

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2018



Kay Ivey
Governor

Young Boozer
State Treasurer

Kelly Butler
Acting Director of Finance

Jim Zeigler
State Auditor



Prepared by the
Department of Finance, Office of the State Comptroller
Kathleen D. Baxter, Ph.D, CGFM, CPM • State Comptroller

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Kay Ivey
Governor

Kelly Butler
Finance Director

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State Comptroller

Michael G. Hudson, CGFM
Deputy State Comptroller

March 29, 2019

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, 2018. 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 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. The Examiners' unmodified 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 *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements (Uniform Guidance)*. 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 or if their debt is repaid solely by the government, but many 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 Public School and College Authority, Department of Mental Health, and the Federal Aid Highway Finance Authority. The major discretely presented component units are the University of Alabama, Auburn University, the University of South Alabama, the Alabama Housing Finance Authority, the Public Education Employees' Health Insurance Board, and the Alabama Community College System. 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. Amendment 26 to the *Constitution of Alabama of 1901* 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)

	2018	2017	2016	2015	2014
Beginning Cash Balance, October 1	\$ 231,278	\$ 168,591	\$ 146,054	\$ 128,462	\$ 122,204
Receipts	1,996,118	1,919,834	1,845,327	1,851,313	1,754,573
Disbursements	1,843,556	1,857,147	1,822,790	1,833,721	1,748,315
Net Increase (Decrease) in Cash Balance	152,562	62,687	22,537	17,592	6,258
Ending Cash Balance, September 30	383,840	231,278	168,591	146,054	128,462
Cash Balance Reserved for Obligations	57,765	40,904	44,959	51,302	44,843
Unobligated Cash Balance, September 30	\$ 326,075	\$ 190,374	\$ 123,632	\$ 94,752	\$ 83,619

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

	2018	2017	2016	2015	2014
Beginning Cash Balance, October 1	\$ 73,079	\$ 191,977	\$ 197,189	\$ 56,967	\$ 325,918
Receipts	6,753,485	6,327,327	6,072,933	6,048,341	5,802,736
Disbursements	6,416,791	6,446,225	6,078,145	5,908,119	6,071,687
Net Increase (Decrease) in Cash Balance	336,694	(118,898)	(5,212)	140,222	(268,951)
Ending Cash Balance, September 30	409,773	73,079	191,977	197,189	56,967
Cash Balance Reserved for Obligations	58,766	66,160	70,954	54,505	49,893
Unobligated Cash Balance, September 30	\$ 351,007	\$ 6,919	\$ 121,023	\$ 142,684	\$ 7,074

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 to the *Constitution of Alabama of 1901* tends to produce positive fund balances.

Fund Balances - GAAP Basis
(Amounts in Millions)

	2018	2017	2016	2015	2014
General Fund	\$ 602.7	\$ 437.5	\$ 188.2	\$ 109.2	\$ 121.1
Education Trust Fund	719.5	400.6	486.8	465.9	28.8

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 Alabama bank deposits, repurchase agreements, U.S. Treasury securities 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. Investment earnings received during the 2018 fiscal year were as follows:

Bank Deposits	\$ 22.1 million
US Treasury and Agency Securities	\$ 9.2 million

Investment earnings are 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 investment earnings being credited to those agencies.

Long-term Financial Initiatives

The State continues to improve its financial processes after the upgrade of the financial and purchasing system. Travel reimbursement policies were revised and travel reimbursement procedures were modernized in 2018. Preparation of the annual Governor's budget proposal and CAFR reporting were moved to a new technology platform in the fall of 2018. Requests for proposals for a new State payroll/personnel system have been received and are being evaluated. A vendor will be selected later this spring with an anticipated project start time of early summer.

Economic Condition and Outlook

In 2018, Alabama's economy grew at a slightly higher pace than in 2017. Consumer spending moderately increased in 2018 as Alabama's gross domestic product (ALGDP) rose by 2.2 percent. The State's unemployment rate increased to 3.8 percent in 2018 which is slightly below the national average of 3.9 percent. Income tax revenues were up by 6 percent.

Alabama gained 26,800 jobs during 2018. Job gains were seen in leisure and hospitality, healthcare, professional and business services, manufacturing, construction, transportation, and warehousing. Job gains in most other sectors of the economy remained flat or declined. Facilitated by relatively strong consumer and business spending, retailers in Alabama had an increase in jobs, despite an intensely competitive environment from both discount stores and online marketplaces.

Manufacturing sector output rose by 2.6 percent from October 2017, with an upsurge of 6.5 percent for petroleum and coal products. Plastics and rubber products and motor vehicle, body, trailer, and parts also contributed to the growth in manufacturing output with an increase of 6 percent and 4 percent, respectively. The construction sector's output showed some improvement in the period October 2017 to October 2018 with real output growing by 2.7 percent. Wholesale trade increased 1.9 percent and was accompanied by a decrease of 400 jobs in employment for the period October 2017 to October 2018. Retail output rose 2.1 percent and retail trade employment increased by 0.4 percent.

Alabama exports saw an increase to \$16.5 billion in the first nine months of 2018 which was about 2 percent above the same period in the previous year. Exports to Canada, Alabama's largest trade partner, dropped from \$3.3 billion to \$3.1 billion for the first nine months of 2018. This decline is contributed to both the rhetoric about tariffs and a slowing international demand. Other major export destinations for Alabama products included China, Germany, Mexico, and Japan. For the first three quarters of 2018, transportation equipment exports totaled approximately \$8 billion, down from \$8.2 billion during the same period in 2017. Other major exports during the first three quarters of 2018 were chemicals, primary metals, mineral and ores, paper, machinery, computer and electronic products, and fabricated metal products.

Alabama's economy is expected to expand by 2.1 percent in 2019, below the 2.2 percent seen in 2018. Non-agricultural employment is expected to experience a slight gain of 1.1 percent, adding approximately 22,000 jobs. Industries with the strongest increases in employment will be wood products manufacturing, rubber and plastics manufacturers, motor vehicle and parts, and other transportation equipment specifically for aerospace products and parts manufacturing. In addition, industries such as professional, scientific and technical services, and leisure and hospitality services will see a strong increase in employment in 2019. On the other hand, job growth in retailing will most likely remain modest in 2019 and employment growth in federal and state government entities is expected to either remain flat or increase very little.

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,

A handwritten signature in black ink that reads "Kathleen D. Baxter". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kathleen D. Baxter, Ph.D., CGFM, CPM

State Comptroller

September 30, 2018

**EXECUTIVE
BRANCH**Kay Ivey
GovernorVacant
Lt. GovernorYoung Boozer
State TreasurerJohn H. Merrill
Secretary of StateJohn McMillian
Commissioner of Agriculture
and IndustriesSteve Marshall
Attorney GeneralJim Zeigler
State Auditor**JUDICIAL
BRANCH**Lyn Stuart
Chief Justice of the Supreme CourtJustices of the Supreme Court

Michael F. Bolin

Tom Parker

Greg Shaw

James Allen Main

Alisa Kelli Wise

Tommy Bryan

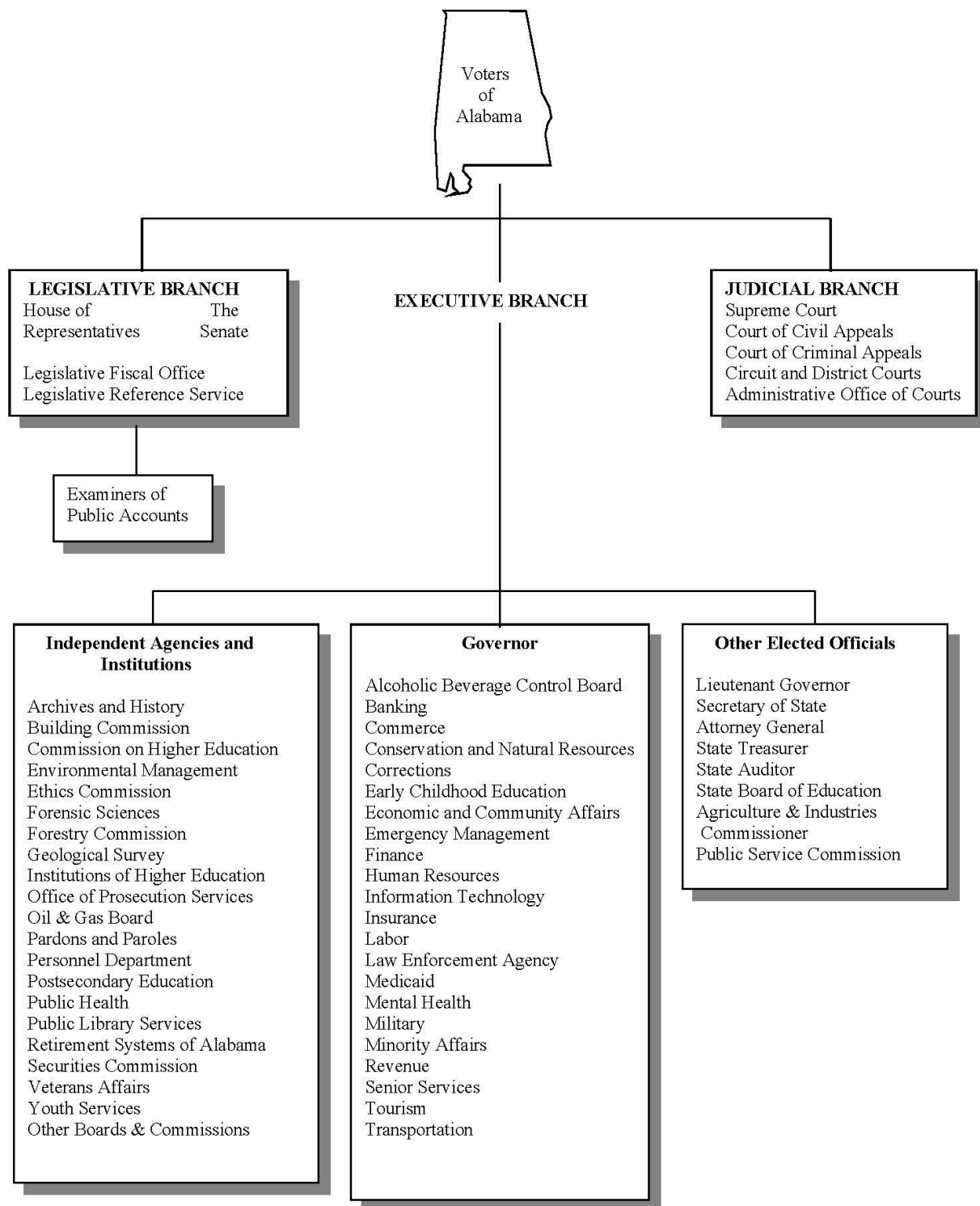
William B. Sellers

Brady E. Mendheim, Jr.

**LEGISLATIVE
BRANCH**Del Marsh
Senate President, Pro TemporeMac McCutcheon
Speaker of the HouseRachel Riddle
Examiners of Public AccountsOthni J. Lathram
Legislative Services Agency**EXECUTIVE BRANCH DEPARTMENTS**Kelly Butler, Acting
Department of FinanceH. Mac Gipson
ABC BoardGreg Canfield
Department of CommerceTodd Cotton
Department of Senior ServicesMichael E. Hill
State Banking DepartmentChris Blankenship
Department of Conservation
and Natural ResourcesLee Sentell
Department of TourismJeanna Ross
Department of Early Childhood EducationNichelle Nix
Office of Minority AffairsKenneth W. Boswell
ADECAMajor General Sheryl Gordon
State Military DepartmentNancy Buckner
Department of Human ResourcesFitzgerald Washington
Department of LaborLynn Beshear
Department of Mental HealthJim L. Ridling
Department of InsuranceColonel Jeff Dunn
Department of CorrectionsBrian Hastings
Emergency Management AgencyJohn R. Cooper
Department of TransportationJim Purcell, Acting
Secretary of Information TechnologyStephanie Azar
Alabama Medicaid AgencyVernon Barnett
Department of RevenueHal Taylor
Alabama Law Enforcement Agency

STATE OF ALABAMA

ORGANIZATION CHART





Rachel Laurie Riddle
Chief Examiner

State of Alabama
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Independent Auditor's Report

Honorable Kay Ivey, Governor
State of Alabama
Montgomery, Alabama

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the State of Alabama as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 or deferred outflows 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/Deferred Outflows of Resources	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Public Health Care Authority	.17%	0%
Business-Type Activities: Alabama Fire College & Personnel Standards Commission Alabama State Port Authority	47%	18%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Alabama Drinking Water Finance Authority Space Science Exhibit Commission University of Alabama Auburn University University of South Alabama University of Montevallo Athens State University University of North Alabama	84%	84%
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 College Education Savings Plan Alabama Public Health Care Authority	89%	55%

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 from material misstatement. The financial statements of the Retirement Systems of Alabama, the RSA Employees' Savings Plans (the 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, and the Retired State Employees' Health Care Trust were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Alabama's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Alabama's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1(F) to the Financial Statements, in Fiscal Year 2018, the State implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement Number 85, *Omnibus 2017*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the other Required Supplementary Information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 accompanying supplementary information which includes the combining and individual fund statements and schedules, and the accompanying other information which includes the introductory and statistical sections, listed in the accompanying table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information (combining and individual fund statements and schedules) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information (introductory and statistical sections) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we will also issue our report dated March 29, 2019, on our consideration of the State of Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the State's *Single Audit of Federal Award Programs*. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the State of Alabama's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

March 29, 2019



The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2018. 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 position increased by \$649 million during the fiscal year. The assets and deferred outflows of the State exceeded its liabilities and deferred inflows at the close of the fiscal year by \$20.2 billion (net position). \$20.9 billion was the net invested in capital assets, and \$3.3 billion was Alabama Trust Capital.
- The State had a net pension liability of \$3.4 billion for the primary government.
- The State had a net other post-employment liability (net OPEB liability) of \$3.1 billion for the primary government.
- The Change in Net Position in governmental activities was \$572 million.
- Governmental activities have \$5.1 billion in investments, \$3.3 billion of which is held in the Alabama Trust Fund.
- Tax revenues increased \$464 million, or 5 percent as the economy improved.
- Income tax revenues increased \$247 million, or 6 percent, because of the improved economy. Sales and use tax revenues increased \$139 million, or 5 percent.
- Total revenues and total expenses increased modestly. Revenues increased \$502 million or 2 percent while expenses increased \$397 million, or 2 percent.
- The business-type activities reported net position at year-end of \$962 million, an increase of \$78 million, or 8.8 percent, for the fiscal year. The Unemployment Compensation Trust Fund cash grew by \$70 million. The operating revenues for the State Port Authority increased by 7 percent, largely as a result of an increased demand for metallurgical coal.
- The State's total bond debt at the end of the fiscal year was \$5.4 billion, a decrease of \$349 million.
- The State issued revenue bonds with a par value of \$18.5 million and premiums of \$1.4 million for education capital improvements.
- Capital Assets increased \$313 million to \$22.6 billion, which includes \$19.9 billion in infrastructure assets.
- The Alabama Trust Fund balance increased by \$89 million, or 3 percent, and now stands at \$3.3 billion.
- The Alabama Trust Fund investment earnings decreased from \$333 million to \$217 million.
- General Fund revenues increased slightly, while expenditures decreased \$64 million.
- Education Trust Fund revenues increased \$364 million, while expenditures only increased \$63 million.
- On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$374 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$167 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.
- The General Fund was not prorated and the Medicaid Agency has unexpended General Fund appropriations of \$84 million to carry over to fiscal year 2019.

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. These statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the economic resources measurement focus and accrual basis of accounting. The government-wide financial statements exclude fiduciary activities.

The *Statement of Net Position* presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year. Net position represents the difference between all other elements in this statement. Increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and shipping services 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 Housing Finance Authority, Public Education Employees' Health Insurance Board, University of Alabama, Auburn University, University of South Alabama, and the Alabama Community College System. 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 external users in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, 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 Position and Changes in Fiduciary Net Position. 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) Ten Year Trend Information for Teachers' Retirement System, Judicial Retirement Fund, and Employees' Retirement System including related notes for each, (4) Ten Year Trend Information for Retired State Employees' Health Care Trust and Retired Education Employees' Health Care Trust including related notes for both, 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 Position**

Net position may serve over time as a useful indicator of a government's financial position. The State's combined net position for governmental and business-type activities is \$20.2 billion in contrast to the prior year balance of \$19.6 billion. The largest component of the State's net position reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related outstanding debt used to acquire those assets, plus capital-related deferred outflows of resources, less capital-related deferred inflows of resources. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Also, it should be noted that the resources needed to repay the capital-related debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased \$312.5 million, which included \$213.2 million in increases to infrastructure and infrastructure construction in progress. Business-type capital assets decreased \$9.3 million, or 1.5 percent primarily due to a \$14.8 million decrease in the State Port Authority capital assets.

The total of Current and Other Assets is \$11.9 billion, relatively the same as the prior year. Included in that amount were cash and cash equivalents of \$4 billion and \$990 million due from other governments. A little over half the amount due from other governments consists of loans to local school systems and most of the remaining amount is due from the federal government for amounts earned under federal programs. The balance also includes \$5.3 billion in investments, \$3.3 billion of which is held in the Alabama Trust Fund. Business-type Current and Other Assets increased \$133 million, or 15 percent, primarily because the Unemployment Compensation Trust Fund cash grew by \$70 million.

Of total liabilities, 85 percent are long-term liabilities. The State has \$12.0 billion in long term liabilities, which includes \$5.02 billion in bonds payable, \$3.4 billion in net pension liability, and \$3.1 billion in net other post-employment health care benefits (OPEB) liability. Total liabilities decreased 6 percent, or \$967 million. Bonds payable decreased by \$349 million while the net OPEB liability decreased \$261.1 million and net pension liability decreased \$331.9 million. Bonds payable decreased as a result of debt service payments and premium amortizations. OPEB decreased primarily as a result of change in assumptions including rates of withdrawal, retirement, disability and mortality to more closely reflect actual experience.

Deferred Outflows of Resources is \$558 million, a decrease of \$103 million. \$366 million is pension related, \$125 million is OPEB related, and \$67 million is losses for bond refundings. Deferred Inflows of Resources is \$616 million at the end of the current fiscal year, an increase of \$563 million. \$263 million is pension related, \$350 million is OPEB related, and \$3 million is gains from bond refundings.

Restricted net position represents 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 position. The State's net position that is unrelated to capital assets includes \$9.0 billion in restricted net position, a decrease of \$228.7 million from the prior year. Unrestricted net position represents the remaining amount of net position 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 position of \$9.6 billion. Business-type activities had a deficit unrestricted net position of \$19.8 million.

Net Position as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 10,880,268	\$ 10,976,607	\$ 1,038,325	\$ 905,293	\$ 11,918,593	\$ 11,881,900
Capital Assets	21,996,132	21,674,291	608,890	618,227	22,605,022	22,292,518
Total Assets	32,876,400	32,650,898	1,647,215	1,523,520	34,523,615	34,174,418
Deferred Outflows of Resources	525,167	625,918	32,343	35,224	557,510	661,142
Long-term Liabilities	11,463,265	12,439,963	583,404	569,128	12,046,669	13,009,091
Other Liabilities	2,091,512	2,104,305	110,884	102,744	2,202,396	2,207,049
Total Liabilities	13,554,777	14,544,268	694,288	671,872	14,249,065	15,216,140
Deferred Inflows of Resources	593,089	50,613	23,060	2,227	616,149	52,840
Net Position						
Net Investment in Capital Assets	20,564,785	20,544,621	306,317	309,115	20,871,102	20,853,736
Restricted	8,286,342	8,584,834	675,693	605,930	8,962,035	9,190,764
Unrestricted	(9,597,426)	(10,447,520)	(19,800)	(30,399)	(9,617,226)	(10,477,919)
Total Net Position	\$ 19,253,701	\$ 18,681,935	\$ 962,210	\$ 884,646	\$ 20,215,911	\$ 19,566,581

Change in Net Position

The table on the following page was derived from the government-wide Statement of Activities. 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. As a result of the excess of revenues over expenses, the State's net position increased by \$649 million during the fiscal year. Taxes provided \$9 billion, or 41 percent, of the State's total revenue. Tax revenues increased by \$464 million, or 5 percent, compared to the previous year as the economy continued to improve. \$247 million of the increased revenue was income taxes, which was up 6 percent. Sales and use taxes increased \$139 million, or 5 percent. Operating Grants and Contributions revenue increased \$19 million, or less than a percent to \$8.8 billion. Federal revenues increased \$106 million for the Medicaid program. Capital Grants and Contributions increased \$100 million to \$1.025 billion. Charges for Services revenue decreased \$15 million, or 1 percent.

