued	-	22,660	-	-	57,975
Other Debt Refunding Proceeds	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	(27,949)
Current Refunding to Bondholders	-	(23,625)	-	-	-
Other Debt Refunding Uses	-	-	-	-	-
Capital Leases	9,504	171	11,738	1,989	659
Other Debt Proceeds	-	-	-	-	-
Premiums on Debt	-	-	-	-	5,242
Debt Issuance Premiums	-	1,210	9,333	1,085	-
Discounts on Debt	-	-	-	-	(580)
Insurance Recovery Proceeds	2,395	4,579	3,024	7,725	-
Total Other Financing Sources (Uses)	(354,592)	(433,100)	(58,724)	(259,910)	(134,100)
Net Increase (Decrease) for the Year	(442,074)	(1,372,595)	121,552	873,773	828,866
Debt Service as a Percentage of Noncapital Expenditures	0.6%	0.72%	0.66%	0.76%	0.77%

2004	2003	2002
\$ 6,794,734	\$ 6,535,274	\$ 5,914,363
532,118	502,493	497,191
142,831	182,762	156,161
183,922	204,596	100,127
5,675,945	5,515,520	5,321,974
1,347,930	1,511,073	1,335,183
14,677,480	14,451,718	13,324,999
60,763	65,914	67,862
4,818,434	4,764,303	4,583,729
120,095	108,638	96,462
4,527,847	4,354,296	4,290,436
1,496,323	1,510,823	1,411,889
730,780	680,605	610,113
1,354,816	1,277,739	1,419,426
680,002	679,532	646,599
55,833	48,636	38,983
73,650	81,963	63,716
38,282	40,125	86,902
13,956,825	13,612,574	13,316,117
993,669	1,004,619	712,776
(1,239,110)	(1,239,551)	(917,652)
-	4,305	345,708
-	17,553	-
600	-	-
-	-	-
-	(17,162)	-
(600)	-	-
1,152	618	2,048
-	3,634	4,696
-	-	-
-	-	-
-	-	-
-	-	-
(244,289)	(225,984)	147,576
476,366	613,160	156,458
0.8%	0.9%	1.13%

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2008	2007	2006	2005	2004
Mining	\$ 970,368	\$ 862,089	\$ 927,201	\$ 819,878	\$ 704,622
Utilities	1,522,546	1,526,236	1,461,577	1,379,863	1,434,165
Construction	7,114,287	7,654,647	7,430,022	6,856,163	6,399,496
Manufacturing	17,050,543	16,952,022	16,691,485	15,768,861	15,078,104
Wholesale Trade	5,701,104	5,521,860	5,271,910	4,919,964	4,589,285
Retail Trade	7,875,953	7,901,258	7,677,074	7,444,056	7,102,701
Transportation and warehousing	3,704,382	3,618,990	3,503,655	3,298,282	3,054,182
Finance and insurance	5,548,865	5,450,545	5,381,623	4,905,734	4,513,950
Professional and technical services	8,948,671	8,368,344	7,929,651	7,231,733	6,932,098
Government and government enterprises	23,739,860	22,655,060	21,209,975	20,011,959	18,892,332
All other	75,245,418	71,625,276	66,952,676	62,980,263	59,308,097
Total Personal Income	157,421,997	152,136,327	144,436,849	135,616,756	128,009,032
State Income Taxes	3,033,544	3,016,531	2,842,894	2,564,510	2,256,483
Average Effective Rate*	1.93%	1.98%	1.97%	1.89%	1.76%

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

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

Year 2008 is the most recent year data is available.

2003	2002	2001	2000	1999
\$ 620,247	\$ 631,854	\$ 603,891	\$ 670,384	\$ 651,074
1,373,643	1,289,212	1,265,693	1,106,190	1,036,945
5,943,943	5,800,633	5,848,027	5,556,246	5,055,504
14,636,176	14,262,807	14,296,560	14,334,955	14,284,021
4,234,540	4,161,318	4,039,512	3,910,306	3,701,569
6,853,885	6,547,809	6,276,564	5,988,922	5,859,445
2,792,150	2,712,539	2,728,910	2,703,186	2,513,819
4,270,540	3,992,781	3,718,181	3,398,283	3,253,537
6,463,965	5,983,788	5,772,977	5,244,429	4,879,252
17,872,867	16,912,555	15,968,397	15,306,618	14,689,635
54,968,271	53,101,550	51,484,477	48,931,327	45,794,179
120,030,227	115,396,846	112,003,189	107,150,846	101,718,980
2,073,207	2,067,338	2,099,772	2,066,789	2,012,880
1.73%	1.79%	1.87%	1.93%	1.98%

STATE OF ALABAMA

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status	1999	2000 - 2006
Taxable Net Income Level	Rate	Rate
Single, Head of family, Married filing separate	Adjusted Gross Income of \$1,500 or more	Adjusted Gross Income of \$1,875 or more
Not Over \$500	2%	2%
Over \$500 But Not Over \$3,000	4%	4%
Over \$3,000	5%	5%
Married filing Jointly	Adjusted Gross Income of \$3,000 or more	Adjusted Gross Income of \$3,750 or more
Not over \$1,000	2%	2%
Over \$1,000 But Not Over \$6,000	4%	4%
Over \$6,000	5%	5%
Filing Status	2007-2008	
Taxable Net Income Level	Rate	
Single	Adjusted Gross Income of \$4,000 or more	
Not Over \$500	2%	
Over \$500 But Not Over \$3,000	4%	
Over \$3,000	5%	
Head of Family	Adjusted Gross Income of \$7,700 or more	
Not Over \$500	2%	
Over \$500 But Not Over \$3,000	4%	
Over \$3,000	5%	
Married filing Separate	Adjusted Gross Income of \$5,250 or more	
Not Over \$500	2%	
Over \$500 But Not Over \$3,000	4%	
Over \$3,000	5%	
Married filing Jointly	Adjusted Gross Income of \$10,500 or more	
Not over \$1,000	2%	
Over \$1,000 But Not Over \$6,000	4%	
Over \$6,000	5%	
Corporate Income Tax Rates	1999	2001 - 2008
	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

Last Three Years

For Tax Year 2007

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	526,003	27%	\$ 500,255	1%	\$ 25,258	1%
12,001 - 24,000	416,646	21%	2,166,023	4%	159,353	6%
24,001 - 39,000	330,490	17%	5,409,918	10%	289,406	10%
39,001 - 60,000	268,594	14%	7,771,910	14%	387,854	14%
60,001 - 80,000	151,822	8%	6,498,782	12%	320,206	12%
OVER 80,000	272,191	13%	33,444,956	59%	1,576,154	57%
TOTAL	1,965,746	100%	\$ 55,791,844	100%	\$ 2,758,231	100%

For Tax Year 2006

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

For Tax Year 2005

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
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	1,620,587	100%	\$ 65,276,792	100%	\$ 1,932,631	100%

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

Source: Alabama Department of Revenue
Year 2007 is the most recent data available.

STATE OF ALABAMA

REVENUE CAPACITY

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

Last Three Years

For Tax Year 2007

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	20,384	82%	\$104,788	1%	\$6,815	1%
50,001 - 100,000	1,400	6%	98,119	1%	6,378	1%
100,001 - 500,000	1,805	7%	413,149	5%	26,855	5%
500,001 - 1,000,000	467	2%	330,282	4%	21,468	4%
1,000,001 and higher	784	3%	7,557,012	89%	491,206	89%
Total	24,840	100%	\$8,503,350	100%	\$552,722	100%

For Tax Year 2006

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	20,673	83%	\$110,469	1%	\$7,355	1%
50,001 - 100,000	1,421	5%	99,716	1%	6,487	1%
100,001 - 500,000	1,735	7%	397,866	5%	25,872	5%
500,001 - 1,000,000	458	2%	328,316	4%	21,311	4%
1,000,001 and higher	767	3%	7,229,243	89%	469,768	89%
Total	25,054	100%	\$8,165,610	100%	\$530,793	100%

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

Source: Alabama Department of Revenue
Year 2007 is the most recent data available.