General revenues, which include taxes, were up to \$10.87 billion, an increase of \$398 million. Unrestricted investment earnings were \$251 million, a decrease of \$97 million. In total, revenues and expenses had modest increases. Total revenues increased \$502 million, or 2 percent, and total expenses were up \$397 million, or 2 percent.

Governmental Activities

Total revenues for governmental activities for the fiscal year were \$22.2 billion, an increase of \$504 million or 2 percent. Charges for Services were down by \$18 million. Operating Grants and Contributions increased \$27 million, or less than a percent. Unrestricted Investment Earnings were down \$97 million. Taxes increased \$463 million, or 5 percent, on the strength of improved sales and use tax revenues, and Capital Grants and Contributions increased \$100 million, or 11 percent.

Expenses for governmental type activities totaled \$21.7 billion, an increase of \$402 million or 2 percent. Education and Cultural Resources spending increased \$294 million, or 4 percent. Included in Education and Cultural Resources spending was an increase in the Local Financial Assistance program of \$44 million. Expenditures for Health increased \$27 million, or less than a percent, as the Hospital Care program increased by \$59 million, the Children's Health Insurance Program (CHIP) decreased \$73 million, and the Pharmaceutical program increased \$66 million. Protection of Persons and Property decreased \$157 million or 13 percent. Transportation increased \$286 million, or 19 percent. Natural Resources and Recreation spending decreased \$10 million, or 7 percent. Social Services spending decreased \$191 million, or 8 percent.

Business-type Activities

The largest business-type activity is the Alabama Unemployment Compensation Trust Fund, which accounts for 67 percent of business-type net position. The other major business-type activities are the Alabama Port Authority, and the Alcoholic Beverage Control Board. During the fiscal year the net position of business-type activities increased by \$77 million, or 9 percent. Revenues of business-type activities remained about the same at \$836 million, a decrease of \$2 million. Most of this revenue was self-generated program revenues; only \$16 million of the \$836 million in revenues came from general revenues. The program revenues consisted of \$817 million of charges for services, an increase of \$4 million, or 1 percent, and \$3 million of operating grants and contributions, a decrease of \$9 million, or 77 percent. There were no capital grants and contributions in 2018; there was \$125 million of capital grants and contributions in 2017. Of the \$60 million in net transfers between governmental activities and business-type activities, most of the transfers are from the Alcoholic Beverage Control Board as mandated by law.

Overall business-type expenses were \$699 million, down by \$6 million, or 1 percent, primarily because the Alabama Unemployment Compensation Trust Fund's expenses decreased \$16 million, or 9 percent. Alabama Unemployment Compensation Trust Fund expenses decreased because of a decrease in the unemployment rate from 4.4 percent in September 2017 to 4.1 percent in September 2018 and some claimants exhausted their benefits. The cash balance in the Unemployment Compensation Trust Fund grew by \$70 million partially because of this decrease in expenses for claims. Port Authority expenses were up \$2 million, or 2 percent, due to an increase in expenses associated with operation and maintenance of facilities. Alcoholic Beverage Control Board expenses were down \$5 million, or 2 percent. Nonmajor Proprietary Funds expenses were up \$14 million, or 20 percent. The majority of this increase was due to a \$13 million increase in claims and benefits expense in the State Insurance Fund.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017*	2018	2017*
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,584,577	\$ 1,602,691	\$ 817,333	\$ 813,771	\$ 2,401,910	\$ 2,416,462
Operating Grants and Contributions	8,782,457	8,755,280	2,567	11,142	8,785,024	8,766,422
Capital Grants and Contributions	1,024,637	924,667	—	125	1,024,637	924,792
General Revenues:						
Taxes	9,414,263	8,951,556	14,694	13,317	9,428,957	8,964,873
Grants and Contributions Not						
Restricted to Specific Programs	3,071	5,037	—	—	3,071	5,037
Unrestricted Investment Earnings	251,189	348,038	—	—	251,189	348,038
Miscellaneous	1,151,539	1,120,197	1,774	364	1,153,313	1,120,561
Total Revenues	<u>22,211,733</u>	<u>21,707,466</u>	<u>836,368</u>	<u>838,719</u>	<u>23,048,101</u>	<u>22,546,185</u>
Expenses:						
Economic Development and Regulation	139,139	155,796			139,139	155,796
Education and Cultural Resources	7,462,779	7,168,714			7,462,779	7,168,714
Natural Resources and Recreation	142,306	151,843			142,306	151,843
Health	7,446,780	7,419,732			7,446,780	7,419,732
Social Services	2,213,061	2,403,668			2,213,061	2,403,668
Protection of Persons and Property	1,076,783	1,233,440			1,076,783	1,233,440
Transportation	1,818,880	1,532,866			1,818,880	1,532,866
General Government	1,215,056	1,048,882			1,215,056	1,048,882
Debt Service - Interest and Other Charges	184,975	182,655			184,975	182,655
Unemployment Compensation			158,959	174,746	158,959	174,746
State Port Authority			133,083	131,405	133,083	131,405
Alcoholic Beverage Control Board			323,013	328,276	323,013	328,276
Nonmajor Proprietary Funds			83,957	70,093	83,957	70,093
Total Expenses	<u>21,699,759</u>	<u>21,297,596</u>	<u>699,012</u>	<u>704,520</u>	<u>22,398,771</u>	<u>22,002,116</u>
Increase (Decrease) in Net Position						
Before Transfers	511,974	409,870	137,356	134,199	649,330	544,069
Transfers	59,792	50,983	(59,792)	(50,983)	—	—
Change in Net Position	<u>571,766</u>	<u>460,853</u>	<u>77,564</u>	<u>83,216</u>	<u>649,330</u>	<u>544,069</u>
Net Position- Beginning, as restated	<u>18,681,935</u>	<u>18,221,082</u>	<u>884,646</u>	<u>801,430</u>	<u>19,566,581</u>	<u>19,022,512</u>
Net Position- Ending	<u>\$ 19,253,701</u>	<u>\$ 18,681,935</u>	<u>\$ 962,210</u>	<u>\$ 884,646</u>	<u>\$ 20,215,911</u>	<u>\$ 19,566,581</u>

* The 2017 amounts for expenses presented here have not been restated for the implementation of GASB Statement 75 because it was not practical to restate years prior to 2018.

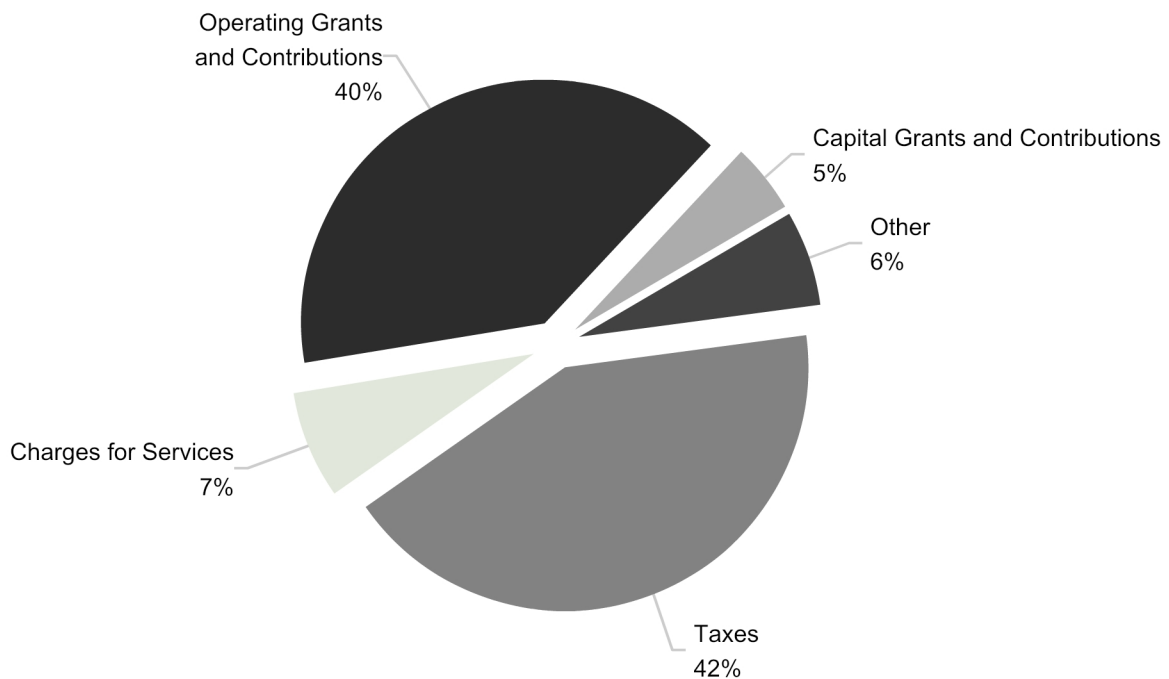
Governmental Activities

Operating grants and contributions along with taxes together accounted for 82 percent of governmental activities revenue. Taxes are the largest, making up 42 percent of total governmental revenues, while operating grants and contribution make up 40 percent.

Income taxes are 45 percent of the total taxes recorded in governmental activities. Sales and use taxes comprise 30 percent of taxes in governmental activities. Income taxes brought in \$4.3 billion and sales and use taxes \$2.8 billion. Income taxes increased \$247 million, or 6 percent, while sales and use taxes increased \$139 million, or 5 percent.

Capital grants and contributions are 5 percent of revenues. The Department of Transportation received 94 percent of all capital grants and contributions, primarily for road and bridge related projects. About 95 percent of operating grants and 89 percent of the capital grants were received from the Federal government.

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2018



Expenses for governmental activities are grouped by functional area. The two largest functional areas were Education and Cultural Resources and Health. These two areas together accounted for 68 percent of the governmental activities expenses for the fiscal year. Social Services accounted for 10 percent of the governmental activities expenses.

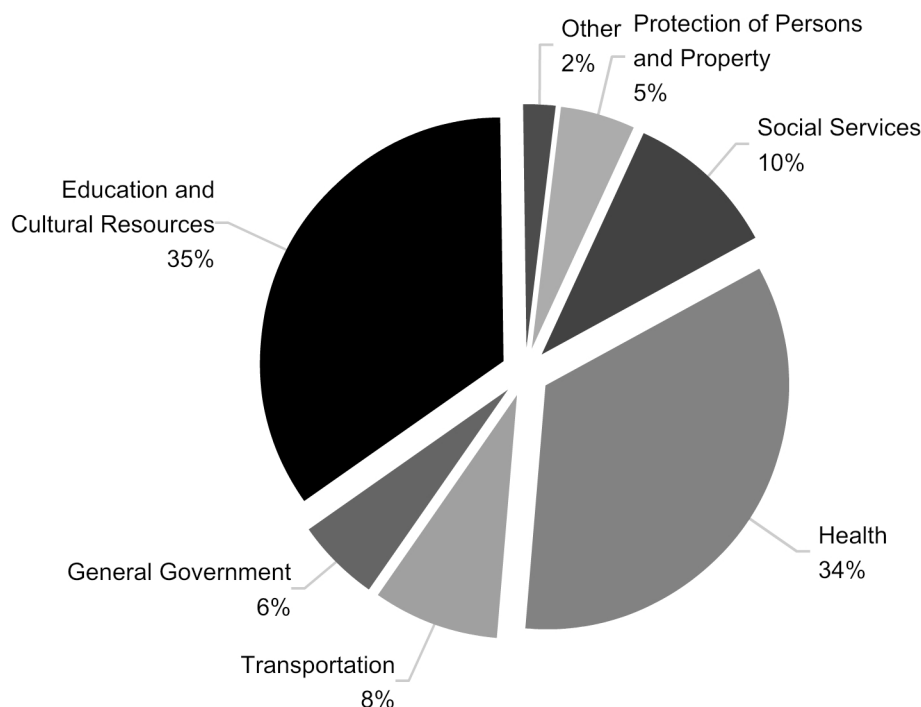
Education and Cultural Resources makes up 35 percent of governmental activity expenses, up 1 percent from the previous year. Transportation increased from 7 percent to 8 percent and Social Services decreased from 11 percent to 10 percent. Within Education and Cultural Resources, 69 percent of expenditures were for the Local Financial Assistance program for K-12 school systems and 15 percent was for the Support of State Universities program. Local Financial Assistance increased \$44 million, or 1 percent, and Support for State Universities increased \$16 million, or 2 percent.

Health accounted for 34 percent of governmental activity spending, a decrease of 1 percent from the previous year. Medicaid programs account for 78 percent of Health spending, while the Department of Public Health was 10 percent and the Department of Mental Health was 11 percent.

Within Social Services, spending on the Food Assistance program makes up 52 percent of all social services spending while 22 percent is spent on various children's programs. Spending on Food Assistance was down \$10 million, or less than 1 percent.

Protection of Persons and Property decreased from 6 percent to 5 percent of total spending. The Department of Corrections makes up 44 percent of Protection of Persons and Property spending, while the Alabama Law Enforcement Agency comprises 19 percent and the 911 Board 10 percent.

**Expenses - Governmental Activities
Fiscal Year Ended September 30, 2018**



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, unassigned General 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 the fiscal year, the governmental funds reported combined ending fund balances of \$8.1 billion. Nonspendable fund balance was \$132 million and assigned fund balance was \$47 million. Spending restricted for specific purposes comprised \$7.3 billion. Those restrictions have been imposed by external parties, constitutional provisions, or enabling legislation. The largest restricted amount of \$3.2 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of Amendment 666 and Amendment 856 to the Constitution of Alabama of 1901 which allow limited spending of principal. An additional \$4.1 billion of governmental fund balance has been restricted for a wide variety of purposes which includes \$743 million restricted for various capital projects and debt service.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$597 million, \$3 million nonspendable fund balance, and \$3 million assigned fund balance. Revenues for the General Fund were up \$6 million, or less than a percent. Taxes, however, increased \$86 million. The largest increases in tax revenues to the General Fund were \$78 million in rent and lease personal property tax and \$39 million in insurance premium tax. The fund balance for the General fund increased by \$167 million primarily because of a \$64 million decrease in expenditures. Also, the General Fund cash increased by \$157 million because of the growth in revenue and decrease in expenditures.

Expenditures for the General Fund decreased \$64 million, or 4 percent. Health expenditures decreased \$71 million, or 9 percent. 95 percent of the General Fund health expenditures were in the Medicaid Agency. Physician Care decreased \$26 million while Hospital Care declined \$13 million. Spending on General Government in the General Fund increased \$3 million. Judicial Operations increased by \$6 million while Prosecution Services stayed the same. Protection of Persons and Property expenditures increased \$7 million. The largest spending for Protection of Persons and Property in the General Fund was \$431 million for the Department of Corrections, an increase of \$25 million from the previous year.

The Education Trust Fund (ETF) is the largest operating 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 relating to educational facilities, and other functions related to educating the state's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, various scholarship programs, the state's education regulatory departments, and two-year and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Ten tax sources are allocated to the ETF, the largest of which are the individual and corporate income tax, sales tax, utility tax, and use tax. Tax revenues in the ETF for the fiscal year were up \$373 million, or 6 percent as compared to the previous fiscal year. Sales and use tax revenues increased by \$104 million and income tax revenues were up by \$252 million while mobile telecommunications tax decreased \$4 million. Expenditures, as limited by the budget, were up 1 percent, or \$63 million. A large portion of the increase, \$44 million, was in the Local Financial Assistance program. The ETF transferred out \$208 million, with the largest of these transfers going to supplement operations of the Prepaid Affordable College Tuition Fund (PACT), a Fiduciary fund. Prepaid Affordable College Tuition Fund received \$63 million in transfers as mandated by the legislature in the appropriations acts. Due to Other Funds in the ETF is \$11 million, up from \$8 million. The ETF fund balance increased \$319 million to a balance of \$720 million, as cash and cash equivalents increased \$310 million. The fund balance, while legally restricted to a variety of educational purposes, is all available for those purposes in the next fiscal year.

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 \$0.5 million during the fiscal year. Investment earnings decreased from \$333 million to \$217 million during the fiscal year. 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, \$163 million was transferred out to support these other funds. \$97 million was transferred to the General Fund. During the fiscal year, the amount constitutionally restricted for Trust Capital stayed approximately the same as the prior year. Due from other funds decreased by \$12 million because of an amount repaid by the County & Municipal Capital Improvement Trust Fund.

The Medicaid Fund accounts for the portion of the Medicaid program that is funded 90 percent by Federal revenues. Federal revenues increased 2 percent, or \$104 million. Expenditures increased 2 percent or \$86 million. Pharmaceutical Care program expenditures increased \$66 million, Hospital Care increased \$59 million, Nursing Home Care decreased \$8 million, and the Children's Health Insurance Plan (CHIP) decreased \$73 million. The net change in fund balance for Medicaid was a \$7 million increase, bringing the total fund balance to a deficit of \$47 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT). The Fund receives all state revenues for that department, including all federal aid reimbursements. Amendment No. 93 (as amended by Amendment No. 354) to the Constitution of Alabama of 1901 provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Revenues from federal grants were 60 percent of fund revenues while gasoline and motor fuel taxes were 25 percent. Federal revenues increased \$61 million, or 7 percent. Expenditures increased \$301 million or 19 percent. The cash balance decreased from \$466 million to \$345 million. Of the \$385 million fund balance, \$36 million is in inventory of materials on hand and \$349 million is restricted to cover existing 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. Revenues from federal funds comprise 88 percent, and is supplemented by whiskey tax and a portion of the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Overall spending decreased \$74 million, or 4 percent. The Food Assistance program accounts for 65 percent of total expenditures. The fund balance at year end is \$63 million, an increase of \$17 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. The fund balance, while legally restricted to a variety of social service programs, is all available for those programs in the next fiscal year.

The Medicaid Fund had a negative fund balance at September 30. 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 receivable, but not the State matching amounts which will be recorded as revenues when received in the next fiscal year. The Public Road and Bridge Fund retains enough cash to cover its 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 position for all enterprise funds increased by \$78 million.

The Unemployment Compensation Trust Fund has again improved its financial condition. The net position increased in 2018 by \$70 million, and in 2017 net position increased by \$67 million. The minimum employer rate remained at 0.00065 and the maximum employer rate remained at 0.0068 for the employer shared cost. Revenues decreased in 2018 as compared to 2017 due to a decrease in the amount of Unemployment Compensation (UC) taxes received. There was a \$12 million decrease in the amount of UC taxes received in 2018 compared to 2017. Federal UC Drawdown programs decreased from \$2 million to \$1 million. Benefits paid dropped \$15 million, a decrease of 9 percent. The trust fund cash grew from \$579 million to \$648 million; net position now stands at \$640 million.

The net position of the State Port Authority is \$305 million, a increase of \$5 million. Operating revenues were \$135 million, an increase of \$9 million, or 8 percent over the prior year, resulting largely from an increased demand for metallurgical coal. Revenue at the Authority's McDuffie Coal Terminal increased by \$5 million, or 10 percent, which included a \$1 million allocation of energy port funds collected through the federal harbor maintenance tax. With decreased revenues from iron and steel products, General Cargo/Intermodal revenues increased by \$1 million, or 3 percent, due to the increased allocation of energy port funds, which were \$1 million in fiscal 2018, compared with \$0.1 million in fiscal 2017. The Terminal Railway revenues were up \$3 million, or 15 percent, a result of the increased metallurgical coal volume, general switching activities, and capital assessment increases.

The net position of the Alcoholic Beverage Control Board increased slightly by \$0.5 million in fiscal year 2018. The deficit in net position decreased from \$143 million to \$142 million. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net position generally will remain negative. Non-current liabilities, such as compensated absences of

\$6 million, net other post-employment benefits (OPEB) liability of \$84 million, net pension liability of \$56 million, and some of the current liabilities are not deducted from the distribution amount. These non-current liabilities and related deferred outflows of resources and deferred inflows of resources decreased the net position; however, the Board's capital assets increased because of software capitalization. The net amount of these items resulted in a modest increase in net position for the fiscal year.

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by a net of \$56 million during fiscal year 2018. Expenditures increased by \$39.5 million and Transfers Out increased by \$16.5 million. These budgetary changes are reflected in the final budget on the Budgetary Comparison Schedule. The General Fund was not prorated during fiscal year 2018. Budgeted revenues were increased by \$48.5 million and actual tax revenues were \$168 million greater than the final budget because of the improved economy.