STATE OF ALABAMA

DEBT CAPACITY

Ratios of Outstanding Debt

Last Eight Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Primary Government					
Governmental Activities:					
General Obligation Bonds	\$ 687,336	\$ 721,145	\$ 773,253	\$ 516,973	\$ 507,503
Revenue Bonds	298,712	323,483	333,438	355,698	351,139
Capital Leases/Notes/Mortgages	43,549	41,934	42,352	25,643	32,100
Total Governmental Activities	<u>1,029,597</u>	<u>1,086,562</u>	<u>1,149,043</u>	<u>898,314</u>	<u>890,742</u>
Business-type Activities:					
Revenue Bonds	619,360	612,959	572,782	394,044	411,633
Capital Leases/Notes/Mortgages	14,275	16,224	20,877	39,228	33,986
Total Business-Type Activities	<u>633,635</u>	<u>629,183</u>	<u>593,659</u>	<u>433,272</u>	<u>445,619</u>
Total Primary Government	<u>\$ 1,663,232</u>	<u>\$ 1,715,745</u>	<u>\$ 1,742,702</u>	<u>\$ 1,331,586</u>	<u>\$ 1,336,361</u>
Debt as a percentage					
of Personal Income †	1.06%	1.09%	1.15%	0.92%	0.99%
Amount of Debt per Capita †	\$ 357	\$ 368	\$ 377	\$ 290	\$ 295

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

Fiscal year 2009 personal income and population data are estimated.

All years presented with revised population and personal income data.

† See the Schedule of Demographic and Economic Statistics on page 287 for personal income and population data.

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 445,211	\$ 490,085	\$ 535,080
347,429	369,327	386,891
38,370	42,316	33,059
<u>831,010</u>	<u>901,728</u>	<u>955,030</u>
337,291	308,061	299,508
17,918	14,948	12,346
<u>355,209</u>	<u>323,009</u>	<u>311,854</u>
<u><u>\$ 1,186,219</u></u>	<u><u>\$ 1,224,737</u></u>	<u><u>\$ 1,266,884</u></u>
0.93%	1.02%	1.10%
\$ 263	\$ 273	\$ 283

STATE OF ALABAMA

DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Eight Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Primary Government

Fiscal Year	General Obligation Bonds Payable	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2009	\$ 687,336	\$ 918,072	\$ 768	\$ 1,604,640	1.02%	\$ 344
2008	721,145	936,442	4,630	1,652,957	1.05%	355
2007	773,253	906,220	5,449	1,674,024	1.10%	362
2006	516,973	749,742	4,866	1,261,849	0.87%	275
2005	507,503	762,772	4,606	1,265,669	0.93%	279
2004	445,211	684,720	8,208	1,121,723	0.88%	249
2003	490,085	677,388	8,979	1,158,494	0.97%	258
2002	535,079	686,398	9,249	1,212,228	1.05%	271

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

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2009	\$ 2,534,100	\$ 27,656	\$ 2,506,444	1.59%	\$ 538
2008	2,621,615	28,352	2,593,263	1.65%	556
2007	1,620,570	39,511	1,581,059	1.04%	342
2006	1,734,825	27,922	1,706,903	1.18%	372
2005	1,822,135	36,043	1,786,092	1.32%	394
2004	1,832,695	27,487	1,805,208	1.41%	401
2003	1,844,164	22,490	1,821,674	1.52%	406
2002	1,886,421	19,376	1,867,045	1.62%	418

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

† See the Schedule of Demographic and Economic Statistics on page 287 for personal income and population data.

Fiscal year 2009 personal income and population data are estimated.

All years presented with revised population and personal income data.

Debt Limitations

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



STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage

Last Six Fiscal Years

(Amounts in Thousands)

	2009	2008	2007	2006	2005	2004
Primary Government						
Revenue Bonds-State Port Authority						
Revenue-Charges for facilities usage	103,420	125,070	109,735	88,155	87,022	77,871
Debt Service						
Principal	6,830	7,250	6,260	5,910	5,575	5,280
Interest	14,656	13,428	9,770	10,124	10,459	10,749
Coverage ¹	4.81	6.05	6.85	5.50	5.43	4.86
Revenue Bonds-Alabama College System						
Revenue-Tuition and Fees	206,769	186,429	184,664	137,133	185,013	101,333
Debt Service						
Principal	14,150	14,311	12,970	12,045	9,112	7,527
Interest	12,198	12,027	9,448	9,968	6,521	5,589
Coverage ¹	7.85	7.08	8.24	6.23	11.83	7.73
Revenue Bonds-Federal Highway Finance Authority						
Revenue-Federal Revenue	726,063	831,530	748,952	790,928	648,831	548,830
Debt Service						
Principal	12,450	11,920	11,415	10,910	10,430	9,970
Interest	6,527	7,136	7,669	8,123	8,550	8,983
Coverage ¹	38.26	43.64	39.25	41.56	34.18	28.96
Component Units						
Revenue Bonds-Alabama Incentives Financing Authority						
Revenue Bonds-Tennessee Valley Exhibit Authority						
Revenue-Tennessee Valley Electric Payment	20,813	19,313	18,328	18,592	17,462	16,169
Debt Service						
Principal	1,760	2,630	2,480	2,340	2,205	2,095
Interest	5,982	6,202	7,473	7,920	7,508	7,001
Coverage ¹	2.69	2.19	1.84	1.81	1.80	1.78
Revenue Bonds						
Public School and College Authority						
(Excludes Pool Bonds)						
Revenue-General Sales Tax, Utility Tax, Use Tax	2,307,959	2,514,550	2,482,747	2,374,944	2,162,285	2,048,794
Debt Service						
Principal	105,285	68,625	66,235	89,695	55,735	53,245
Interest	89,660	66,585	46,030	49,115	51,450	54,010
Coverage ¹	11.84	18.60	22.12	17.11	20.17	19.10

	2009	2008	2007	2006	2005	2004
Revenue Bonds-State Industrial Development Authority						
Revenue-Cigarette Tax	4,773	4,921	5,121	5,247	5,197	3,141
Debt Service						
Principal	3,100	3,315	3,115	3,050	3,050	3,050
Interest	258	343	508	647	776	927
Coverage ¹	1.42	1.35	1.41	1.42	1.36	0.79
Revenue Bonds-Mental Health Financing Authority						
Revenue-Cigarette Tax	6,364	6,562	6,828	6,996	6,929	4,188
Debt Service						
Principal	4,710	4,775	4,490	4,420	5,590	5,400
Interest	505	745	969	1,145	2,544	2,302
Coverage ¹	1.22	1.19	1.25	1.26	0.85	0.54
Revenue Bonds-Alabama Revolving Fund Authority						
Revenue-Mobile Telecommunications Tax	108,781	101,287	101,057	90,919	84,892	75,895
Debt Service						
Principal	475	440	405	370	345	315
Interest	743	780	815	847	876	903
Coverage ¹	89.31	83.02	82.83	74.71	69.53	62.31
Revenue Bonds-Alabama Twenty-first Century Authority						
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000	13,000
Debt Service						
Principal	5,625	5,360	5,100	4,855	4,660	4,490
Interest	6,958	7,241	7,513	7,773	8,022	8,262
Coverage ¹	1.03	1.03	1.03	1.03	1.03	1.02

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

¹ Coverage equals revenue divided by debt service.