There were significant budgetary variances between the final budget and actual results. Unexpended and reverted appropriations from fiscal year 2018 were re-appropriated to fiscal year 2019; therefore, many agencies did not spend all of their appropriations during fiscal year 2018. The Medicaid Agency and the Legislature have \$84 million and \$6 million, respectively to carryover to fiscal year 2019. The Department of Corrections and the Department of Finance have carryovers of approximately \$10 million and \$2 million, respectively. These appropriations will be needed in the future primarily because expenditures are expected to increase.

Supplemental appropriations were approximately \$32.6 million. \$30 million of supplemental appropriations were transferred to the Department of Corrections. This supplemental appropriation was needed for a 10 percent and a 5 percent pay differential for security employees assigned to maximum security facilities and medium security facilities, respectively. Most of these facilities have staffing levels below 50 percent and these location pay differentials will help attract and retain highly skilled correctional officers. Conditional and other appropriations were approximately \$34 million to various agencies. \$9 million of conditional appropriations were transferred to the Fair Trial Tax Fund for indigent defense. The Office of the Attorney General received a conditional appropriation of \$3.5 million for legal operations and services. District Attorneys received \$6 million in conditional appropriations and \$9 million in conditional appropriations went to election expenses. Conditional amounts are not included in the budget until the conditions have been met. 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. On a budgetary basis, General Fund revenues and other sources exceeded expenditures and other uses by \$374 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$167 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 2018 the State invested \$22.6 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$129.6 million.

Capital Assets as of September 30

(Amounts in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital Assets Not Being Depreciated:						
Land	\$ 403,538	\$ 386,201	\$ 77,079	\$ 77,258	\$ 480,617	\$ 463,459
Historical Exhibits	4,127	4,126	2,350	2,350	6,477	6,476
Construction In Progress	266,210	149,579	9,134	5,383	275,344	154,962
Construction In Progress - Infrastructure	2,833,512	3,304,624	—	—	2,833,512	3,304,624
Infrastructure	17,071,238	16,386,881	—	—	17,071,238	16,386,881
Inexhaustible Intangible Assets	—	—	10	10	10	10
Total Capital Assets						
Not Being Depreciated	20,578,625	20,231,411	88,573	85,001	20,667,198	20,316,412
Capital Assets Being Depreciated:						
Buildings	1,851,786	1,824,769	683,406	682,225	2,535,192	2,506,994
Equipment	746,700	722,129	409,208	406,419	1,155,908	1,128,548
Software and Other Intangible Assets	96,449	96,448	10,848	3,266	107,297	99,714
Total Capital Assets						
Being Depreciated	2,694,935	2,643,346	1,103,462	1,091,910	3,798,397	3,735,256
Less Accumulated Depreciation	1,277,428	1,200,466	583,146	558,684	1,860,574	1,759,150
Total Capital Assets						
Being Depreciated, Net	1,417,507	1,442,880	520,316	533,226	1,937,823	1,976,106
Capital Assets, Net	\$ 21,996,132	\$ 21,674,291	\$ 608,889	\$ 618,227	\$ 22,605,021	\$ 22,292,518

As allowed by GASB Statement No. 34, the State 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 80.76, which exceeds the State's goal.

The State maintains 5,406 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 6.49, in the upper end of the satisfactory range.

For fiscal years 2018 and 2017, the State estimated it would need to spend \$357,771,000 and \$361,768,000, respectively, to preserve and maintain all roadway assets and \$10 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. In fiscal year 2018, the State spent \$520,098,000 for roadway preservation and \$492,721,000 for bridge preservation. The State spent \$372,860,000 for roadway preservation and \$286,279,000 for bridge preservation in fiscal year 2017. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$361,768,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above.

More detailed information about the State’s capital assets is presented in Note 4 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 by the State 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. These corporations are blended with the primary government. The State and its component units issue serial and term bonds. Alabama has traditionally received high bond ratings from both Standard and Poor’s Corporation and Moody’s Investors Service.

Outstanding Bonded Debt as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 609,633	\$ 673,634	\$ —	\$ —	\$ 609,633	\$ 673,634
Revenue Bonds	4,429,103	4,753,950	367,169	327,401	4,796,272	5,081,351
Total	<u>\$ 5,038,736</u>	<u>\$ 5,427,584</u>	<u>\$ 367,169</u>	<u>\$ 327,401</u>	<u>\$ 5,405,905</u>	<u>\$ 5,754,985</u>

The State issued \$18,455,000 in Alabama Public School and College Authority revenue bonds to fund education related capital projects. Additional detailed information regarding the State’s long-term debt is presented in Note 5 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The General Fund budget was increased from fiscal year 2018 to 2019. The Department of Corrections and Pardons and Paroles received increases of \$34 million and \$7 million, respectively. The Medicaid Agency received an increase of \$54 million.

The total ETF budget for fiscal year 2019 is \$6.63 billion. The Rolling Reserve Act (Act 2011-3) cap on the fiscal year 2019 appropriations is \$6.63 billion. The K-12 Local Boards of Education received an appropriation increase of \$113 million for fiscal year 2019 over fiscal year 2018 from the Education Trust Fund. The four-year Universities received an increase of \$44 million.

Total tax collections are up approximately 2 percent for fiscal year 2019 as compared to fiscal year 2018. The State’s seasonally adjusted unemployment rate, at 3.9 percent in December 2018, was down from November 2018’s rate of 4 percent, and up from December 2017’s rate of 3.8 percent. The number of employed workers increased from December 2017 to December 2018 from 2,081,000 to 2,130,000.

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 298, Montgomery, AL 36130-2602.

STATE OF ALABAMA

STATEMENT OF NET POSITION

September 30, 2018

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 3,243,611	\$ 749,236	\$ 3,992,847	\$ 1,695,702
Investments	5,069,726	212,122	5,281,848	8,763,418
Internal Balances	15,582	(15,582)	—	—
Due From Primary Government	—	—	—	6,005
Due From Component Units	72,627	10	72,637	—
Investment Sales Receivable	22,640	—	22,640	—
Accounts Receivable	128,027	20,536	148,563	985,957
Taxes Receivable	1,068,711	—	1,068,711	—
Due From Other Governments	989,794	333	990,127	567,279
Mortgages, Notes, and Loans Receivable	63	—	63	913,531
Securities Lending Collateral	223,209	—	223,209	10,453
Inventory	43,723	44,768	88,491	49,065
Restricted Assets	2,367	249	2,616	19,583
Other Assets	188	26,653	26,841	411,500
Capital Assets, Net of Accumulated Depreciation	1,417,507	520,317	1,937,824	8,092,598
Capital Assets Not Depreciated	20,578,625	88,573	20,667,198	1,066,042
TOTAL ASSETS	32,876,400	1,647,215	34,523,615	22,581,133
DEFERRED OUTFLOWS OF RESOURCES	525,167	32,343	557,510	1,105,278
LIABILITIES				
Warrants Payable	40,703	825	41,528	58
Investment Purchases Payable	82,072	—	82,072	—
Due To Primary Government	—	—	—	72,637
Due To Component Units	5,998	7	6,005	—
Accounts Payable	982,929	76,711	1,059,640	899,431
Due To Other Governments	205,464	1,159	206,623	126,058
Securities Lending Obligation	223,209	—	223,209	10,453
Unearned Revenue	5,424	3,311	8,735	1,101,537
Amounts Held in Custody for Others	129,890	75	129,965	446,201
Noncurrent Liabilities:				
Due Within One Year	415,823	28,796	444,619	481,328
Due In More Than One Year	11,463,265	583,404	12,046,669	10,972,893
TOTAL LIABILITIES	13,554,777	694,288	14,249,065	14,110,596
DEFERRED INFLOWS OF RESOURCES	593,089	23,060	616,149	792,750
NET POSITION				
Net Investment in Capital Assets	20,564,785	306,317	20,871,102	5,030,988
Restricted for:				
Permanent - Expendable	—	—	—	1,273,553
Permanent - Non-expendable	92,170	—	92,170	1,833,698
Unemployment Compensation	—	640,134	640,134	—
Alabama Trust Capital	3,252,232	—	3,252,232	—
Economic Development and Regulation	166,160	—	166,160	—
Education	1,736,779	238	1,737,017	—
Natural Resources and Recreation	155,985	—	155,985	—
Health	331,205	—	331,205	—
Social Services	318,107	—	318,107	—
Protection of Persons and Property	272,915	—	272,915	—
Transportation	442,926	—	442,926	—
General Government	744,702	—	744,702	—
Debt Service	209,181	35,072	244,253	968,765
Capital Projects	563,980	249	564,229	77,045
Other Purposes	—	—	—	260,412
Unrestricted	(9,597,426)	(19,800)	(9,617,226)	(661,396)
TOTAL NET POSITION	\$ 19,253,701	\$ 962,210	\$ 20,215,911	\$ 8,783,065

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, 2018

(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	\$ 139,139	\$ 95,566	\$ 36,073	\$ 703
Education and Cultural Resources	7,462,779	43,920	995,873	61,696
Natural Resources and Recreation	142,306	92,521	47,453	—
Health	7,446,780	532,333	5,592,263	80
Social Services	2,213,061	25,546	1,745,232	38
Protection of Persons and Property	1,076,783	394,248	134,064	156
Transportation	1,818,880	204,839	28,576	961,926
General Government	1,215,056	195,604	202,923	38
Debt Service - Interest and Other Charges	184,975	—	—	—
Total Governmental Activities	21,699,759	1,584,577	8,782,457	1,024,637
Business-type Activities:				
Unemployment Compensation	158,959	237,593	1,281	—
State Port Authority	133,083	136,306	—	—
Alcoholic Beverage Control Board	323,013	351,262	—	—
Nonmajor Proprietary Funds	83,957	92,172	1,286	—
Total Business-type Activities	699,012	817,333	2,567	—
Total Primary Government	22,398,771	2,401,910	8,785,024	1,024,637
Component Units:				
University of Alabama	5,090,888	3,920,665	807,878	65,441
Auburn University	1,233,774	760,846	242,810	26,105
University of South Alabama	882,509	640,010	35,076	8,612
Housing Finance Authority	73,641	49,023	27,754	—
Public Education Employees Health Insurance	956,144	1,011,060	805	—
Alabama Community College System	785,647	155,369	236,762	15,907
Nonmajor Component Units	1,536,270	938,953	270,874	6,706
Total Component Units	10,558,873	7,475,926	1,621,959	122,771

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

Payments from State of Alabama

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Contributions to Permanent Funds and Endowments

Special Items

Extraordinary Items

Transfers

Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers**Change in Net Position**

Net Position, October 1, 2017, as Restated

Net Position, September 30, 2018*The Notes to the Financial Statements are an integral part of this statement.*

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total Primary Government	Component Units
\$ (6,797)	\$ 0	\$ (6,797)	\$ 0
(6,361,290)	—	(6,361,290)	—
(2,332)	—	(2,332)	—
(1,322,104)	—	(1,322,104)	—
(442,245)	—	(442,245)	—
(548,315)	—	(548,315)	—
(623,539)	—	(623,539)	—
(816,491)	—	(816,491)	—
(184,975)	—	(184,975)	—
(10,308,088)	0	(10,308,088)	0
—	79,915	79,915	—
—	3,223	3,223	—
—	28,249	28,249	—
—	9,501	9,501	—
0	120,888	120,888	0
(10,308,088)	120,888	(10,187,200)	0
—	—	—	(296,904)
—	—	—	(204,013)
—	—	—	(198,811)
—	—	—	3,136
—	—	—	55,721
—	—	—	(377,609)
—	—	—	(319,737)
0	0	0	(1,338,217)
2,818,868	—	2,818,868	—
4,269,203	—	4,269,203	—
585,054	—	585,054	—
603,358	—	603,358	—
387,040	—	387,040	—
371,291	—	371,291	—
195,675	14,694	210,369	—
183,774	—	183,774	—
—	—	—	1,534,891
3,071	—	3,071	359
251,189	—	251,189	386,965
1,151,539	1,774	1,153,313	59,334
—	—	—	53,293
—	—	—	(98,000)
—	—	—	91,127
59,792	(59,792)	—	—
10,879,854	(43,324)	10,836,530	2,027,969
571,766	77,564	649,330	689,752
18,681,935	884,646	19,566,581	8,093,313
\$ 19,253,701	\$ 962,210	\$ 20,215,911	\$ 8,783,065

STATE OF ALABAMA

BALANCE SHEET

Governmental Funds

September 30, 2018

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 498,149	\$ 442,289	\$ 8,472	\$ 59,172	\$ 345,176
Investments	—	—	3,317,849	—	70,185
Due From Other Funds	14,138	781	—	19,218	787
Due From Component Units	—	—	—	—	5
Investment Sales Receivable	—	—	22,082	—	—
Accounts Receivable	3,389	475	18,356	218	7,884
Taxes Receivable	286,487	347,569	—	—	28,298
Due From Other Governments	—	204	—	281,564	111,685
Mortgages, Notes, and Loans Receivable	—	—	—	—	—
Securities Lending Collateral	—	—	216,499	—	—
Inventory	2,795	—	—	—	35,602
Restricted Assets	—	—	—	—	—
Other Assets	—	—	—	—	—
TOTAL ASSETS	\$ 804,958	\$ 791,318	\$ 3,583,258	\$ 360,172	\$ 599,622
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,384	\$ 11,647	\$ 0	\$ 10,015	\$ 2,584
Investment Purchases Payable	—	—	80,365	—	—
Due To Other Funds	15,821	10,892	—	66,936	3,870
Due To Component Units	173	77	—	—	6
Accounts Payable	48,616	43,969	338	329,649	201,251
Due To Other Governments	9,874	5,172	—	13	804
Securities Lending Obligation	—	—	216,499	—	—
Unearned Revenue	1	—	—	—	—
Amounts Held in Custody for Others	262	15	—	—	5,136
Compensated Absences	110	71	—	23	99
Total Liabilities	76,241	71,843	297,202	406,636	213,750
Deferred Inflows Of Resources	126,028	0	3,093	0	987
Fund Balances					
Nonspendable:					
Inventory	2,795	—	—	—	35,602
Permanent Fund Principal	—	—	—	—	—
Restricted for:					
Economic Development and Regulation	—	—	—	—	—
Education and Cultural Resources	—	719,475	—	—	—
Natural Resources and Recreation	—	—	33,825	—	—
Health	—	—	—	—	—
Social Services	—	—	—	—	—
Protection of Persons and Property	—	—	—	—	—
Transportation	—	—	—	—	349,283
General Government	—	—	—	—	—
Capital Projects	—	—	—	—	—
Debt Service	—	—	—	—	—
Alabama Trust Capital	—	—	3,249,138	—	—
Assigned for:					
Economic Development and Regulation	1	—	—	—	—
Education and Cultural Resources	7	—	—	—	—
Natural Resources and Recreation	4	—	—	—	—
Health	37	—	—	—	—
Social Services	3	—	—	—	—
Protection of Persons and Property	2,533	—	—	—	—
General Government	352	—	—	—	—
Unassigned	596,957	—	—	(46,464)	—
Total Fund Balances	602,689	719,475	3,282,963	(46,464)	384,885
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 804,958	\$ 791,318	\$ 3,583,258	\$ 360,172	\$ 599,622

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 94,151	\$ 1,719,196	\$ 3,166,605
—	1,561,397	4,949,431
14,484	104,632	154,040
—	72,583	72,588
—	558	22,640
—	97,070	127,392
55,988	350,368	1,068,710
8,564	137,821	539,838
—	63	63
—	6,710	223,209
—	1,709	40,106
—	2,367	2,367
—	161	161
\$ 173,187	\$ 4,054,635	\$ 10,367,150

\$ 861	\$ 14,105	\$ 40,596
—	1,708	82,073
7,636	47,303	152,458
96	443	795
51,355	259,392	934,570
4,187	185,368	205,418
—	6,710	223,209
—	5,139	5,140
4,237	120,240	129,890
275	893	1,471
68,647	641,301	1,775,620

41,809	359,598	531,515
---------------	----------------	----------------

—	1,709	40,106
—	92,170	92,170
—	85,060	85,060
—	427,146	1,146,621
—	122,161	155,986
—	227,770	227,770
62,731	213,567	276,298
—	272,915	272,915
—	92,656	441,939
—	740,093	740,093
—	533,782	533,782
—	209,181	209,181
—	—	3,249,138
—	1,364	1,365
—	2,345	2,352
—	—	4
—	—	37
—	332	335
—	18,233	20,766
—	21,402	21,754
—	(8,150)	542,343
62,731	3,053,736	8,060,015

\$ 173,187	\$ 4,054,635	\$ 10,367,150
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STATE OF ALABAMA

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

September 30, 2018

(Amounts in Thousands)

Total Fund Balances for Governmental Funds		\$8,060,015
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	402,994	
Historical Exhibits	4,126	
Construction in progress	264,752	
Construction in progress - Infrastructure	2,833,512	
Infrastructure	17,071,238	
Buildings	1,669,702	
Equipment	694,517	
Intangibles	96,449	
Accumulated Depreciation - Buildings	(721,175)	
Accumulated Depreciation - Equipment	(394,064)	
Amortization - Intangibles	(23,006)	
		21,899,045
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 reported as deferred inflows of resources in the funds.		531,515
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, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.		85,771
Long-term loans reported in due from other governments are not collectible in the current period and, therefore, are not reported in the funds.		449,925
Deferred Outflows of Resources and Deferred Inflows of Resources associated with pension related costs and refunding of debt are long-term in nature and, therefore are not reported in the governmental funds.		
Deferred Outflows - pension related	350,597	
Deferred Inflows - pension related	(251,213)	
Deferred Outflows - OPEB related	117,911	
Deferred Inflows - OPEB related	(329,277)	
Deferred Outflows - losses on refunding of debt	48,934	
Deferred Inflows - gains on refunding of debt	(3,407)	
		(66,455)
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	(173,321)	
Compensated Absences	(280,159)	
Claims, Judgments, and Other	(12,879)	
Due to Component Units	(4,702)	
Net Pension Liability	(3,242,037)	
Net OPEB Liability	(2,937,157)	
		(6,650,255)
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, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Position. This is the total effect of these balances on the statement.		
General Obligation Bonds Payable	(552,105)	
Revenue Bonds Payable	(4,102,417)	
Unamortized Premiums	(372,118)	
Unamortized Discounts	2,311	
Accrued Interest Payable	(31,531)	
		(5,055,860)
Net Position of Governmental Activities		\$ 19,253,701

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, 2018

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,567,128	\$ 6,726,601	\$ 0	\$ 0	\$ 374,660
Licenses, Permits, and Fees	162,372	142	—	44	152,901
Fines, Forfeits, and Court Settlements	13,921	—	—	2,217	—
Investment Income	31,997	—	217,248	169	109
Federal Grants and Reimbursements	15	—	—	4,641,810	916,256
Other Revenues	564	302	47,171	538,249	74,810
Total Revenues	1,775,997	6,727,045	264,419	5,182,489	1,518,736
EXPENDITURES					
Current:					
Economic Development and Regulation	6,062	808	—	—	—
Education and Cultural Resources	2,643	6,081,330	—	—	—
Natural Resources and Recreation	3,820	1,799	1,283	—	—
Health	696,495	17,359	—	4,750,082	—
Social Services	10,764	31,769	—	—	—
Protection of Persons and Property	534,638	44,370	—	—	—
Transportation	—	—	—	—	1,851,220
General Government	210,478	22,532	12,787	—	—
Capital Outlay	—	—	—	—	—
Debt Service - Principal Retirement	137	37	—	—	2,353
Debt Service - Interest and Other Changes	255	84	—	—	117
Total Expenditures	1,465,292	6,200,088	14,070	4,750,082	1,853,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	310,705	526,957	250,349	432,407	(334,954)
OTHER FINANCING SOURCES (USES)					
Transfers In	239,603	—	1,686	388,129	395,738
Bonds Issued	—	—	—	—	—
Capital Leases	—	—	—	—	—
Debt Issuance Premiums	—	—	—	—	—
Insurance Recovery Proceeds	34	—	—	—	2,372
Transfers Out	(383,746)	(208,125)	(162,722)	(813,522)	(196,665)
Total Other Financing Sources (Uses)	(144,109)	(208,125)	(161,036)	(425,393)	201,445
Net Change in Fund Balances	166,596	318,832	89,313	7,014	(133,509)
Fund Balances, October 1, 2017, as Restated	437,494	400,643	3,193,650	(53,478)	512,754
Increase (Decrease) in Inventory	(1,401)	—	—	—	5,640
Fund Balances, September 30, 2018	\$ 602,689	\$ 719,475	\$ 3,282,963	\$ (46,464)	\$ 384,885

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 191,224	\$ 1,574,623	\$ 10,434,236
273	597,390	913,122
17	189,499	205,654
—	51,352	300,875
1,508,904	2,172,027	9,239,012
18,378	486,252	1,165,726
1,718,796	5,071,143	22,258,625
—	130,298	137,168
—	1,332,982	7,416,955
—	215,661	222,563
—	1,992,694	7,456,630
1,770,705	395,103	2,208,341
—	592,953	1,171,961
—	246,323	2,097,543
612	729,398	975,807
—	26,360	26,360
3,701	353,748	359,976
3,916	224,570	228,942
1,778,934	6,240,090	22,302,246
(60,138)	(1,168,947)	(43,621)
159,228	2,127,144	3,311,528
—	18,455	18,455
5,880	—	5,880
—	1,421	1,421
35	1,205	3,646
(88,234)	(1,478,977)	(3,331,991)
76,909	669,248	8,939
16,771	(499,699)	(34,682)
45,960	3,553,390	8,090,413
—	45	4,284
\$ 62,731	\$ 3,053,736	\$ 8,060,015

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, 2018

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds **(\$34,682)**

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these 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	446,733	
Depreciation Expense	(116,663)	330,070

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 position differs from the change in fund balance by the cost, net of accumulated depreciation, of the assets sold. (10,134)

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 nonspendable fund balance. 4,284

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 7,787

Long-term loans to other governments are expenditures in the governmental funds, and the repayment is revenue in the governmental funds.