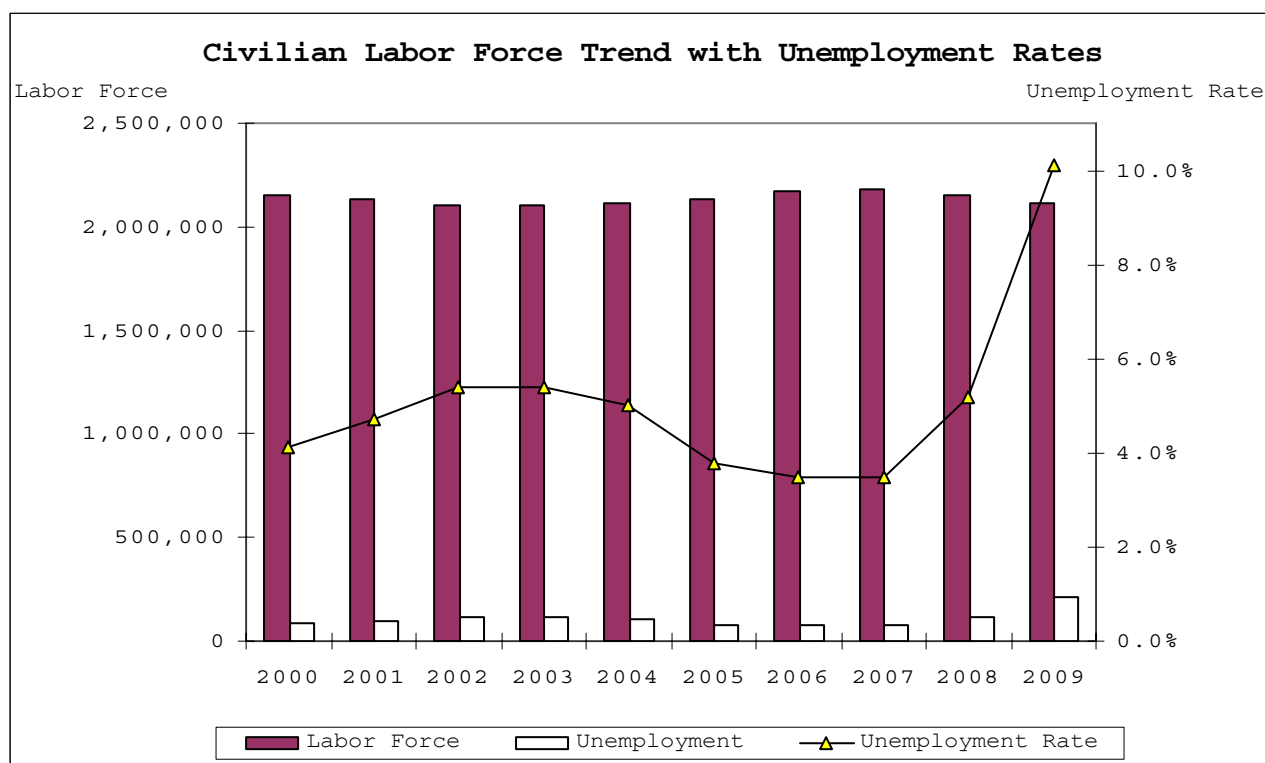
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2000	2,154,545	2,067,147	87,398	4.1%
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,107,858	1,994,748	113,110	5.4%
2003	2,104,209	1,989,784	114,425	5.4%
2004	2,113,781	2,007,153	106,628	5.0%
2005	2,133,177	2,051,893	81,284	3.8%
2006	2,176,529	2,100,558	75,971	3.5%
2007	2,182,823	2,106,041	76,782	3.5%
2008	2,155,941	2,044,406	111,535	5.2%
2009	2,112,566	1,900,148	212,418	10.1%



Note: Data were not seasonally adjusted.

2005-2009 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.