Long-term loans to other governments	15,521	
Repayments of loans	(67,252)	(51,731)

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. 548

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

Internal service fund capital assets reassigned to the general government	33	
Internal service fund capital assets reassigned from the general government	(9)	24

Amortization of deferred losses and gains on refunding of debt reported in the Statement of Activities do not use or provide current financial resources and, therefore, are not reported as expenditures or revenue in the governmental funds.

Amortization of deferred losses	(19,382)	
Amortization of deferred gains	514	(18,868)

Long-term debt proceeds provide current financial resources to governmental funds, which increases long-term liabilities in the Statement of Net Position. Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond proceeds	(18,455)	
Capital lease proceeds	(5,880)	
Debt issuance premiums	(1,421)	
Repayment of bond principal	350,909	
Repayment of capital lease principal	9,067	
Accrued interest and debt-related amortization	64,417	398,637

Increases in long-term liabilities for certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other post-employment benefits	(51,347)	
Compensated absences	(8,521)	
Claims, judgments, and other	(1,375)	
Pension Expense	7,074	(54,169)

Change in Net Position of Governmental Activities **\$ 571,766**

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



STATE OF ALABAMA

STATEMENT OF NET POSITION

Proprietary Funds

September 30, 2018

(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 648,380	\$ 60,578	\$ 29,405	\$ 10,873	\$ 749,236
Investments, Short-term	—	18,966	—	30,132	49,098
Due From Other Funds	25	—	4	732	761
Due From Component Units	—	—	—	—	—
Accounts Receivable	5,613	12,075	—	2,848	20,536
Due From Other Governments	2	—	—	331	333
Inventory	—	3,194	40,443	1,131	44,768
Other Current Assets	—	9,598	—	11,822	21,420
Total Current Assets	654,020	104,411	69,852	57,869	886,152
Noncurrent Assets					
Investments, Long-term	—	56,535	—	106,489	163,024
Due From Other Funds	—	—	—	8,110	8,110
Due From Component Units	—	—	—	10	10
Other Noncurrent Assets	—	5,207	—	26	5,233
Restricted Assets	—	—	—	249	249
Capital Assets, Net of Accumulated Depreciation	—	502,165	8,886	9,266	520,317
Capital Assets Not Depreciated	—	85,943	—	2,630	88,573
Total Noncurrent Assets	0	649,850	8,886	126,780	785,516
TOTAL ASSETS	654,020	754,261	78,738	184,649	1,671,668
DEFERRED OUTFLOWS OF RESOURCES	0	22,087	9,066	1,190	32,343
LIABILITIES					
Current Liabilities					
Warrants Payable	—	—	112	713	825
Due To Other Funds	—	—	23,635	818	24,453
Due To Component Units	—	—	2	5	7
Accounts Payable	13,804	16,470	45,267	1,170	76,711
Due To Other Governments	7	—	1,150	2	1,159
Claims Payable	—	334	—	13,081	13,415
Unearned Revenue	—	—	113	216	329
Funds Held in Escrow	75	—	—	—	75
Compensated Absences	—	2,868	523	9	3,400
Notes and Capital Leases Payable	—	—	—	—	—
Revenue Bonds Payable	—	11,825	—	—	11,825
Other Long-term Liabilities	—	156	—	—	156
Total Current Liabilities	13,886	31,653	70,802	16,014	132,355
Noncurrent Liabilities					
Claims Payable	—	2,465	—	559	3,024
Unearned Revenue, Noncurrent	—	2,982	—	—	2,982
Due To Other Funds	—	—	—	—	—
Compensated Absences	—	1,912	5,628	280	7,820
Net OPEB Liability	—	40,958	83,913	3,090	127,961
Net Pension Liability	—	22,564	56,045	4,304	82,913
Notes and Capital Leases Payable	—	—	—	1,117	1,117
Revenue Bonds Payable	—	355,344	—	—	355,344
Other Long-term Liabilities	—	5,225	—	—	5,225
Total Noncurrent Liabilities	0	431,450	145,586	9,350	586,386
TOTAL LIABILITIES	13,886	463,103	216,388	25,364	718,741
DEFERRED INFLOWS OF RESOURCES	0	8,460	13,654	946	23,060
NET POSITION					
Net Investment in Capital Assets	—	286,652	8,886	10,779	306,317
Restricted for:					
Unemployment Compensation	640,134	—	—	—	640,134
Education	—	—	—	238	238
Debt Service	—	35,072	—	—	35,072
Capital Projects	—	—	—	249	249
Unrestricted	—	(16,939)	(151,124)	148,263	(19,800)
TOTAL NET POSITION	\$ 640,134	\$ 304,785	\$ (142,238)	\$ 159,529	\$ 962,210

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

Governmental Activities	
Internal	
Service	
Funds	

\$	77,001
	21,013
	15,671
	40
	636
	34
	3,618
	—
	118,013
	99,282
	221
	—
	—
	—
	95,085
	2,003
	196,591
	314,604
	7,725
	105
	1,257
	502
	16,624
	47
	4,965
	284
	—
	409
	4,360
	2,030
	—
	30,583
	69,171
	—
	833
	4,412
	46,326
	52,635
	11,028
	12,377
	—
	196,782
	227,365
	9,193
	71,963
	—
	—
	—
	—
	13,808
\$	85,771

STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Proprietary Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				
	Unemployment	State	Alcoholic	Nonmajor	Total
	Compensation	Port	Beverage	Enterprise	Enterprise
	Trust	Authority	Control Board	Funds	Funds
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 134,936	\$ 351,109	\$ 36,744	\$ 522,789
Premiums and Contributions	213,694	—	—	49,971	263,665
Rents and Leases	—	—	—	489	489
Total Operating Revenues	213,694	134,936	351,109	87,204	786,943
OPERATING EXPENSES					
Salaries, Wages, and Benefits	—	—	47,393	5,568	52,961
Utilities and Communications	—	—	2,959	163	3,122
Professional Services	—	—	7,868	3,733	11,601
Supplies, Materials, and Operating Expense	—	—	248,711	48,347	297,058
Depreciation	—	28,539	2,229	762	31,530
Claims and Benefits	158,688	—	1	24,722	183,411
Operations and Maintenance	—	73,447	—	—	73,447
General and Administrative	—	16,387	—	—	16,387
Other	—	—	13,852	23	13,875
Total Operating Expenses	158,688	118,373	323,013	83,318	683,392
Operating Income (Loss)	55,006	16,563	28,096	3,886	103,551
NONOPERATING REVENUES (EXPENSES)					
Investment Income	13,599	1,370	—	4,690	19,659
Taxes	—	—	14,694	—	14,694
Other Nonoperating Revenues	10,299	1,493	344	369	12,505
Grants	1,281	—	—	1,286	2,567
Interest Expense	—	(14,710)	—	(62)	(14,772)
Other Nonoperating Expenses	(271)	—	—	(577)	(848)
Total Nonoperating Revenues (Expenses)	24,908	(11,847)	15,038	5,706	33,805
Income (Loss) Before Contributions and Transfers	79,914	4,716	43,134	9,592	137,356
Capital Contributions	—	—	—	—	—
Transfers In	228	—	60	4,383	4,671
Transfers Out	(10,018)	(63)	(42,705)	(11,677)	(64,463)
Increase (Decrease) in Net Position	70,124	4,653	489	2,298	77,564
Total Net Position, October 1, 2017, as Restated	570,010	300,132	(142,727)	157,231	884,646
Total Net Position, September 30, 2018	\$ 640,134	\$ 304,785	\$ (142,238)	\$ 159,529	\$ 962,210

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

Governmental Activities	
Internal	
Service	
Funds	
\$	107,335
	19,043
	18,104
	144,482
	41,872
	17,655
	48,770
	27,868
	6,194
	9,975
	—
	—
	10,972
	163,306
	(18,824)
	1,753
	—
	1,639
	330
	(1,093)
	(2,687)
	(58)
	(18,882)
	9
	26,012
	(6,591)
	548
	85,223
\$	85,771

STATE OF ALABAMA

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				
	Unemployment	State	Alcoholic	Nonmajor	Total
	Compensation Trust	Port Authority	Beverage Control Board	Enterprise Funds	Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 226,753	\$ 135,695	\$ 354,895	\$ 107,439	\$ 824,782
Receipts from Interfund Services	—	—	37	6,494	6,531
Receipts from Operating Grants	1,251	—	—	1,325	2,576
Receipts from Interfund Reimbursements	3,857	—	—	—	3,857
Receipts from Other Operating Activities	9,894	—	33,291	981	44,166
Payments for Goods Held for Resale	—	—	(242,359)	(22,563)	(264,922)
Payments for Other Goods & Services	—	(53,944)	(25,072)	(29,087)	(108,103)
Payments for Employees Services	—	(36,460)	(44,342)	(5,176)	(85,978)
Payments for Taxes, Fines, Penalties, & Similar Fees	—	—	—	—	—
Payments for Interfund Services	—	—	(2,702)	(17)	(2,719)
Payments for Other Operating Activities	(13,006)	—	(29,741)	(2,178)	(44,925)
Payments for Claims	(162,546)	—	(1)	(56,606)	(219,153)
Net Cash Provided by (Used In) Operating Activities	66,203	45,291	44,006	612	156,112
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	634	—	—	69	703
Transfers from Other Funds for Noncapital Financing	27	—	60	4,383	4,470
Payments for Noncapital Financing Grants & Donations	(258)	—	—	—	(258)
Transfers to Other Funds for Noncapital Financing	(10,116)	—	(42,705)	(14,896)	(67,717)
Net Cash Provided By (Used In) Noncapital Financing Activities	(9,713)	0	(42,645)	(10,444)	(62,802)
Cash Flows from Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	—	49,921	—	—	49,921
Transfers from Other Funds for Capital Financing	—	—	—	—	—
Receipts from Sale of Capital Assets & Insurance Proceeds	—	3,366	187	—	3,553
Payments to Acquire, Construct, & Improve Capital Assets	—	(15,576)	(8,199)	(535)	(24,310)
Principal Paid on Revenue Bonds & Other Capital Debt	—	(9,115)	—	(100)	(9,215)
Interest Paid on Revenue Bonds & Other Capital Debt	—	(15,989)	—	(62)	(16,051)
Net Cash Provided by (Used in) Capital and Related Financing Activities	0	12,607	(8,012)	(697)	3,898
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	—	—	—	21,160	21,160
Receipts from Interest & Dividends on Investments & Loans	13,078	1,021	—	1,469	15,568
Purchase of Investments	—	(50,359)	—	(21,958)	(72,317)
Net Cash Provided By (Used In) Investing Activities	13,078	(49,338)	0	671	(35,589)
Net Increase (Decrease) In Cash and Cash Equivalents	69,568	8,560	(6,651)	(9,858)	61,619
Cash Balance as Restated, October 1, 2017	578,812	52,018	35,944	20,018	686,792
Cash Balance, September 30, 2018	648,380	60,578	29,293	10,160	748,411
Add: Warrants Payable	—	—	112	713	825
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 648,380	\$ 60,578	\$ 29,405	\$ 10,873	\$ 749,236

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

Governmental Activities	
Internal	
Service	
Funds	
\$	6,419
	142,444
	—
	—
	345
	(15,119)
	(79,652)
	(37,920)
	(3)
	(11,907)
	(600)
	(4,112)
	(105)
	—
	17,844
	—
	(6,589)
	11,255
	—
	8,653
	229
	(1,641)
	(4,312)
	(1,137)
	1,792
	—
	—
	(8,500)
	(8,500)
	4,442
	72,454
	76,896
	105
\$	77,001

Continued on next page...

STATE OF ALABAMA
STATEMENT OF CASH FLOWS (Continued from Previous Page)
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Business-type Activities - Enterprise Funds				
	Unemployment	State	Alcoholic	Nonmajor	Total
	Compensation	Port	Beverage	Enterprise	Enterprise
	Trust	Authority	Control Board	Funds	Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 55,006	\$ 16,563	\$ 28,096	\$ 3,886	\$ 103,551
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	(22)	—	—	727	705
Accounts Receivable	321	(252)	—	(1,686)	(1,617)
Due From Other Governments	(2)	—	—	—	(2)
Inventory	—	355	20,697	180	21,232
Other Assets	—	(5,270)	—	(2,124)	(7,394)
Deferred Outflows of Resources	—	505	966	(402)	1,069
Due to Other Funds	(59)	—	(3,838)	2,816	(1,081)
Accounts Payable	(156)	1,523	(20,357)	(7,606)	(26,596)
Due to Other Governments	(30)	—	(564)	(1,639)	(2,233)
Claims Payable	—	(676)	—	3,769	3,093
Unearned Revenue	—	1,013	—	86	1,099
Amounts Held in Custody for Others	1	—	—	—	1
Compensated Absences	—	199	379	—	578
Net Pension Liability	—	(3,946)	(6,109)	3	(10,052)
Net OPEB Liability	—	(4,873)	(5,462)	(74)	(10,409)
Other Liabilities	—	483	—	—	483
Deferred Inflows of Resources	—	7,117	13,079	638	20,834
Depreciation	—	28,539	2,229	762	31,530
Amortization Expense	—	4,074	—	—	4,074
Nonoperating Revenues	11,144	—	14,890	1,616	27,650
Nonoperating Expenses	—	(63)	—	(340)	(403)
Total Adjustments	11,197	28,728	15,910	(3,274)	52,561
Net Cash Provided (Used) by Operating Activities	\$ 66,203	\$ 45,291	\$ 44,006	\$ 612	\$ 156,112
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Capital Assets Acquired by Capital Contribution	—	—	—	—	—
Capital Assets Acquired by Capital Lease or Other Debt	—	—	—	—	—
Capital Assets Acquired on Account	—	162	198	—	360
Disposals of Capital Assets	—	(8,849)	(344)	(304)	(9,497)
Revenue Bond Amortizations and Other Debt Adjustments	—	1,117	—	—	1,117
Interest Accruals and Other Adjustments	521	—	—	2,621	3,142
Unrealized Gains (Losses) in Investment Fair Value	—	1,566	—	1,268	2,834
Transfers In (Out)	(10)	—	—	3,008	2,998

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

Governmental Activities	
-------------------------	--

	Internal
--	----------

	Service
--	---------

	Funds
--	-------

\$	(18,824)
----	----------

523

91

(11)

1,805

—

974

3,276

(2,700)

—

5,818

284

—

38

(3,507)

(2,518)

—

8,672

6,194

—

239

(459)

18,719

\$	(105)
----	-------

9

10,267

617

(9,466)

(160)

2,558

(805)

(539)

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds

September 30, 2018

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 51,515	\$ 16,973	\$ 322,661
Investments			
Time Deposits	—	—	676
U.S. Treasury Securities	1,827,872	18,668	38,793
U.S. Agency Securities	344,329	7,341	—
State and Local Government Securities	—	—	5,060
Mortgage Backed Securities	1,146,194	7,895	2,855
Corporate Stocks	23,561,132	6,638	—
Corporate Bonds	4,537,368	31,544	1,922
Real Estate	3,590,550	20	—
Commercial Paper	1,254,865	250	—
International Stocks	5,303,193	—	—
Guaranteed Investment Contracts	222,714	—	—
Mutual and Money Market Funds	1,223,524	1,755,711	227
Receivables			
Due From Other Funds	9	—	192
Employer Contributions Receivable	100,288	—	—
Member Contributions Receivable	58,652	—	—
Accounts Receivable	229,250	3,379	—
Mortgages, Notes, and Loans Receivable	7,816	—	—
Securities Lending Collateral	1,804,600	510	—
Other Assets	3,960	—	—
Capital Assets, Net of Accumulated Depreciation	129,005	—	—
Capital Assets Not Depreciated	26,631	—	—
TOTAL ASSETS	45,423,467	1,848,929	372,386
DEFERRED OUTFLOWS OF RESOURCES	8,466	0	0
LIABILITIES			
Warrants Payable	107	205	25,670
Investment Purchases Payable	2,274	—	—
Due To Other Funds	2	1	—
Accounts Payable	5,426	24,679	869
Due To Other Governments	52	—	11,835
Claims Payable	75,615	—	—
Securities Lending Obligation	1,804,600	510	—
Unearned Revenue	3,258	—	—
Amounts Held in Custody for Others	—	1,440	334,012
Compensated Absences	5,576	13	—
Net OPEB Liability	28,979	—	—
Net Pension Liability	34,743	—	—
Notes and Mortgages Payable	1,000	—	—
TOTAL LIABILITIES	1,961,632	26,848	372,386
DEFERRED INFLOWS OF RESOURCES	7,104	0	0
NET POSITION			
Restricted or Held in Trust for Beneficiaries	—	1,822,081	—
Restricted for Pension and Other Employee Benefits	43,463,197	—	—
TOTAL NET POSITION	\$ 43,463,197	\$ 1,822,081	\$ 0

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

STATE OF ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiduciary Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 1,046,118	\$ 191,821
Employer	1,579,090	—
Other Contributions	28,965	—
Federal On-Behalf	1,174	—
Total Contributions	2,655,347	191,821
Investment Earnings		
Investment Interest and Dividends	1,102,738	65,979
Net Increase (Decrease) in Fair Value of Investments	2,587,432	44,302
Securities Lending Income	38,597	23
Total Investment Earnings	3,728,767	110,304
Less:		
Investment Expense	13,464	—
Securities Lending Interest and Fees	26,046	15
Net Investment Income	3,689,257	110,289
Other Additions		
Interest from Mortgages and Loans Receivable	408	—
Miscellaneous	229	254
Transfers In	—	62,783
Total Other Additions	637	63,037
Total Additions	6,345,241	365,147
DEDUCTIONS		
Benefit Payments and Refunds	4,188,740	191,175
Administrative Expense	42,818	8,784
Transfers Out	—	1,949
Total Deductions	4,231,558	201,908
Change in Net Position	2,113,683	163,239
Net Position Restricted or Held in Trust for Beneficiaries, October 1, 2017, as Restated	41,349,514	1,658,842
Net Position Restricted or Held in Trust for Beneficiaries, September 30, 2018	\$ 43,463,197	\$ 1,822,081

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

STATE OF ALABAMA

STATEMENT OF NET POSITION

Component Units

September 30, 2018

(Amounts in Thousands)

	University of Alabama	Auburn University	University of South Alabama	Housing Finance Authority	Public Education Employees' Health Insurance	Alabama Community College System
ASSETS						
Cash and Cash Equivalents	\$ 517,592	\$ 301,743	\$ 81,882	\$ 19,060	\$ 2,121	\$ 348,625
Investments	4,635,872	1,785,172	686,803	255,825	291,762	124,007
Due From Primary Government	—	—	—	—	—	95
Accounts Receivable	513,823	65,419	64,344	18,752	6,746	91,121
Due From Other Governments	—	—	—	—	1,824	659
Mortgages, Notes, and Loans Receivable	332,428	62,824	7,800	487,186	—	—
Securities Lending Collateral	—	—	—	—	—	—
Inventory	31,187	6,071	—	—	—	3,307
Restricted Assets	—	—	16,381	—	—	—
Other Assets	188,965	46,811	13,002	94,382	3,334	6,041
Capital Assets, Net of Accumulated Depreciation	3,749,862	1,628,567	635,073	—	—	878,306
Capital Assets Not Depreciated	437,243	192,801	106,904	—	—	79,719
TOTAL ASSETS	10,406,972	4,089,408	1,612,189	875,205	305,787	1,531,880
DEFERRED OUTFLOWS OF RESOURCES	522,095	241,313	88,911	4,311	787	90,946
LIABILITIES						
Warrants Payable	—	—	—	—	—	—
Due To Primary Government	65,166	—	—	—	817	1
Accounts Payable	406,432	116,772	76,445	100,288	25,095	52,132
Due To Other Governments	22,269	—	—	—	350	122
Securities Lending Obligation	—	—	—	—	—	—
Unearned Revenue	508,363	250,945	58,739	8,110	—	65,058
Amounts Held in Custody for Others	37,760	29,335	—	345,985	—	21,443
Noncurrent Liabilities:						
Due Within One Year	179,484	50,271	26,479	997	126,712	23,246
Due In More Than One Year	5,005,745	1,964,545	1,028,760	15,746	63,478	1,012,541
TOTAL LIABILITIES	6,225,219	2,411,868	1,190,423	471,126	216,452	1,174,543
DEFERRED INFLOWS OF RESOURCES	342,316	99,548	99,046	0	674	113,299
NET POSITION						
Net Investment in Capital Assets	2,121,099	1,134,285	338,661	—	—	691,754
Restricted for:						
Permanent - Expendable	870,623	238,706	17,127	—	—	6,080
Permanent - Non-expendable	940,197	453,262	228,846	—	—	6,622
Debt Service	—	—	—	199,897	—	9,408
Capital Projects	—	43,873	—	—	—	33,144
Other Purposes	—	5,297	157,139	—	21,134	1,350
Unrestricted	429,613	(56,118)	(330,142)	208,493	68,314	(413,374)
TOTAL NET POSITION	\$ 4,361,532	\$ 1,819,305	\$ 411,631	\$ 408,390	\$ 89,448	\$ 334,984

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

Nonmajor Component Units	Total Component Units
\$ 424,679	\$ 1,695,702
983,977	8,763,418
5,910	6,005
225,752	985,957
564,796	567,279
23,293	913,531
10,453	10,453
8,500	49,065
3,202	19,583
58,965	411,500
1,200,790	8,092,598
249,375	1,066,042
3,759,692	22,581,133
156,915	1,105,278
58	58
6,653	72,637
122,267	899,431
103,317	126,058
10,453	10,453
210,322	1,101,537
11,678	446,201
74,139	481,328
1,882,078	10,972,893
2,420,965	14,110,596
137,867	792,750
745,189	5,030,988
141,017	1,273,553
204,771	1,833,698
759,460	968,765
28	77,045
75,492	260,412
(568,182)	(661,396)
\$ 1,357,775	\$ 8,783,065

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	University of Alabama	Auburn University	University of South Alabama	Housing Finance Authority	Public Education Employees' Health Insurance	Alabama Community College System
Expenses	\$ 5,090,888	\$ 1,233,774	\$ 882,509	\$ 73,641	\$ 956,144	\$ 785,647
Program Revenues						
Charges for Services	3,920,665	760,846	640,010	49,023	1,011,060	155,369
Operating Grants and Contributions	807,878	242,810	35,076	27,754	805	236,762
Capital Grants and Contributions	65,441	26,105	8,612	—	—	15,907
Total Program Revenues	4,793,984	1,029,761	683,698	76,777	1,011,865	408,038
Net (Expense) Revenue	(296,904)	(204,013)	(198,811)	3,136	55,721	(377,609)
General Revenues						
Payments from State of Alabama	475,931	254,405	107,285	—	—	376,095
Grants and Contributions Not Restricted to Specific Programs	359	—	—	—	—	—
Unrestricted Investment Earnings	201,249	70,711	43,614	10,570	4,464	3,104
Miscellaneous	1,542	—	48,163	—	—	3,057
Contributions to Permanent Funds and Endowments	43,301	487	9,275	—	—	1
Special Items	—	—	—	—	(98,000)	—
Extraordinary Items	—	—	—	—	—	—
Total General Revenues, Contributions, Special Items and Extraordinary Items	722,382	325,603	208,337	10,570	(93,536)	382,257
Change in Net Position	425,478	121,590	9,526	13,706	(37,815)	4,648
Net Position, October 1, 2017, as Restated	3,936,054	1,697,715	402,105	394,684	127,263	330,336
Net Position, September 30, 2018	\$ 4,361,532	\$ 1,819,305	\$ 411,631	\$ 408,390	\$ 89,448	\$ 334,984

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

Nonmajor Component Units	Total Component Units
\$ 1,536,270	\$ 10,558,873
938,953	7,475,926
270,874	1,621,959
6,706	122,771
1,216,533	9,220,656
(319,737)	(1,338,217)
321,175	1,534,891
—	359
53,253	386,965
6,572	59,334
229	53,293
—	(98,000)
91,127	91,127
472,356	2,027,969
152,619	689,752
1,205,156	8,093,313
\$ 1,357,775	\$ 8,783,065

For the Fiscal year Ended September 30, 2018

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For the Fiscal year Ended September 30, 2018

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

2. Blended Component Units

Blended component units are legally separate but they either exist solely to provide services (usually financing) exclusively to the State, or their debt is expected to be paid using primary government resources. 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 State capital expenditures. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of state officials and specific state revenues 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 †

For the Fiscal year Ended September 30, 2018

- Corrections Institution Finance Authority †
- Mental Health Finance Authority
- Federal Aid Highway Finance Authority
- Highway Authority †
- Highway Finance Corporation
- Industrial Access Road and Bridge Authority †
- Toll Road, Bridge and Tunnel Authority †
- Judicial Building Authority
- Alabama Trade School and Junior College 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 following blended component units were created primarily for the purpose of financing capital grants and loans. These grants and loans are made to local school systems for building and equipping school buildings, or to local industrial development boards, or to industries locating in or expanding in the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of a majority of state officials and specific state revenues are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

- Alabama Public School and College Authority
- Alabama Incentives Financing Authority
- Alabama Twenty-first Century Authority
- State Industrial Development Authority
- Revolving Loan Fund Authority
- Tennessee Valley Exhibit Commission †

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. All of the department's debt is repaid with resources of the primary government.

The Public Historical Sites and Parks Improvement Corporation issues bonds and uses the proceeds to renovate, improve, maintain, and construct 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 debt is repaid entirely with resources of the primary government.

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 debt of the Corporation is repaid entirely with resources of the primary government.

The Tombigbee Valley Development Authority consists of six state officials who oversee the development and improvements along the Tombigbee River. The debt of the Authority is repaid entirely with resources of the primary government.

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 debt of the Authority is repaid entirely with resources of the primary government.

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 members of the Authority are State officials and the debt will be repaid with State resources.

For the Fiscal year Ended September 30, 2018

The Educational Television Foundation Authority raises and manages money and property solely for the benefit of the Alabama Educational Television Commission, a State agency. The Authority consists of thirteen members who are appointed by the Alabama Educational Television Commission. The Authority provides fund raising and promotion flexibility that the Commission, as part of the primary government, would not otherwise have.

The Public Health Care Authority was created solely to build, furnish, and maintain facilities for the use of the Department of Public Health, a State agency, financing those facilities with debt issuances which are backed by leases with the Department. Three of the seven board members are state officials but the remaining board members are not appointed by the State and the Authority is not fiscally dependent on the State. The Authority is included in these financial statements because it would be misleading to exclude them due to the close relationship with the State.

The Alabama Economic Settlement Authority was created to issue bonds for the purpose of making payments to the Alabama Trust Fund, for additional funds to the Medicaid Agency, for transportation projects, and to appropriate and pledge a portion of the revenues to be received by the State from the settlement of certain claims against BP Exploration and Production, Inc. (and its corporate affiliates) as the source of payment of the bonds. The bonds issued by the Authority are limited obligations of the Authority. The six members of the Authority are state officials.

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 298, 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 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.

For the Fiscal year Ended September 30, 2018

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 twenty 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. 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 Alabama Community College System operates a system of community and technical colleges within the State. The System is governed by a board of trustees consisting of the Governor and nine members appointed by the Governor.

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, Athens 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 Crimson Tide Foundation, UAB Research Foundation, Triton Health Systems, LLC, Alabama Care Plan, UAB Hospital Management, LLC, and UAB Athletics Foundation are blended component units of the University of Alabama and are therefore included in all amounts reported for the University. The University of South Alabama includes the Professional Liability Trust Fund, the General Liability Trust Fund and USA HealthCare Management, LLC as blended component units.

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 discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are the National Alumni Association of the University of Alabama, the Capstone Foundation, the 1831 Foundation, the Capstone Health Services Foundation, the University of Alabama Law School Foundation, the Donor Advised Fund, Southern Research Institute, and the University of Alabama Huntsville Foundation. For Alabama State University, the Alabama State University Foundation, Inc. and the Trust for Educational Excellence at Alabama State University are component units. For Auburn University, the University's component units are the Auburn University Foundation, Tigers Unlimited Foundation, Auburn Alumni Association, and Auburn Research and Technology Foundation. The University of Montevallo Foundation is a component unit of the University of Montevallo and is included in the amounts reported for Montevallo. The University of South Alabama has three component units, the University of South Alabama Foundation, the USA Research and Technology Corporation, and the University of South Alabama Health Care Authority. 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. The Alabama A&M University has two component units - The Alabama A&M University Foundation, Inc. and the Trust for Educational Excellence at Alabama A&M University. For Athens State University, the Athens State University Foundation is a component unit. The University of West Alabama Foundation is a component unit of The University of West 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, 105 Patton Building, Normal, AL 35762; Vice President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870142, Tuscaloosa, AL 35487-0142; Office of Accounting and Financial Reporting,

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The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, AL 35899; Office of the Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1720 2nd Avenue South, Birmingham, AL 35294-0106; Controller, Auburn University, 126 Ingram Hall, Auburn University, AL 36849-5161; Controller, University of Montevallo, Station 6060, Montevallo, AL 35115-6000; Vice President for Business and Finance, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104; Vice President for Financial Affairs, Athens State University, 300 North Beaty Street, Athens, AL 35611; Vice President for Administrative and Business Affairs, Jacksonville State University, 700 Pelham Road North, Jacksonville, AL 36265-1602; Comptroller, University of West Alabama, UWA Station 2, Livingston, AL 35470; Vice President for Business and Financial Affairs, University of North Alabama, Bibb Graves Hall Room 103, Florence, AL 35632-0001; Senior Vice Chancellor for Finance and Business, Troy University, Adams Administration Building Suite 159, Troy, AL 36082.

The Alabama Institute for the Deaf and Blind (AIDB) is an educational institution governed by a fifteen-member board, thirteen of whom are appointed by the Governor. The Alabama Institute for 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 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 242967, 7460 Halcyon Pointe drive, Suite 200, Montgomery, AL 36124-2967.

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, 1 Tranquility Base, Huntsville, AL 35807-7015.

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.

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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 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.

The Alabama Transportation Infrastructure Bank has been created to provide loans and other financial assistance to local governments for constructing and improving highway and transportation facilities. The seven-member board is made up of two state officials and five other persons appointed by the State. This component unit has not commenced operations.

4. Fiduciary Component Units

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

The Employees' Retirement System (ERS), a discretely presented component unit, 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), a discretely presented component unit, operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fifteen-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 Local Government Health Insurance Board, Elk River Development Agency, Bear Creek Development Authority, Cahaba Trace Commission, and North Alabama Agriplex Board are legally separate organizations whose boards are not controlled by the State nor are they fiscally dependent on the State. All five 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

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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 Deferred Compensation Plan
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Cyber Technology and Engineering
- Alabama School of Fine Arts
- Alabama State Port Authority
- Alabama Fire College
- Alabama Technology Network
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Cahawba Advisory Committee
- Charlotte Thorn Endowment Fund
- 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
- Educational Television Foundation Authority
- Geological Survey Library Revolving Fund
- High School of Math and Science
- Insurance Department Statutory Deposits
- Insurance Department Receivership
- 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
- 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

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- State Bar Foundation
- State Port Authority Hourly Pension Plan
- State Port Authority Railway Pension Plan
- State Port Authority Hourly Defined Contribution Plan
- Stonewall Jackson Memorial Fund
- Supreme Court Checking Account
- Supreme Court Law Library Checking Account
- Unemployment Compensation Funds
- Victims Services Fund
- W.V. Chambliss Trust Fund
- Wireless 911 Board
- Women's Hall of Fame
- Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama Agricultural and Mechanical University
- Alabama Agricultural Development Authority
- Alabama Community College System
- Alabama Drinking Water Finance Authority
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority
- Alabama Institute for Deaf and Blind
- Alabama State University
- Athens 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 Position 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.

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The Statement of Net Position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net Position is reported in three categories:

Net Investment in Capital Assets consists of capital assets less accumulated depreciation, plus capital-related deferred outflows of resources, less capital-related deferred inflows of resources, and less outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position results when constraints placed on net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

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, as amended by GASB Statement No. 65. 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. Resources received before time requirements are met, but after all other eligibility requirements have been met, are reported as deferred inflows of resources. Agency funds, fiduciary in nature, do not recognize revenues and expenditures.

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.

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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, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Recognition criteria are different for exchange and nonexchange transactions.

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.

For exchange and exchange-like transactions in governmental fund financial statements, revenues 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. 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 debt service, the long-term portion of compensated absences payable, and claims and judgments. The State uses sixty days after fiscal year end as the availability criteria for the recognition of revenues in governmental funds. However, changes in fair value of investments are recognized as revenue immediately.

For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33, as amended by GASB Statement No. 65. 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, 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 inflows of resources are reported. 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. Deferred inflows of resources are reported until the revenue becomes 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, nursing facility tax, pharmaceutical services tax, federal grants, oil and gas royalties, investment sales receivables, 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 is used to account for and report all financial resources not accounted for and reported in another fund. The **Education Trust Fund** accounts for the revenues collected for the support, maintenance, and development of public education in Alabama. General sales and uses taxes, income taxes, and utilities taxes are the primary revenues restricted to this fund. 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 earned on the trust balance 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 Medicaid provider taxes. The **Public Road and Bridge Fund** accounts for funds used to construct and maintain public highways. Revenues in the fund consist of federal revenues, gasoline taxes, and other motor fuel taxes. 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. Revenues restricted to the fund include federal revenues, property taxes, and liquor and wine taxes.

The State reports three 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

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harbors, seaports, and river ports within the State of Alabama. 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 account for the proceeds of specific revenue resources that are restricted or committed to specified purposes other than debt service or capital projects. Examples include public health, education, and corrections.

Debt Service Funds account for financial resources that are restricted, committed or assigned to expenditures for governmental debt principal and interest.

Capital Projects Funds account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition, construction, and improvement of major general governmental capital assets.

Permanent Funds account for 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 restricted or held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plans, 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, and state dock employees.

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 three endowment funds established by private citizens that the State manages as trustee for local school systems and reports as Local Education Endowments.

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 nonmajor 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. The difference in fiscal years has no material effect on the financial statements.

E. Assets, Liabilities, Deferred Outflows and Deferred Inflows, and Net Position 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

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deposit treasury cash in any available bank product in any bank or savings association that is a qualified public depository and that has been designated as a state depository according to law, so long as the bank or savings association agrees to pay interest on the money. Also, the State Treasurer may invest in 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; and 3) commercial paper with the highest quality credit rating at the time of purchase and in banker's acceptances; 4) money market mutual funds which invest solely in securities noted above; 5) direct obligations of the State of Israel; and 6) interest earning bank deposits. 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 taxes receivable and the second largest is due from other governments. All receivables are recorded net of allowance for uncollectible accounts.

The largest taxes receivable are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels taxes, oil and gas production privilege tax, and property taxes as required by GASB Statement 33.

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.

Approximately half of due from other governments is long term loans made by the Alabama Public School and College Authority to local governments. The rest consists of grants and reimbursements due from the federal government where collectability is reasonably assured.

The most significant Accounts Receivable are recorded in the Public Road and Bridge Fund for revenue earned on transportation projects, the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore waters, and the Twenty-first Century Authority Fund for tobacco settlement revenue. 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. Investment Sales Receivable consists of amounts receivable for investments sold but the transaction was not settled before year-end.

For component units, the largest portion of Mortgages, Notes, and Loans Receivable consists 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 various State universities. 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 to local governments by the Water Pollution Control and Drinking Water Finance Authorities. Accounts Receivable as reported for the component units are comprised primarily of amounts owed to State universities.

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 Position.

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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. 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 Nonspendable Fund Balance. The consumption method is used on the proprietary funds financial statements and the government-wide financial statements. 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 government-wide, proprietary and governmental fund financial statements include first-in first-out, average cost, weighted average, and retail inventory method.

5. Investments

Most investments are required to be measured at fair value per GASB Statement No.72, Fair Value Measurement and Application. Money market investments and participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations. The other investments that are not reported at fair value are common stock using the equity method if the government has significant influence over the operating and financial policies of the investee, investments held by 2a7-like external investment pools, investments in 2a7-like pools measured at the NAV per share provided by the pool, nonparticipating interest-earning investment contracts, nonparticipating unallocated insurance contracts, synthetic guaranteed investment contracts that are fully benefit-responsive, and life insurance contracts.

6. Restricted Assets

Assets required to be held and/or used as specified in bond covenants, other debt agreements, donor specifications, and court settlements have been recorded as "Restricted Assets." These assets consist primarily of cash and cash equivalents, U.S. Treasury obligations, certificates of deposit and mutual funds.

7. Capital Assets

Capital assets, including buildings, land, equipment, intangibles, and infrastructure (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Most capital assets are defined by the State as having an initial cost of at least \$15,000 and have initial useful lives extending beyond a single reporting period. Real Property must have an initial cost of at least \$250,000. Software and other intangibles must have an initial cost of at least \$1,000,000. Proprietary funds can set lower thresholds in accordance with business needs. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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:

Assets	Years
Buildings	40
Improvements Other than Buildings	25
Equipment	5-12
Software	10

For the Fiscal year Ended September 30, 2018

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 twenty minutes to nine hours and forty-five 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 twenty 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. Tier 1 employees must have twenty-five years of service or have attained the age of 60 and have at least ten years of service to be eligible to retire. Tier 2 employees must have attained the age of 62 and have at least ten years of service to be eligible to retire. Tier 1 State Troopers must have twenty-five years of service or have attained the age of 52 and have at least ten years of service to be eligible to retire. Tier 2 State Troopers must have attained the age of 56 and have at least 10 years of service to be eligible to retire. If a state employee in the classified service dies while in active service to the State, the estate of the deceased employee receives a payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net position, 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 whose employment was terminated by September 30. These amounts are paid to the employees during the first month after the end of the fiscal year so those actual payments were used to compute the amount payable. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Position.

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:

	Vested	Non-vested
Public Education Employees	85.8%	47.8%
State Employees	82.1	37.0

For the Fiscal year Ended September 30, 2018

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. Deferred Outflows and Deferred Inflows

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources in the current period. Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until then.

11. Net Position and Fund Balances

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

Fund balances reported in the governmental fund financial statements are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either 1) not in spendable form, such as inventory and long term receivables; or 2) legally and contractually required to be maintained intact, such as the principal of a permanent fund. Restricted fund balances have constraints placed on the use of the resources that are either 1) externally imposed by creditors, grantors, contributors, or laws of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts constrained by formal action of the State's highest decision-making authority. The authorization should have the consent of both the legislative and executive branches of government. Commitments may be changed or lifted only through an equivalent formal high level action. Commitments are not considered to be legally enforceable by an external party. External parties such as citizens or the judiciary can compel the State through legal action to honor restrictions but not commitments. The State does not have any policy or procedure for establishing committed fund balances and none are reported in these financial statements. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes. Assigned fund balances include 1) all remaining non-negative amounts reported in governmental funds other than the General Fund and 2) amounts in the General Fund that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the State legislature or by its delegation to a State official. The State Finance Department, under the legal authority of the State Finance Director, has established Fiscal Policies and Procedures which enable agency heads to establish assigned amounts. Unassigned fund balance is the residual classification and only the General Fund can report a positive unassigned fund balance. Negative unassigned fund balance can be reported in any governmental fund if expenditures incurred for specific purposes exceeded the amount restricted, committed or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the State's policy to spend unrestricted fund balance before restricted. Unrestricted fund balance is considered spent in the following order: unassigned, assigned, committed.