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

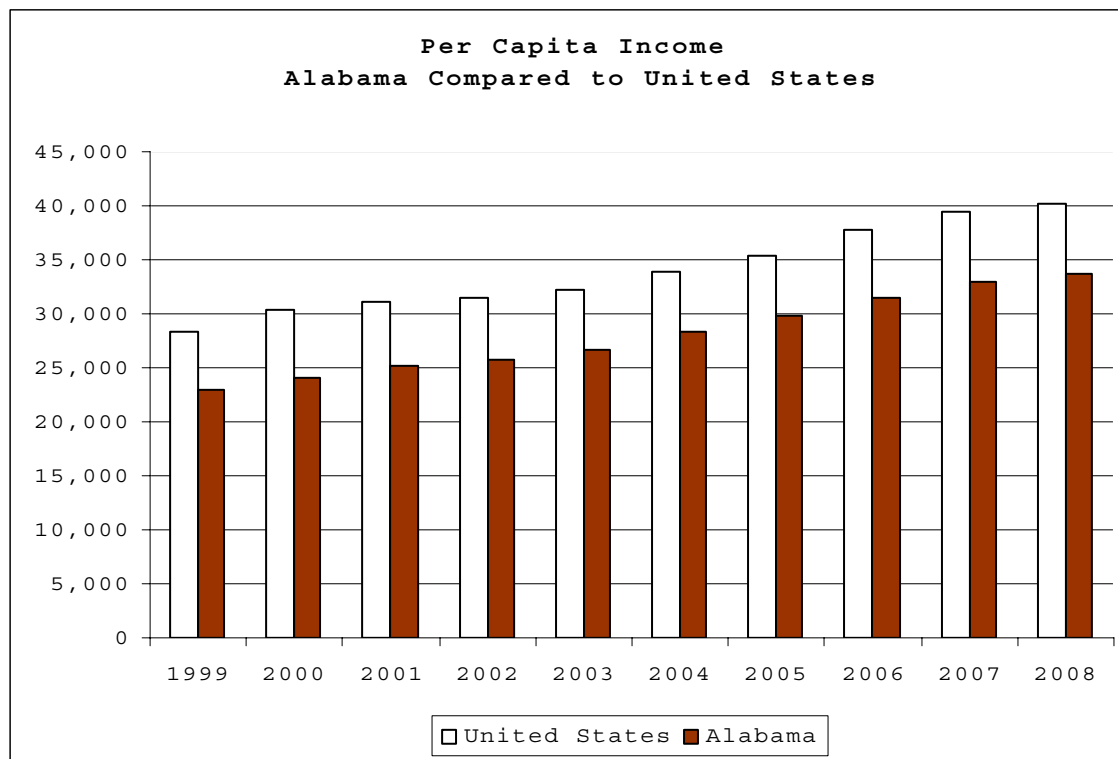
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population/Per Capita Personal Income Statistics

Last Ten Years

Year	Population		Per Capita Personal Income		Personal income (in Thousands)	
	United States	Alabama	United States	Alabama	United States	Alabama
1999	279,040,168	4,430,141	28,333	22,961	7,906,131,000	101,718,980
2000	282,171,936	4,451,687	30,318	24,070	8,554,866,000	107,150,846
2001	285,039,803	4,462,832	31,149	25,097	8,878,830,000	112,003,189
2002	287,726,647	4,469,906	31,470	25,816	9,054,781,000	115,396,846
2003	290,210,914	4,486,598	32,284	26,753	9,369,072,000	120,030,227
2004	292,892,127	4,506,574	33,899	28,405	9,928,790,000	128,009,032
2005	295,560,549	4,537,299	35,447	29,889	10,476,669,000	135,616,756
2006	298,362,973	4,587,564	37,728	31,484	11,256,516,000	144,436,849
2007	301,290,332	4,626,595	39,430	32,883	11,879,836,000	152,136,327
2008	304,059,724	4,661,900	40,208	33,768	12,225,589,000	157,421,997



Note: Year 2008 is the most recent year for which data are available.

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

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

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers in Alabama

Last Ten Years

Employer	2009			2008		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.90%	30,000-39,999	1	1.80%
Army	20,000-29,999	2	1.36%	20,000-29,999	2	1.28%
Mobile Education Board	5,000-9,999	4	0.41%	10,000-19,999	3	0.77%
University Of Alabama In Birmingham	5,000-9,999	6	0.41%	5,000-9,999	6	0.39%
Alabama Power Co Electric	5,000-9,999	7	0.41%	5,000-9,999	7	0.39%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	8	0.41%	5,000-9,999	9	0.39%
U S Postal Service	5,000-9,999	3	0.41%	5,000-9,999	4	0.39%
Regions Bank	5,000-9,999	5	0.41%	5,000-9,999	5	0.39%
Pilgrims Pride Corporation	5,000-9,999	9	0.41%	5,000-9,999	8	0.39%
Huntsville Hospital	5,000-9,999	10	0.41%	5,000-9,999	10	0.39%
	95,000-159,990		6.54%	95,000-159,990		6.58%
Employer	2007			2006		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.79%	30,000-39,999	1	1.82%
Army	20,000-29,999	2	1.28%	20,000-29,999	2	1.30%
Mobile Education Board	10,000-19,999	4	0.77%	5,000-9,999	3	0.39%
University Of Alabama In Birmingham	5,000-9,999	6	0.38%	5,000-9,999	4	0.39%
Alabama Power Co Electric	5,000-9,999	9	0.38%	5,000-9,999	5	0.39%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	8	0.38%	5,000-9,999	6	0.39%
U S Postal Service	10,000-19,999	3	0.77%	5,000-9,999	7	0.39%
Gold Kist Inc	-	-	-	5,000-9,999	8	0.39%
Winn Dixie Montgomery	5,000-9,999	10	0.38%	5,000-9,999	9	0.39%
Regions Bank	5,000-9,999	5	0.38%	5,000-9,999	10	0.39%
Pilgrims Pride Corporation	5,000-9,999	7	0.38%	-	-	-
	100,000-169,990		6.89%	90,000-149,990		6.24%

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

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

STATE OF ALABAMA

Employer	2005			2004			2003		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%	30,000-39,999	1	1.92%
Amy	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%	15,000-19,999	2	0.96%
Mobile Education Board	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	7	0.40%	5,000-9,999	6	0.41%	5,000-9,999	7	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%	5,000-9,999	10	0.41%
US Postal Service	5,000-9,999	9	0.40%	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%
Gold Kist Inc	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%	-	-	-
Winn Dixie Montgomery	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%	5,000-9,999	6	0.41%
Regions Bank	-	-	-	-	-	-	-	-	-
Brunos Supermarkets Inc	5,000-9,999	5	0.40%	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		6.40%	90,000-149,990		6.54%	85,000-139,990		6.18%
Employer	2002			2001			2000		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		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%
Amy	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%
University Of Alabama In Birmingham	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%
U. Of Ala In Bham Medical Center	-	-	-	-	-	-	-	-	-
US 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%

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 Eight Years

	2009	2008	2007	2006	2005
Primary Government					
Governmental Activities:					
Economic Development and Regulation	881	881	882	836	824
Education and Cultural Resources	1,200	1,226	1,210	1,117	1,104
Natural Resources and Recreation	1,454	1,608	1,378	1,460	1,383
Health	5,513	5,644	5,493	5,167	4,890
Social Services	5,966	5,968	6,163	6,277	6,313
Protection of Person and Property	8,445	8,317	8,057	7,842	7,733
Transportation	5,301	5,368	5,263	5,169	5,138
General Government	4,686	4,731	4,458	4,173	4,124
Total Governmental Activities	33,446	33,743	32,904	32,041	31,509
Business-type Activities:					
Alcoholic Beverage Control Board	901	898	895	851	778
State Port Authority	193	200	184	165	150
Alabama College System	1,937	1,916	1,885	1,792	1,766
Total Business-Type Activities	3,031	3,014	2,964	2,808	2,694
Total Primary Government	36,477	36,757	35,868	34,849	34,203

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

<u>2004</u>	<u>2003</u>	<u>2002</u>
835	893	899
1,086	1,092	1,111
1,486	1,575	1,622
4,818	5,081	4,931
6,323	6,488	6,768
7,590	7,583	7,395
5,013	4,981	4,688
4,166	4,482	4,495
<u>31,317</u>	<u>32,175</u>	<u>31,909</u>
753	746	760
142	119	119
1,796	1,750	1,702
<u>2,691</u>	<u>2,615</u>	<u>2,581</u>
<u><u>34,008</u></u>	<u><u>34,790</u></u>	<u><u>34,490</u></u>