F. New Accounting Pronouncements

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

- GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 81: Irrevocable Split-Interest Agreements
- GASB Statement No. 82: Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73 (requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end)
- GASB Statement No. 85: Omnibus 2017
- GASB Statement No. 86: Certain Debt Extinguishment

For the Fiscal year Ended September 30, 2018

NOTE 2 - TAX ABATEMENTS

As of September 30, 2018, the State participates in the following tax abatement programs:

The Jobs Credit is intended to promote job creation in the State. Companies receiving the tax incentive must agree to a jobs commitment and minimum average wage commitment in a project agreement with the State. Pursuant to the Code of Alabama, Section 40-18-375, the jobs credit is equal to 3 percent of the previous year's payroll for eligible employees for a maximum of 10 years. Also, additional incentives can be granted for the following: (a) 1 percent credit for companies locating in a targeted county (b) .5 percent credit for wages paid to veterans for companies employing at least 12 percent veterans, and (c) .5 percent credit for companies locating within a former active duty military base that was closed by the Base Realignment and Closure process. Depending on the project agreement, the jobs credit may be paid to the taxpayer as a refund out of utility taxes regardless of the amount of utility taxes actually paid by the taxpayer or it may be claimed as a credit against utility taxes actually paid and carried forward up to 5 years. A company claiming more wages or jobs than paid or created is liable for the unearned portion of the jobs credit. The amount of abated taxes for fiscal year 2018 is \$250,000 as a result of the Jobs Credit.

The Investment Credit is intended to promote capital investment in the State. Pursuant to the Code of Alabama, Section 40-18-376, the investment credit is equal to 1.5 percent of the capital investment up to 10 years or up to 15 years for targeted counties. Taxpayers receiving the tax incentive must agree to a jobs commitment and minimum wage commitment in a project agreement with the State. Income taxes, financial institution excise taxes, insurance premium taxes, or utility taxes can be abated. Depending on the project agreement, the investment credit may be claimed as a credit against taxes actually paid and carried forward up to 5 years. Also, credits may be transferred, or sold, at 85 percent or more of face value for the first 3 years if approved by the Governor. No taxes were abated for fiscal year 2018 as a result of the Investment Credit.

The Apprenticeship Alabama program is intended to ensure the advancement and expansion of registered apprenticeships in the State. Pursuant to the Code of Alabama, Section 40-18-422, the apprenticeship tax credit is equal to one thousand dollars for each apprentice up to a maximum of five. The employer must have a United States Department of Labor Registered Apprenticeship program in one of five industry sectors (advanced manufacturing, construction, healthcare, information technology, and transportation and logistics.) There are no penalties or claw back provisions. Income taxes or financial institution excise taxes can be abated. The amount of abated taxes for fiscal year 2018 is \$27,000 as a result of the Apprenticeship Alabama program.

The Certified Capital Company (CAPCO) program is intended to increase the amount of available venture capital for small technology businesses. Pursuant to the Code of Alabama, Section 40-14B, the CAPCO tax credit is equal to 100 percent of the investment in a CAPCO. Up to 5 percent may be taken each year through 2013 and up to 17.5 percent credit may be taken each year thereafter until the credits equal 100 percent of the investor's capital. The qualifying activities of the business must be manufacturing, processing, assembling products, or conducting research and development. Failure to meet the requirements could result in decertification and result in recapture of credits claimed and forfeiture of future credits. Insurance premium tax can be abated for insurance companies who invest in a CAPCO. The amount of abated taxes for fiscal year 2018 is \$16,886,000 as a result of the CAPCO program.

The Enterprise Zone program is intended to stimulate business and industrial growth in depressed areas of the State both urban and rural. Pursuant to the Code of Alabama, Section 41-23-24, a tax credit of \$2,500 per new permanent employee can be claimed. Also, pursuant to the Code of Alabama, Section 41-23-30, sales and use taxes for construction and equipment, income taxes for 5 years, and business privilege taxes for 5 years can be abated. No taxes were abated for fiscal year 2018 as a result of the Enterprise Zone program.

The Film Incentive is intended to attract investment for qualified productions and qualified production companies, and increase employment opportunities. Pursuant to the Code of Alabama, Section 41-7A-3, a rebate of 25 percent of all state certified expenditures and 35 percent of all payroll can be claimed, and exemptions from sales, use and lodgings taxes. Income taxes can be abated for qualified production companies. The total amount of abated taxes for fiscal year 2018 is \$10,594,000 as a result of the Film Incentive.

The Growing Alabama Credit is intended to promote growth of business, industry and economic development in the State. Pursuant to the Code of Alabama, Section 40-18-403, a credit equal to contributions to a local economic development organization can be claimed. Income taxes can be abated. The amount of abated taxes for fiscal year 2018 is \$6,619,000 as a result of the Growing Alabama Credit.

For the Fiscal year Ended September 30, 2018

The Historic Rehabilitation Tax Credit Program is intended to promote the rehabilitation, preservation, and development of historic structures in the State. Pursuant to the Code of Alabama, Section 40-9F-4, a 25 percent credit of qualified rehabilitation expenditures can be claimed. Income taxes or financial institution excise taxes can be abated. The amount of abated taxes for fiscal year 2018 is \$14,980,000 as a result of the Historic Rehabilitation Tax Credit Program.

The New Markets Tax Credit is intended to promote investments in qualifying businesses in impoverished and low income communities. Pursuant to the Code of Alabama, Section 41-9-218, the tax incentive is equal to 50 percent of the investment. The taxpayer must make a Qualified Equity Investment in the qualified community development entity which must be certified under the Federal New Market Tax Credit program. Income taxes, insurance premium tax or financial institution excise taxes can be abated. The amount of abated taxes for fiscal year 2018 is \$16,886,000 as a result of the New Markets Tax Credit.

The Port Credit is intended to promote increased usage of the State's ports. Pursuant to the Code of Alabama, Section 40-18-403, the credit is \$50 per twenty-foot equivalent unit (TEU), \$3 per net ton of bulk cargo or \$0.04 per net kilogram for air cargo. New distribution or warehouse shippers investing at least \$20 million and creating at least 75 net new jobs can be eligible to receive up to \$100 per TEU over a 3 year period. Income taxes can be abated. The amount of abated taxes for fiscal year 2018 is \$8,000 as a result of the Port Credit.

Other tax abatement programs include the Reinvestment and Abatements Act (code section 40-9G), the Tax Incentive Reform Act of 1992 (code section 40-9B), the Brownfield Development Tax Abatement (code section 40-9C), and the Economic Incentive Enhancement Act of 2007 (code section 40-9D). Property taxes, gross utility taxes, and sales and use taxes can be abated. The Reinvestment and Abatements Act is intended to promote capital reinvestment in the State and a tax incentive is based on the taxpayer's eligible capital reinvestment. The Brownfield Development Tax Abatement is intended to promote the redevelopment of former industrial or commercial sites that are probably contaminated. The Tax Incentive Reform Act of 1992 is intended to promote industrial development. The Economic Incentive Enhancement Act of 2007 is intended to attract very large projects which create a substantial number of jobs and economic growth in the State. The amount of abated taxes for fiscal year 2018 is \$99,607,000 as a result of these programs.

NOTE 3 - FUND BALANCES/NET POSITION

A. Restricted Net Position

The Government-wide Statement of Net Position reports \$8.96 billion of restricted net position for the primary government, of which \$509,817,000 is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Position as of October 1, 2017 have been restated for prior period adjustments necessary to conform to GAAP. Included in those restatements are differences resulting from the implementation of *Governmental Accounting Standards Board Statement 75 (GASB 75)*, as amended by *Governmental Accounting Standards Board Statement 85*. GASB 75 requires recognition of the net liability for other post employment benefits (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB.

On the government-wide financial statements, beginning net position for governmental activities was restated from \$20,520,928,000 to \$18,681,935,000, a decrease of \$1,838,993,000 resulting from implementation of GASB 75. Beginning net position for business activities was restated from \$963,934,000 to \$884,646,000, a decrease of \$79,288,000 resulting from implementation of GASB 75.

All of the restatements for proprietary funds were a result of the implementation of GASB 75. The State Port Authority beginning net position was restated from \$324,131,000 to \$300,132,000, a decrease of \$23,999,000. The Alcoholic Beverage Control Board beginning net position was restated from \$(90,206,000) to \$(142,727,000), a decrease of \$52,521,000. The nonmajor enterprise funds have restated beginning net position by \$(2,768,000). The Fire College and Personnel Standards Commission, the Motor

For the Fiscal year Ended September 30, 2018

Sports Hall of Fame, and the Military Department were restated by \$(2,415,000), \$(63,000), and \$(290,000), respectively. The internal service funds have been restated by \$(29,740,000).

The GASB 75 restatements for the fiduciary funds totaled \$(18,969,000). The Employees' Retirement System, the Teachers' Retirement System, the Judicial Retirement Fund, and the Peace Officers Annuity and Benefits Fund were restated by \$(7,481,000), \$(11,255,000), \$(56,000), and \$(177,000), respectively.

The beginning net position for component units was restated from \$10,160,888,000 to \$8,093,313,000, a decrease of \$2,067,575,000. The GASB 75 restatements for the University of Alabama, Auburn University, the University of South Alabama, the Public Education Employees' Health Insurance Board, and the Alabama Community College System were \$(812,903,000), \$(301,390,000), \$(229,688,000), \$(2,435,000), and \$(313,560,000), respectively. The GASB 75 restatements for nonmajor component units totaled \$(405,895,000). Other restatements for components consisted of \$2,650,000, \$(1,444,000), \$(783,000), and \$(2,127,000) for the Alabama Community College System, Alabama State University, Alabama Agricultural and Mechanical University, and the University of West Alabama, respectively. The Alabama Community College System restated investments, capital assets, and unearned revenue. The three nonmajor component unit's restatements were primarily for accounts receivable and accounts payable.

C. Fund Balance/Net Position Deficits

1. Primary Government

The Medicaid Fund, a major governmental fund, had a deficit unassigned fund balance of \$46,464,000. The deficit is the result of the accrual of claims outstanding at September 30, 2018. The expense is recognized in fiscal year 2018 along with a receivable for the federal share of the claims. The State matching money will not be available until fiscal year 2019 when the claims are paid. Miscellaneous Special Revenue Funds had a deficit unassigned fund balance of \$8,150,000 because of accounts payable.

The State Port Authority, a major proprietary fund, had a deficit in unrestricted net position of \$16,939,000. This deficit was caused mainly by the accruals of net pension liability and net OPEB liability. The Port Authority net pension liability was \$22,564,000 and net OPEB liability was \$40,958,000. The Alcoholic Beverage Control Board, also a major proprietary fund, had a deficit in unrestricted net position of \$151,124,000 with a total net position deficit of \$142,238,000. The deficits are largely due to the accrual of liabilities for net pension liability, compensated absences, salaries payable, net OPEB liability, 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 profits as transfers to other funds. The Motor Sports Hall of Fame, a nonmajor proprietary fund, had a deficit in unrestricted net position of \$1,000. This deficit was caused mainly by the accrual of a net OPEB liability.

Some of the internal service funds have deficits due to accruals for net pension liability and net OPEB liability. The Telecommunications Fund had a deficit in unrestricted net position of \$30,897,000 and a negative total net position of \$22,530,000. The Service Division had a deficit in unrestricted net position of \$1,242,000 and a negative total net position of \$207,000. The State Motor Pool had a deficit in unrestricted net position of \$618,000 as well as a negative total net position of \$277,000. Other Internal Service Funds had a deficit in unrestricted net position of \$15,762,000 as well as a negative total net position of \$14,586,000.

2. Component Units

Auburn University, a major component unit, had a deficit in unrestricted net position of \$56,118,000 due to accrued net pension liability and net OPEB liability; however, it had a positive balance in total net position of \$1,819,305,000. The University of South Alabama, a major component unit, had a deficit in unrestricted net position of \$330,142,000 due to accruals of net pension liability and net OPEB liability; however, it had a positive balance in total net position of \$411,631,000. Alabama Community College System, a major component unit, had a deficit in unrestricted net position of \$413,374,000 due to accruals of net pension liability and net OPEB liability; however, it had a positive balance in total net position of \$334,984,000.

The following nonmajor component units had deficits in unrestricted net position driven by accruals of net pension liability and net OPEB liability: Troy University, Alabama State University, Alabama Agricultural and Mechanical University, Jacksonville State University, the University of North Alabama, University of Montevallo, University of West Alabama, and Alabama Historical Commission had deficits of \$56,206,000, \$123,434,000, \$100,309,000, \$78,881,000, \$74,177,000, \$49,467,000, \$46,883,000, and

For the Fiscal year Ended September 30, 2018

\$5,999,000, respectively. All of these institutions had a positive total net position with the exception of the University of West Alabama \$(29,872,000).

The following other nonmajor component units had deficits in unrestricted net position driven by accruals of net pension liability and net OPEB liability: Alabama Institute for the Deaf and Blind, Athens State University, Space and Science Exhibit Commission, Marine Environmental Sciences Consortium, Crime Victims Compensation Commission, Historic Ironworks Commission, and Red Mountain Recreation Commission had deficits of \$73,062,000, \$20,391,000, \$12,583,000, \$10,474,000, \$3,280,000, \$1,824,000, and \$1,443,000, respectively. All of these other nonmajor component units had positive total net positions except for Alabama Institute for the Deaf and Blind \$(37,899,000) and Crime Victims Compensation Commission \$(2,280,000) .

D. Governmental Fund Restricted Fund Balances

(Amounts in Thousands)

Economic Development and Regulation	
Economic Development Incentives	\$ 17,770
Economic Regulation Programs	67,290
Total Economic Development and Regulation	<u>85,060</u>
Education and Cultural Resources	
Alabama Public School and College Authority	68,641
Local Schools	51,932
Industrial Training	66,291
Education Budget Stabilization	174,419
Education Trust Fund	719,475
Other	65,863
Total Education and Cultural Resources	<u>1,146,621</u>
Natural Resources and Recreation	
Department of Conservation	92,800
Forever Wild Land Trust	22,700
Forever Wild Stewardship	33,825
Other	6,661
Total Natural Resources and Recreation	<u>155,986</u>
Health	
Health Department	41,971
Medicaid	21,121
Mental Health	109,233
Environmental Management	45,786
Other	9,659
Total Health	<u>227,770</u>
Social Services	
Department of Human Resources	62,731
Rehabilitation Services	19,280
Veterans	149,501
Employment Security	22,748
Other	22,038
Total Social Services	<u>276,298</u>
Protection of Persons and Property	
Professional and Occupational Licensing	62,998
Law Enforcement and Investigations	57,508
Department of Corrections	39,514
Agricultural Products Oversight	34,115
Mine Reclamation	6,415

For the Fiscal year Ended September 30, 2018

Youth Services	21,918
911 Service	23,750
Other	26,697
Protection of Persons and Property	272,915
Transportation	
State Roads and Bridges	349,283
Transportation Projects	74,468
Local Government Transportation Programs	1,944
Airfields	16,244
Total Transportation	441,939
General Government	
County and Municipal Capital Improvements	504,760
Judicial System	24,792
Economic and Community Affairs	39,030
Financial Administration	68,009
Other	103,502
Total General Government	\$ 740,093

E. Education Trust Fund Budget Stabilization Fund

The Rolling Reserve Act (Act 2011-003, as amended by Act 2015-538 and Act 2018-544) created an Education Trust Fund Budget Stabilization Fund. This fund will generally be used to reduce any future proration in the Education Trust Fund (ETF). The Education Trust Fund Rainy Day Account within the Alabama Trust Fund has been repaid in full; therefore, the ETF Budget Stabilization Fund and the ETF Advancement and Technology Fund receive money when the ETF has revenues in excess of an appropriation cap defined in the Act. The ETF Budget Stabilization Fund receives money until the fund reaches 7.5 percent of the previous year's appropriations from the ETF, and then any excess money is transferred to the ETF Advancement and Technology Fund. The cap is the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues for the 14 highest of the 15 completed fiscal years preceding the date on which the calculation is made; (2) if legislation is enacted that will increase recurring revenues deposited into the ETF, an amount equal to 95 percent of the fiscal note attached to the legislative act is added to the cap; (3) if legislation is enacted that will decrease recurring revenues deposited into the ETF, the negative impact, based on the enacted fiscal note is subtracted from the cap; (4) any nonrecurring revenue; and (5) the amount required to be appropriated from the ETF to the Prepaid Affordable College Tuition Trust Fund. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the Constitution of Alabama of 1901 (prior to the third day of each Regular Session). The Legislature may appropriate from the ETF Budget Stabilization Fund an amount equal to the difference between the preceding fiscal year's total appropriations from the ETF and the cap. Except as provided in the previous sentence, amounts in the ETF Budget Stabilization Fund may be withdrawn to prevent proration in the ETF or to provide loans to public schools or institutions of higher education for emergency repairs if a natural disaster is declared by the Governor. The Governor must certify to the State Comptroller and notify the Legislature that proration would occur in the ETF before funds may be withdrawn for proration. The ETF Budget Stabilization Fund has a balance of \$174 million at the end of fiscal year 2018.

NOTE 4 - ASSETS**A. Cash Deposits**

The State Treasurer has statutory authority to deposit treasury cash in any available bank product in any bank or savings association that is a qualified public depository and that has been designated as a state depository according to law.

Bank 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 deposit monies in a bank that participates in the SAFE Program. The SAFE

For the Fiscal year Ended September 30, 2018

Program is a multiple financial institution collateral pool administered by the State Treasurer. 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 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; 3) commercial paper with the highest quality credit rating at the time of purchase and in bankers' acceptances; 4) money market mutual funds which invest solely in securities noted above; 5) direct obligations of the State of Israel; and 6) interest earning bank deposits.

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.

Alabama College Education Savings (ACES) Plan - The Board of Trustees administers the program. The Board of Trustees has entered into a contract with UBT 529 Fund Services (Union Bank), a division of Union Bank and Trust Company. Union Bank is the Program Manager and the Board of Trustees has delegated day to day administration to the State Treasurer. The investment alternatives are made available through investment portfolios each of which represents a separate, segregated portfolio of investments in mutual funds.

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 Person Rule" which requires it to use due care, skill, prudence, and diligence under the prevailing circumstances that a prudent person 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.

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3. Component Units

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

Other investments include temporary and debt service reserve funds established under the provisions of various trust indentures, and investments of the Authority's general and housing assistance funds.

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.

NOTES TO THE FINANCIAL STATEMENTS

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The State's investments at September 30, 2018, are as follows:

Investment Types	Investment Types and Fair Value (Amounts in Thousands)			
	Governmental Activities	Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 42,079	\$ 17,402	\$ —	\$ 1,514
U S Government Guaranteed Securities	804,756	7,053	1,924,286	662,137
U S Agency Securities	399,932	7,946	370,281	963,312
State and Local Government Securities	2,769	—	5,060	2,171
Mortgage Backed Securities	345,110	1,081	1,162,891	414,985
Commercial Paper	108,206	1,347	1,262,554	73,390
Corporate Bonds	424,254	17,287	2,363,498	379,998
Private Placements	—	—	2,156,683	—
Repurchase Agreements	174,253	—	—	—
International Bonds	26,574	56	309	62,816
Bond Mutual Funds	463,531	—	1,740,418	1,089,048
Domestic Equities	1,555,511	25,309	23,567,768	526,492
International Equities	560,384	286	5,303,192	94,494
International Equities Mutual Funds	—	—	—	—
Other Mutual Funds	96,602	92,044	1,266,462	404,877
Real Estate	293,138	4,310	3,590,570	99,277
Commingled Funds	109,866	—	—	2,505,541
Derivative Instruments	(1,683)	—	—	—
Guaranteed Investment Contracts	—	—	220,209	—
	<u>\$ 5,405,282</u>	<u>\$ 174,121</u>	<u>\$ 44,934,181</u>	<u>\$ 7,280,052</u>

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

Investments Per Investment Note	\$ 5,405,282	\$ 174,121	\$ 44,934,182	\$ 7,280,052
Certificates of Deposit †	22,775	25,003	676	78,499
Money Market Accounts - Savings †	373,608	25,900	23,236	343,832
Other Cash Equivalents †	(682,885)	(12,902)	(68,753)	52,185
Investments Classified as Restricted Assets †	(1,337)	—	—	—
Repurchase Agreements ††	(47,717)	—	—	—
Foundations and pooled investments §	—	—	—	1,008,850
Investments per Statements	<u>\$ 5,069,726</u>	<u>\$ 212,122</u>	<u>\$ 44,889,341</u>	<u>\$ 8,763,418</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.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

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, 2018 are presented below.