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Four Fiscal Years

	2009	2008	2007	2006
Economic Development and Regulation				
Forestry Commission				
Number of fires	2,094	2,450	4,591	4,932
Average acres burned	11	10	16	15
Agriculture and Industries				
Pounds of meat and poultry processed under inspection	97,868,453	105,603,617	88,835,448	88,823,389
Educational and Cultural Resources				
Education Department				
Teacher certificates issued	n/a	n/a	48,840	52,024
Number of local schools supported	1,376	1,550	n/a	n/a
Number of children served	739,197	744,000	n/a	n/a
Natural Resources and Recreation				
Conservation and Natural Resources				
Number of guests to outdoor recreational sites	3,366,161	3,082,009	3,031,646	2,961,506
Acres of land managed	198,802	197,451	10,946	8,298
Number of registered boats	271,206	273,406	273,987	243,483
Health - Physical and Mental				
Public Health				
Vital records issued	479,904	517,723	584,475	501,984
Medicaid				
Citizens enrolled monthly	821,602	765,616	732,970	n/a
Claims processed monthly	2,700,907	2,180,736	4,819,280	4,419,711
Social Services				
Industrial Relations				
Employment Security claims	506,603	285,075	237,697	237,389
Individuals receiving services	479,517	420,140	n/a	n/a
Human Resources				
Number of visits to licensed child care centers	3,435	4,060	3,650	2,946
Child support caseload	229,635	228,479	228,019	229,078
Households receiving food assistance	280,625	231,470	226,855	209,316
Number of child abuse/neglect assessments	n/a	29,301	28,566	27,216
Protection of Persons and Property				
Department of Corrections				
Number of inmates	25,854	25,303	27,062	24,159
Public Safety				
Arrest tickets issued	568,505	538,910	407,289	324,627
Accidents investigated	30,904	33,115	31,939	36,147
Pardons and Paroles				
Number of board hearings	12,954	12,158	11,546	13,375
Number of offenders supervised	67,579	66,196	58,862	49,269
Forensic Sciences				
Number of death cases investigated	2,512	4,098	3,607	3,756
Transportation				
Transportation Department				
Roadway miles	10,876	10,875	11,235	10,846
Bridges	5,368	5,362	5,683	5,328
General Government				
Administrative Office of Courts				
Caseload	2,611,460	2,589,796	2,353,372	2,041,982
Revenue Department				
Number of payments received	3,296,454	3,304,603	n/a	n/a

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Six Fiscal Years

(Amounts in Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Economic Development and Regulation						
Forestry Commission						
Buildings	159	142	142	142	142	142
Vehicles	380	371	397	326	322	307
Heavy Equipment	657	671	690	682	741	715
Educational and Cultural Resources						
Education Television						
Buildings	26	24	24	24	24	24
Natural Resources and Recreation						
Conservation and Natural Resources						
Buildings	668	659	631	611	609	604
Vehicles	778	774	759	689	672	645
Heavy Equipment	211	207	211	212	210	213
Health						
Environmental Management						
Vehicles	163	178	189	196	192	172
Social Services						
Human Resources						
Buildings	30	31	30	30	30	30
Protection of Persons and Property						
Agriculture and Industries						
Vehicles	249	234	233	236	222	186
Corrections						
Buildings	370	362	362	362	362	345
Vehicles	421	446	448	404	332	332
Military						
Buildings	669	680	642	688	688	688
Public Safety						
Vehicles	1,275	1,375	1,357	1,159	1,287	1,062
Youth Services						
Buildings	118	119	118	118	118	118
Vehicles	103	101	96	89	82	74
Pardons and Paroles						
Vehicles	322	305	262	252	248	211
Transportation						
Transportation						
Buildings	510	501	473	472	472	471
Vehicles	2,062	2,343	2,379	2,356	2,389	2,241
Heavy Equipment	1,061	1,146	1,127	1,130	1,184	1,138
General Government						
Administrative Office of Courts						
Vehicles	22	20	17	7	7	7
Revenue Department						
Vehicles	26	27	27	27	37	24