Ratings of Fixed Maturities (Amounts in Thousands)

Moody's	Standard & Poor's	Governmental Activities	Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Component Units
Aaa		\$ 1,149,468	\$ 10,505	\$ 268,076	\$ 168,599	\$ 333,351
	AAA	29,841	684	—	345,710	300,102
Aa1		3,255	461	25,866	14,385	1,115
	AA+	3,421	—	—	—	40,711
Aa2		53,777	2,282	32,579	18,719	2,592
	AA	20,528	—	—	614,942	91,524
Aa3		10,694	1,608	—	3,700	657
	AA-	5,414	—	—	—	40,174
Aa		849	—	—	—	837,872
A1		15,820	3,650	138,078	55,876	3,349
	A+	27,988	—	—	500	7
A2		24,241	2,803	98,131	40,389	1,002
	A	7,756	—	—	2,822	114,654
A3		36,806	2,217	251,187	101,937	4,626
	A-	13,625	—	—	—	5
A		—	—	—	100	—
P1		90,457	1,347	36,064	8,064	13,670
P2		15,384	—	1,183,302	7,005	50,064
Baa1		36,488	1,299	360,490	143,286	8,999
	BBB+	23,865	—	—	—	5,655
Baa2		58,806	438	482,116	187,217	13,166
	BBB	18,943	44	—	24,932	117,781
Baa3		65,200	318	118,657	54,166	2,769
	BBB-	23,391	—	—	—	—
Ba1		20,931	—	53,154	24,637	525
	BB+	5,104	—	—	—	—
Ba2		18,038	—	13,304	6,497	172
	BB	17,154	—	—	—	17,443
Ba3		10,586	—	26,975	12,277	366
	BB-	23,272	—	—	—	—
B1		20,866	—	—	—	—
	B+	63,694	—	—	—	—
B2		12,498	—	—	—	—
	B	1,917	—	—	66,834	3,644
B3		4,399	—	—	—	—
P3		1,520	—	28,119	—	—
	B-	1,465	—	—	—	—
Caa1		2,517	—	—	—	—
	CCC+	110	—	—	—	—
Caa2		616	—	—	—	—
	CCC	384	—	—	—	—
Caa3		691	—	—	—	—
Ca		1,765	—	—	—	—
	C	—	—	—	—	653
C		209	—	—	—	—
US Govt Guaranteed Securities §		828,475	24,459	2,076,786	976,136	617,897
Not Rated †		127,418	56	2,832,021	302,555	1,024,823
Totals		\$ 2,899,646	\$ 52,171	\$ 8,024,905	\$ 3,181,285	\$ 3,649,368

§ US Govt rated Aaa (Moody's) and AA+ (Standard & Poor's)

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

For the Fiscal year Ended September 30, 2018

The investments allowed for Treasury monies are U.S. government or agency securities, repurchase agreements backed by U.S. government or U.S. government agency securities, mutual funds investing in U.S. government or U.S. government agency securities, or Bank of Israel bonds. The U.S. government and U.S. government agency securities are rated Aaa or AA+. Bond mutual funds may or may not be rated. Bank of Israel bonds are not 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 percent of the fair value of each System's total portfolio may be invested in obligations of sovereign countries with a rating of Baa or BBB 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 investment guidelines state 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 majority of the portfolio is benchmarked against the Barclays Capital 1-3 Year Government Index.

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.

The investment policy of the Alabama Trust Fund states that the fixed income portfolio's average duration is not to exceed 1.5 times that of the benchmark index.

As of September 30, 2018, the State had the following investments and maturities:

Governmental 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 S Treasury Strips	\$ 3,302	\$ 35,151	\$ 3,625	\$ —	\$ 42,078
U S Government Guaranteed Securities	52,766	516,969	149,632	85,389	804,756
U S Agency Securities	81,004	247,688	4,575	66,665	\$ 399,932
State and Local Government Securities	885	779	—	1,105	2,769
Mortgage Backed Securities	325	27,872	51,341	265,572	\$ 345,110
Commercial Paper	108,206	—	—	—	108,206
Corporate Bonds	71,892	128,819	129,970	93,573	\$ 424,254
Derivative Instruments	519	(1,997)	(215)	11	(1,682)
Repurchase Agreements	48,822	19,242	33,245	72,944	\$ 174,253
International Bonds	1,794	9,410	8,589	6,781	26,574
Bond Mutual Funds	459,369	1,749	1,649	764	\$ 463,531
Commingled Funds	24	14,811	95,030	—	109,865
Total	\$ 828,908	\$ 1,000,493	\$ 477,441	\$ 592,804	\$ 2,899,646

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

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 S Treasury Strips	\$ 5,310	\$ 12,091	\$ —	\$ —	\$ 17,401
U S Government Guaranteed Securities	524	6,530	—	—	7,054
U S Agency Securities	1,566	5,010	875	495	7,946
Mortgage Backed Securities	—	64	562	454	1,080
Commercial Paper	1,347	—	—	—	1,347
Corporate Bonds	3,652	—	13,635	—	17,287
International Bonds	28	28	—	—	56
Total	\$ 12,427	\$ 23,723	\$ 15,072	\$ 949	\$ 52,171

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 S Government Guaranteed Securities	\$ —	\$ 625,771	\$ 496,573	\$ 141,458	\$ 1,263,802
U S Agency Securities	35,610	144,021	45,722	17,747	243,100
Mortgage Backed Securities	4	336	78,537	734,107	812,984
Commercial Paper	1,247,485	—	—	—	1,247,485
Corporate Bonds	163,070	646,597	391,098	443,240	1,644,005
Private Placements	—	247,258	20,000	1,883,840	2,151,098
Bond Mutual Funds	662,431	—	—	—	662,431
Total	\$ 2,108,600	\$ 1,663,983	\$ 1,031,930	\$ 3,220,392	\$ 8,024,905

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

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 S Government Guaranteed Securities	\$ 17,513	\$ 350,743	\$ 219,632	\$ 72,595	\$ 660,483
U S Agency Securities	19,823	80,714	22,944	3,701	127,182
State and Local Government Securities	—	2,150	950	1,960	5,060
Mortgage Backed Securities	7	3,971	40,860	305,069	349,907
Commercial Paper	15,069	—	—	—	15,069
Corporate Bonds	93,639	273,603	176,865	175,386	719,493
International Bonds	155	154	—	—	309
Private Placements	—	—	—	5,585	5,585
Bond Mutual Funds	460,931	225,997	391,060	—	1,077,988
Guaranteed Investment Contracts	220,209	—	—	—	220,209
Total	\$ 827,346	\$ 937,332	\$ 852,311	\$ 564,296	\$ 3,181,285

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

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ —	\$ 14	\$ 1,500	\$ —	\$ 1,514
U S Government Guaranteed Securities	56,179	371,048	21,652	3,232	452,111
U S Agency Securities	128,218	795,840	38,413	840	963,311
State and Local Government Securities	669	1,502	—	—	2,171
Mortgage Backed Securities	17,027	3,956	23,657	143,945	188,585
Commercial Paper	73,290	—	—	—	73,290
Corporate Bonds	18,434	18,225	9,019	4,903	50,581
International Bonds	14	59	46	—	119
Bond Mutual Funds	371,971	30,240	27,759	38,792	468,762
Total	\$ 665,802	\$ 1,220,884	\$ 122,046	\$ 191,712	\$ 2,200,444

For the Fiscal year Ended September 30, 2018

The University of Alabama discloses the interest rate risk for the System Pool 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 System Pool
(Amounts in Thousands)

Investment Type	Fair Value	Effective Duration
Endowment Fund:		
U S Government Guaranteed Securities	\$ 8,198	11.3
Mortgage Backed Securities	14,233	5.3
Corporate Bonds	28,447	5.2
Commingled Bond Funds	83,585	2.4
Non-U S Bonds	3,258	5.2
Long Term Reserve Pool Fund:		
U S Government Guaranteed Securities	12,738	11.2
Mortgage Backed Securities	21,718	5.3
Corporate Bonds	42,659	5.1
Commingled Bond Funds	124,042	2.3
Non-U S Bonds	5,164	5.1
Short Term Liquidity Pool Fund:		
U S Government Guaranteed Securities	179,985	2
Mortgage Backed Securities	175,661	1.1
Collateralized Mortgage Obligations	14,788	2.6
Corporate Bonds	141,943	1.8
Commingled Bond Funds	134,060	2.7
Non-U S Bonds	54,275	1.8
Total	\$ 1,044,754	

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 29 percent of the aggregate market value of the total portfolio with a target of 24 percent of the total portfolio. The exposure to emerging market securities shall be limited to 20 percent of the market value of the international portfolio. Not more than 5 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 7 percent in any one corporation at market. Not more than 5 percent of the outstanding shares of any one company may be held by the portfolio. In addition, no more than the lesser of (2 times the sector weight in the index and 40 percent) valued at market may be held in any one economic sector as defined by the MSCI EAFE (Morgan Stanley Capital International Europe, Australasia, and the Far East) index classifications for developed market portfolios and by MSCI Emerging Markets index classifications for emerging markets portfolios.

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, and the fair value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

For the Fiscal year Ended September 30, 2018

The State's exposure to foreign currency risk at September 30, 2018 was as follows:

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

	Government-Type		Business-	RSA	Other	Discretely Presented	
	Activities		Type	(Fiduciary	Fiduciary	Component Units	
	International	International	Activities	Component	Funds	International	International
	Equities	Bond	Equities	Units)	Equities	Equities	Bonds
Argentine Peso	\$ —	\$ 364	\$ —	\$ —	\$ —	\$ —	\$ —
Australian Dollar	9,837	—	—	273,536	8,327	—	—
Brazilian Real	6,720	3,596	—	—	1,893	—	—
British Pound Sterling	108,411	—	—	697,411	22,878	44	14
Canadian Dollar	27,292	—	—	—	509	4	55
Chinese Yuan	—	1,417	—	—	7,225	12	—
Danish Krone	7,078	—	—	65,589	1,997	—	—
Emerging Markets	—	—	—	994,319	60,882	—	—
Euro	197,507	—	286	1,235,775	40,892	54	—
Hong Kong Dollar	25,473	—	—	144,856	5,105	—	—
Indian Rupee	—	—	—	—	2,811	—	—
Indonesian Rupiah	734	—	—	—	430	—	—
Israeli New Shekel	773	—	—	22,367	680	—	—
Japanese Yen	82,253	—	—	1,061,955	34,420	24	—
Malaysia Ringgit	360	—	—	—	431	—	—
Mexican Peso	861	7,663	—	—	615	—	—
New Zealand Dollar	—	—	—	3,005	92	—	—
Norwegian Krone	4,971	—	—	30,311	924	—	14
Other	—	—	—	—	24,199	128	—
Panama Balboa	—	—	—	—	—	21	—
Russian Rouble	—	4,039	—	—	656	—	—
Singapore Dollar	6,699	—	—	51,916	1,550	—	—
South African Rand	—	—	—	—	1,250	—	—
South Korean Won	6,495	—	—	—	4,021	—	—
Swedish Krona	16,909	—	—	119,249	3,628	—	—
Swiss Franc	34,697	—	—	364,052	11,053	32	—
Taiwan New Dollar	—	—	—	—	2,378	—	—
Thai Baht	864	—	—	—	—	—	—
Turkish Lira	688	—	—	—	—	—	—
Totals \$	\$ 538,622	\$ 17,079	\$ 286	\$ 5,064,341	\$ 238,846	\$ 319	\$ 83

§ The disclosure does not include some of the International Securities denominated in U.S. dollars.

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.

For the Fiscal year Ended September 30, 2018

State Treasurer – The State Treasurer’s custodian, Regions Bank, requires that the securities be held in registered form in the name of its nominee. Regions has established one or more accounts on behalf of the State Treasurer in the name of the State Treasurer.

Alabama Trust Fund (ATF) – The ATF’s custodian, Bank of New York Mellon (BNYM), provides a portion of the custodial services for the ATF. The ATF’s custodial credit risk policy authorizes BNYM to hold securities in registered form in the name of its nominee. The policy requires BNYM to establish and maintain one or more securities accounts (book entry system) in which BNYM 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 sub-custodians 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 cash collateral.

Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)

	Governmental Type Activities	Business- Type Activities	Fiduciary Funds Other Than RSA	Discretely Presented Component Units
U S Government Guaranteed Securities	\$ 9,308	\$ —	\$ 31,939	\$ 219
U S Agency Securities	71,674	—	—	57
State and Local Government Securities	—	—	5,060	—
Mortgage Backed Securities	3,146	—	2,855	451
Corporate Bonds	1,846	—	1,922	651
Repurchase Agreements	47,715	—	—	—
Domestic Equities	3,943	—	—	2,563
International Bonds				83
International Equities	—	—	—	75
Other Investments	1,797	—	—	—
Total	\$ 139,429	\$ —	\$ 41,776	\$ 4,099

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 State of Alabama has investments in U.S. Government obligations which are disclosed in the tables in this note. Standard & Poor’s downgraded the rating of the U.S. Government to AA+; however the Moody’s rating is still Aaa.

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 1 percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than 15 percent is invested in one industry (does not apply to U.S. government and agency securities), and no more than 5 percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2018, there were no investments that exceeded the 5 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 equity, international equity, fixed income, alternative investments, real estate, and short-term investments are limited to 60 percent, 25 percent, 50 percent, 20 percent, 15 percent, and 6 percent respectively, of the fair value of each System’s

For the Fiscal year Ended September 30, 2018

aggregate portfolio. As of September 30, 2018, the Teachers' Retirement System (TRS), and Employees' Retirement System (ERS) owned debt and equity securities of Raycom Media Corporation which represented approximately 7.2 percent of the TRS investments and 8.69 percent of the ERS investments. Additionally, TRS owned debt and equity securities of Goldman Sachs Group, Inc., and equity securities of New Water Street Corporation which represented approximately 5.39 percent and 5 percent, respectively, of the TRS investments.

D. Fair Value Measurement

GASB 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities.

Level 2: Other inputs which are observable either directly or indirectly, including quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in a less active market, or other market-corroborated inputs.

Level 3: Valuations derived from valuation techniques using significant unobservable inputs for assets or liabilities.

GASB 72 allows for the use of net asset value ("NAV") as a practical expedient for valuation purposes.

The categorization of investments within the hierarchy is based upon pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments in securities classified as Level 1 are valued using quoted prices in an active market for those securities.

Investments in securities classified as Level 2 are valued using non-proprietary information that is readily available to market participants from multiple independent sources, which are known to be actively involved in the market. Pricing inputs may include market quotation, yields, maturities, call features, and ratings.

Various other investments are classified as Level 3 due to a lack of observable market based pricing inputs and are valued using a combination of cost approach and income approach valuation techniques such as replacement costs, annual appraisals and cash flows.

For the Fiscal year Ended September 30, 2018

As of September 30, 2018, the State had the following fair market value hierarchies:

Governmental Activities
(Amounts in Thousands)

Investment Types	Level 1	Level 2	Level 3	NAV	Total
U S Treasury Strips	\$ 27,229	\$ —	\$ —	\$ —	\$ 27,229
U S Government Guaranteed Securities	791,883	23,379	—	—	815,262
U S Agency Securities	334,136	70,139	—	—	404,275
State and Local Government Securities	—	2,769	—	—	2,769
Mortgage Backed Securities	8,203	336,907	—	—	345,110
Commercial Paper	1,387	106,818	—	—	108,205
Corporate Bonds	41,756	330,704	51,795	—	424,255
Derivative Instruments	(437)	(1,246)	—	—	(1,683)
Private Placements	—	126,538	—	—	126,538
Repurchase Agreements	36,036	—	11,680	—	47,716
International Bonds	—	26,574	—	—	26,574
Bond Mutual Funds	455,551	7,980	—	—	463,531
Domestic Equities	1,291,381	539	256,942	—	1,548,862
International Equities	560,384	—	—	—	560,384
Other Mutual Funds	34,146	—	62,456	—	96,602
Real Estate	—	—	293,138	—	293,138
Commingled Funds	6,649	—	109,866	—	116,515
Total	\$ 3,588,304	\$ 1,031,101	\$ 785,877	\$ —	\$ 5,405,282

Business-Type Activities
(Amounts in Thousands)

Investment Types	Level 1	Level 2	Level 3	NAV	Total
U S Treasury Strips	\$ 17,402	\$ —	\$ —	\$ —	\$ 17,402
U S Government Guaranteed Securities	7,053	—	—	—	7,053
U S Agency Securities	7,946	—	—	—	7,946
Mortgage Backed Securities	4	1,076	—	—	1,080
Commercial Paper	—	1,347	—	—	1,347
Corporate Bonds	17,287	—	—	—	17,287
International Bonds	—	56	—	—	56
Domestic Equities	25,309	—	—	—	25,309
International Equities	286	—	—	—	286
Other Mutual Funds	92,045	—	—	—	92,045
Real Estate	4,310	—	—	—	4,310
Total	\$ 171,642	\$ 2,479	\$ —	\$ —	\$ 174,121

For the Fiscal year Ended September 30, 2018

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

Investment Types	Level 1	Level 2	Level 3	NAV	Total
U S Government Guaranteed Securities	\$ —	\$ 1,263,802	\$ —	\$ —	\$ 1,263,802
U S Agency Securities	—	243,100	—	—	243,100
Mortgage Backed Securities	—	812,984	—	—	812,984
Commercial Paper	—	1,247,485	—	—	1,247,485
Corporate Bonds	—	1,644,005	—	—	1,644,005
Private Placements	—	—	2,151,098	—	2,151,098
Bond Mutual Funds	—	662,431	—	—	662,431
Domestic Equities	18,157,442	1,860,253	1,835,625	—	21,853,320
International Equities	5,064,341	—	—	—	5,064,341
Real Estate	—	—	3,590,550	—	3,590,550
Total	\$ 23,221,783	\$ 7,734,060	\$ 7,577,273	\$ —	\$ 38,533,116

Other Fiduciary Funds
(Amounts in Thousands)

Investment Types	Level 1	Level 2	Level 3	NAV	Total
U S Government Guaranteed Securities	\$ 98,873	\$ 561,611	\$ —	\$ —	\$ 660,484
U S Agency Securities	23,797	103,384	—	—	127,181
State and Local Government Securities	5,060	—	—	—	5,060
Mortgage Backed Securities	5,274	344,633	—	—	349,907
Commercial Paper	—	15,069	—	—	15,069
Corporate Bonds	58,359	661,134	—	—	719,493
Private Placements	—	—	5,585	—	5,585
Bond Mutual Funds	857,220	220,768	—	—	1,077,988
Domestic Equities	1,683,965	30,483	—	—	1,714,448
International Equities	238,851	—	—	—	238,851
International Bonds	—	309	—	—	309
Other Mutual Funds	1,172,073	94,386	—	2	1,266,461
Real Estate	—	—	—	20	20
Guaranteed Investment Contracts	220,209	—	—	—	220,209
Total	\$ 4,363,681	\$ 2,031,777	\$ 5,585	\$ 22	\$ 6,401,065

For the Fiscal year Ended September 30, 2018

Discretely Presented Component Units
(Amounts in Thousands)

Investment Types	Level 1	Level 2	Level 3	NAV	Total
U S Treasury Strips	\$ —	\$ 189,905	\$ —	\$ —	\$ 189,905
U S Government Guaranteed Securities	33,296	441,241	—	—	474,537
U S Agency Securities	11,224	951,296	—	—	962,520
State and Local Government Securities	—	2,171	—	—	2,171
Mortgage Backed Securities	176,681	276,488	—	—	453,169
Commercial Paper	9,655	63,735	—	—	73,390
Corporate Bonds	12,087	367,911	—	—	379,998
International Bonds	83	62,733	—	—	62,816
Bond Mutual Funds	412,989	590,418	—	—	1,003,407
Domestic Equities	477,423	46,968	1,640	409	526,440
International Equities	94,237	—	256	—	94,493
Other Mutual Funds	147,732	—	—	180,099	327,831
Real Estate	127	103	3,020	—	3,250
Commingled Funds	85,964	701,134	98,468	1,716,000	2,601,566
Total	\$ 1,461,498	\$ 3,694,103	\$ 103,384	\$ 1,896,508	\$ 7,155,493

E. 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 Board of Trustees. The Retirement Systems of Alabama's (RSA) custodian, State Street Bank and Trust Company (State Street), 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 for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities 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 (depending on the nature of the loaned securities and the collateral received), a value of 102 percent or 105 percent of the fair value of the loaned securities, or such other value, but 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 shall 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 for TRS, ERS, and JRF is invested in the State Street Quality D Short-term Investments Fund (QDF). Cash collateral administered by State Street for ATF is invested in the State Street Global Securities Lending Trust (GSLT). Cash collateral investments are matured as needed to fulfill loan obligations. As of September 30, 2018, the average term of the loans secured by QDF was 9, 11, and 23 days, respectively for the TRS, ERS, and JRF. As of September 30, 2018, the average term of the loans secured by GSLT was 1 day for the ATF. 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. The following describes the QDF's and the GSLT's guidelines. The Investment Manager (State Street Bank) shall maintain the dollar-weighted average maturity of QDF and GSLT in

For the Fiscal year Ended September 30, 2018

a manner that the Investment Manager believes is appropriate to the objective of each; provided, that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the QDF and GSLT not to exceed 75 calendar days and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of the QDF and GSLT not to exceed 180 calendar days. At the time of purchase (i) all eligible securities with maturities of 13 months or less shall (a) be rated at least A1, P1 or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (b) be determined by the Investment Manager to be of comparable quality and (ii) all eligible securities with maturities in excess of 13 months shall (a) be rated at least A-, A3 or A- by at least any two of S&P, Moody's or Fitch, or (b) be determined by the Investment Manager to be of comparable quality. The QDF and the GSLT may invest up to 10 percent of its assets at time of purchase in commingled vehicles managed by State Street Global Advisors or its affiliates that conform to the Investment Policy Guidelines. The QDF and the GSLT both have duration pools. The duration pools include all asset backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The duration pools will not make additional investments.

The Bank of New York Mellon (BNYM) administers a portion of the securities lending program for the ATF. Certain securities from ATF are loaned to borrowers approved by the ATF Board of Trustees. 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. All security loans are open loans and can be terminated on demand by the ATF, BNYM, or the borrower. 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 market value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105 percent of the market value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BNYM shall, in accordance with BNYM's reasonable and customary practices, mark loaned securities to their market value each business day based upon the market value of the loaned securities as of the close of business the preceding business day, employing the most recently available pricing information, and receive and deliver collateral in order to maintain the amount of cash collateral at no less than the collateral requirement. The ATF cannot pledge or sell collateral securities received unless the borrower defaults. As of September 30, 2018, the average term of the loans was 96 days. Cash collateral investments are matured as needed to fulfill loan obligations. All approved investments shall be for the account and risk of ATF. 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, ATF agrees to pay BNYM on demand cash in an amount equal to such deficiency.

The following describes the manner in which BNYM 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.
- Asset-backed securities which carry the highest credit rating by S&P or Moody's.
- Certificates of deposit, time deposits and other bank obligations of U.S. banks, their branches and subsidiaries.
- 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.

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, 2018. There were no significant violations

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

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- Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral				
Domestic Fixed Maturities	\$ 47,884	\$ 312,872	\$ 150,695	\$ 10,090
Domestic Equity	153,524	1,186,487	42,739	157
International Equity	16,262	65,631	1,742	—
Total Lent for Cash Collateral	217,670	1,564,990	195,176	10,247
For Non-cash Collateral				
Domestic Fixed Maturities	13,353	910,091	331,138	12,106
Domestic Equity	34,650	3,061,441	176,054	—
International Equity	—	120,567	8,888	—
Total Lent for Non-Cash Collateral	48,003	4,092,099	516,080	12,106
Total Securities Lent	\$ 265,673	\$ 5,657,089	\$ 711,256	\$ 22,353
Type of Collateral Received				
Cash Collateral				
Cash Collateral - Invested in				
State Street Quality D Fund	\$ —	\$ —	\$ 124,359	\$ —
State Street Global Securities Lending Trust	9,917	1,605,767	74,984	10,453
BNYM investments	213,292	—	—	—
Total Cash Collateral	223,209	1,605,767	199,343	10,453
Non-Cash Collateral				
For Lent Domestic Fixed Maturities				
Securities Collateral				
EURO	3,104	45,439	17,390	3,052
US Dollar	5,943	829,770	212,465	5,346
British Pound Sterling	2,635	12,671	29,174	1,910
Canadian Dollar	—	14,832	—	—
For Lent Domestic Equity Securities				
Securities Collateral				
EURO	58	2,533	409	—
US Dollar	37,453	3,324,709	194,859	136
For Lent International Equity Securities				
Securities Collateral				
EURO	—	9,755	156	—
British Pound Sterling	—	5,907	66	—
US Dollar	2,009	153,247	96,385	2,034
Total Non-Cash Collateral Received	51,202	4,398,863	550,904	12,478
Total Collateral Received	\$ 274,411	\$ 6,004,630	\$ 750,247	\$ 22,931

F. 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 Alabama Trust Fund (ATF) invests in TBA (to be announced) purchase commitments, pursuant to which it agrees to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in

For the Fiscal year Ended September 30, 2018

trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2018, the ATF had investments in TBA mortgage-backed securities in the amount of \$51,442,000. Included in investment purchases payable on the Statement of Net Position is a liability related to the cost of acquiring these securities. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF would be obligated for those amounts should the securities be delivered.

G. Investment Derivatives

Alabama State Port Authority - In December 2002, the Authority entered into a swaption contract in order to monetize potential debt service savings on the Authority's callable Docks Facilities Revenue Bonds Series 1996. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. The counterparty exercised its option under the swaption agreement, and the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38 percent) and the Authority receiving a variable interest rate (67 percent of the one-month LIBOR). Upon exercising of the option by the counterparty, the Authority issued variable-rate refunding bonds in an amount sufficient to refund the fixed rate Docks Facilities Revenue Bonds Series 1996. The Authority may be exposed to various risks such as credit risk and interest rate risk through the interest rate swap. As the interest rate swap is a liability at September 30, 2018 and 2017, the impact of credit risk is minimized. The swap agreement, which expires on October 1, 2021, is based on an amortizing notional amount, which was \$29,660,000 at September 30, 2018. As of September 30, 2018 and 2017, the interest rate swap had a negative fair value of \$1,555,000 and \$3,121,000, respectively, and is included in the Statement of Net Position in Noncurrent Liabilities: Due in More Than One Year as Other Long-Term Liabilities. The \$1,566,000 increase in fair value is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position and is included in Charges for Services in the Statement of Activities. Due to the negative position of the interest rate swap, the Authority previously posted collateral with a balance of approximately \$7.6 million at September 30, 2018 and 2017. The interest rate swap is valued using Level 2 inputs calculated using an industry accepted option-pricing model that uses market interest rates and a volatility assumption on the valuation date. The interest rate and volatility data are used to calculate the present value of the potential future cash flows of the interest rate swap.

The Retirement Systems of Alabama (RSA) - The RSA enters into call and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investment derivative instruments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivatives is based on market prices. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 4.c.

For the Fiscal year Ended September 30, 2018

The following table presents the investment derivative instruments outstanding as of September 30, 2018 (in thousands), as reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position:

Investment Derivative Instruments (Amounts in thousands)				
	Changes in Fair Value §	Classification	Fair Value	
	Amount		Amount	Notional
TRS				
Domestic Options Written	\$ 9,560	Domestic Equity	\$ (18,119)	\$ (689,687)
Domestic Options Purchased	(27,678)	Domestic Equity	—	—
Total Domestic Options	\$ (18,118)		\$ (18,119)	\$ (689,687)
International Options Written	18	International Equity	—	—
Total TRS Options	\$ (18,100)	Total TRS	\$ (18,119)	\$ (689,687)
ERS				
Domestic Options Written	\$ 4,560	Domestic Equity	\$ (8,646)	\$ (329,084)
Domestic Options Purchased	(13,206)	Domestic Equity	—	—
Total Domestic Options	\$ (8,646)		\$ (8,646)	\$ (329,084)
International Options Written	9	International Equity	—	—
Total ERS Options	\$ (8,637)	Total ERS	\$ (8,646)	\$ (329,084)
JRF				
Domestic Options Written	\$ 153	Domestic Equity	\$ (292)	\$ (11,073)
Domestic Options Purchased	(445)	Domestic Equity	—	—
Total Domestic Options	\$ (292)		\$ (292)	\$ (11,073)
International Options Written	—	International Stocks	—	—
Total JRF Options	\$ (292)	Total JRF	\$ (292)	\$ (11,073)

§ The changes in fair value are included in Net Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position

Alabama Trust Fund (ATF) - Derivatives can be used by the ATF's investment managers to manage cash positions, gain broad stock or bond market exposure and to manage risks with certain investment positions. The ATF Investment Policy allows derivative instruments to be used provided that the collateral is held in highly liquid securities and that they do not create the effect of leverage in the portfolio.

GASB Statement No. 53 requires that the fair value of the financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either an investment derivative or a hedge derivative. All of the ATF's derivative exposures as of September 30, 2018, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 and No. 64 are not applicable.

All derivative instruments are presented in the Statement of Net Position as Investments and are reported at fair value. ATF's custodian, Bank of New York Mellon (BNYM), uses market prices when available. BNYM uses market prices when available. If

For the Fiscal year Ended September 30, 2018

market pricing is not available, BNYM uses pricing provided by Alabama Trust Funds' investment managers. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C. In the note, futures and credit default swaps are included in derivatives, and total return swaps and interest rate swaps are included in corporate bonds.

The following table presents the derivative instruments outstanding as of September 30, 2018 for ATF:

Investment Derivative Instruments (Amounts in thousands)			
	Changes in Fair Value \$	Fair Value as of September 30, 2018	
	Amount	Amount	Notional
Credit Default Swaps	\$ (869)	\$ (1,246)	\$ 89,800
Futures	(538)	(437)	316,503
Total Derivatives	\$ (1,407)	\$ (1,683)	\$ 406,303

§ Included in Unrestricted Investment Earnings in the Statement of Activities and Investment Income in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

GASB Statement No. 53 requires the disclosure of the maximum amount of loss due to credit risk, based on the fair value of the instrument at the end of the fiscal year. The maximum amount of loss associated with all derivatives held by the ATF is \$2,820,000. GASB Statement No. 53 also requires additional interest rate risk disclosures for investment derivatives that are highly sensitive to interest rate fluctuations. As mentioned above, these disclosures are included in Note 3.C.

H. Capital Assets

Historical costs for infrastructure assets are included in this 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. For Business-Type activities, decreases in construction in progress are large relative to increases in buildings because Port Authority constructs some equipment assets.

For the Fiscal year Ended September 30, 2018

As of September 30, 2018, the capital assets for the Primary Government and the Component Units are presented in the following three tables:

GOVERNMENTAL-TYPE ACTIVITIES

(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 386,201	\$ 17,337	\$ —	\$ 403,538
Historical Exhibits	4,127	—	—	4,127
Construction in progress	149,578	134,425	17,793	266,210
Construction in progress - Infrastructure	3,304,624	213,245	684,357	2,833,512
Infrastructure	16,386,881	684,357	—	17,071,238
Total capital assets not being depreciated	20,231,411	1,049,364	702,150	20,578,625
Capital assets being depreciated:				
Buildings	1,824,767	27,020	—	1,851,787
Equipment	722,129	84,503	59,933	746,699
Software and Other Intangible Assets	96,448	—	—	96,448
Total capital assets being depreciated	2,643,344	111,523	59,933	2,694,934
Less accumulated depreciation:				
Buildings	775,134	56,107	—	831,241
Equipment	410,604	58,471	45,895	423,180
Software and Other Intangible Assets	14,727	8,279	—	23,006
Total accumulated depreciation	1,200,465	122,857	45,895	1,277,427
Total capital assets being depreciated, net	1,442,879	(11,334)	14,038	1,417,507
Governmental-type activities capital assets, net	\$ 21,674,290	\$ 1,038,030	\$ 716,188	\$ 21,996,132

Depreciation Expense for the current year is charged as follows:

Economic Development and Regulation	\$ 5,116
Social Services	7,216
Education and Cultural Resources	5,302
Natural Resources and Recreation	7,466
Health	10,202
General Government	15,682
Protection of Persons and Property	40,897
Transportation	30,976
Total Depreciation Expense	\$ 122,857

For the Fiscal year Ended September 30, 2018

The capital assets for business-type activities are:

BUSINESS-TYPE ACTIVITIES

(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 77,259	\$ —	\$ 180	\$ 77,079
Historical Exhibits	2,350	—	—	2,350
Construction in progress	5,383	15,737	11,986	9,134
Inexhaustible Intangible Assets	10	—	—	10
Total capital assets not being depreciated	85,002	15,737	12,166	88,573
Capital assets being depreciated:				
Buildings	682,223	5,872	4,690	683,405
Equipment	406,419	7,266	4,476	409,209
Software and Other Intangible Assets	3,266	7,582	—	10,848
Total capital assets being depreciated	1,091,908	20,720	9,166	1,103,462
Less accumulated depreciation				
Buildings	333,647	15,828	4,341	345,134
Equipment	221,994	14,032	2,729	233,297
Software and Other Intangible Assets	3,043	1,671	—	4,714
Total accumulated depreciation	558,684	31,531	7,070	583,145
Total capital assets being depreciated, net	533,224	(10,811)	2,096	520,317
Business-type activities capital assets, net	\$ 618,226	\$ 4,926	\$ 14,262	\$ 608,890
Depreciation Expense for the current year is charged as follows:				
State Port Authority	\$ 28,539			
Alcoholic Beverage Control Board	2,229			
Other Nonmajor Enterprise Funds	763			
Total Depreciation Expense	\$ 31,531			

For the Fiscal year Ended September 30, 2018

The capital assets for component units are:

COMPONENT UNITS
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 366,967	\$ 16,669	\$ 1,018	\$ 382,618
Historical Exhibits	128,682	2,401	106	130,977
Construction in progress	476,565	653,186	577,304	552,447
Total capital assets not being depreciated	972,214	672,256	578,428	1,066,042
Capital assets being depreciated:				
Buildings	11,212,554	598,638	41,755	11,769,437
Equipment	2,756,612	215,610	107,524	2,864,698
Software and Other Intangibles	159,515	25,196	2,333	182,378
Total capital assets being depreciated	14,128,681	839,444	151,612	14,816,513
Less accumulated depreciation				
Buildings	4,159,063	312,485	20,804	4,450,744
Equipment	2,098,133	167,676	91,719	2,174,090
Software and Other Intangible Assets	94,821	6,510	2,250	99,081
Total accumulated depreciation	6,352,017	486,671	114,773	6,723,915
Total capital assets being depreciated, net	7,776,664	352,773	36,839	8,092,598
Component Units capital assets, net	\$ 8,748,878	\$ 1,025,029	\$ 615,267	\$ 9,158,640
Depreciation Expense for the current year is charged as follows:				
University of Alabama	\$ 247,597			
Auburn University	80,089			
University of South Alabama	49,725			
Alabama Community College System	44,793			
Other Nonmajor Component Units	64,467			
Total Depreciation Expense	\$ 486,671			

For the Fiscal year Ended September 30, 2018

NOTE 5 - LIABILITIES

A. Future Commitments

1. Construction Projects

a. Primary Government

At September 30, 2018, the Department of Transportation had construction and maintenance contracts of \$2,357,914,000. The amount already performed was \$1,258,971,000, leaving an outstanding balance of \$1,098,943,000. The funding sources for this amount are 52 percent federal funds and 48 percent State and local funds.

The State Port Authority has contracts for several projects with estimated costs to complete of approximately \$93,600,000.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2018 of approximately \$282.3 million, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

Auburn University has entered into projects for the construction and renovation contracts for various facilities that are estimated to cost approximately \$578.2 million. At September 30, 2018, the estimated remaining cost to complete the projects was approximately \$254.9 million which will be funded from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2018. The estimated remaining costs to complete the construction and renovation was approximately \$64.6 million which is expected to be financed from private gifts, grants, bond proceeds, and University funds.

The University of Alabama at Huntsville contracted for the construction of various projects. At September 30, 2018, the estimated remaining cost to complete the construction was approximately \$34.1 million dollars which is expected to be financed from University funds.

At September 30, 2018, the University of South Alabama had commitments of approximately \$15.2 million for various capital projects.

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 has 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 costs of training employees.

As of September 30, 2018, the State has committed to funding economic development grants and training totaling \$560,532,000. Available cash for these commitments includes \$3,306,000 in Alabama Incentives Finance Authority bonds and \$14,382,000 in 2016-A General Obligation bonds. The State anticipates that of these commitments, \$440,336,000 will be paid in fiscal year 2020 and after.

4. Encumbrances

Encumbrances represent commitments related to unperformed contracts and purchase orders for goods and services. Encumbrances are reported within governmental funds as restricted, committed, or assigned fund balance. At September 30, 2018, there were encumbrances in the General Fund totaling \$2,937,000, the Education Trust Fund \$1,882,000, the Public Road and Bridge Fund \$70,148,000, the Medicaid Fund \$831,000, the Public Welfare Trust Fund \$3,453,000, the Alabama Trust Fund \$30,000, and non-major governmental funds \$30,076,000.

For the Fiscal year Ended September 30, 2018

B. Claims and Judgments

The Department of Transportation finances its own risk for state employee injury compensation. The Department had \$12,448,000 in claims liabilities at the end of the fiscal year.

The Public Education Employees' Health Insurance Board, a major component unit, has \$98,000,000.00 in claims and judgments for a special item disclosed in Note 14.

C. Pollution Remediation Obligations

Auburn University conducts groundwater monitoring, monitored natural attenuation and clean-up in accordance with the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances and Control Act. Additionally, asbestos abatement is necessary as older buildings on campus are demolished or renovated. The University, with the assistance of an outside consultant, prepared a 30-year Post Closure Cost Estimate related to all active and inactive solid waste management units managed through the University RCRA Facility permit. As of September 30, 2018, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is \$7,614,000. The current portion of \$4,594,000 is included in accounts payable and the long-term portion of \$3,020,000 is included in Noncurrent Liabilities: Due In More Than One Year in the accompanying Statements of Net Position. The University does not expect to recover any funds from insurance or other third parties related to these obligations.

D. Conduit Debt

Revenue bonds were issued by Alabama Housing Finance Authority, a component unit, which constituted conduit debt outstanding at year-end totaling \$118,744,000 to provide multifamily housing for the citizens of Alabama. The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds. Multifamily mortgage loans are collateralized by varying methods, including first-liens on multifamily residential rental properties located within the State of Alabama, letters of credit, surety bonds and guarantees provided by third parties. These bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State, and accordingly, have not been reported in the accompanying financial statements.

E. 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 debt prohibition does not apply to debts incurred by separate public corporations functioning as state instrumentalities. The State has followed the practice of financing many capital improvements and developmental grant programs 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, 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. These corporations are reported by blending them with the primary government. The State also enters into lease purchase agreements which are reported in accordance with generally accepted accounting principles as capital lease debt or notes payable.

2. General Obligation Bonds - Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing major capital projects for: State Port Authority's facilities, roads, bridges, Mobile harbor, state parks, youth services facilities, state buildings, conservation and preservation projects,

For the Fiscal year Ended September 30, 2018

forensic sciences laboratories, agricultural development, diagnostic and research laboratories, Improvements to the State's National Guard Armory 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
(Amounts in Thousands)

Maturity	Principal	Interest	Total
2019	\$ 54,940	\$ 24,563	\$ 79,503
2020	57,665	21,884	79,549
2021	60,740	19,102	79,842
2022	49,625	16,192	65,817
2023	42,440	13,910	56,350
2023-2027	180,790	39,904	220,694
2028-2032	76,820	11,946	88,766
2033-2037	29,085	1,778	30,863
Total	552,105	\$ 149,279	\$ 701,384
Unamortized Premium	57,528		
	\$ 609,633		

For the Fiscal year Ended September 30, 2018

GENERAL OBLIGATION BONDS PAYABLE
(Amounts in Thousands)

General Obligation Issue (Amounts in Thousands)	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2018
Series 2010 A - Refunding Bonds	03/23/10	06/01/21	3.00% to 5.00%	\$ 13,215
Series 2010 B - Refunding Bonds	03/23/10	06/01/21	3.00% to 4.00%	4,325
Series 2010 C - Refunding Bonds	05/11/10	06/01/21	3.30% to 5.00%	22,505
Series 2013 A - Refunding Bonds	08/01/13	08/01/25	0.20% to 3.30%	96,620
Series 2013 B	08/01/13	08/01/33	0.20% to 4.40%	26,890
Series 2013 C - Refunding Bonds	08/01/13	08/01/21	0.50% to 2.60%	775
Series 2014 A - Refunding Bonds	08/01/14	08/01/26	0.60% to 2.60%	167,270
Series 2016 A	02/24/16	11/01/36	0.56% to 3.14%	93,500
Series 2016 B	02/24/16	11/01/21	0.55% to 1.05%	21,865
Series 2016 C - Refunding Bonds	10/06/16	08/01/32	1.19% to 2.64%	105,140
Sub-total General Obligation Bonds				552,105
‡ Plus: Unamortized Premiums				57,528
Total General Obligation Bonds				\$ 609,633

‡ Unamortized premiums \$539 for Series 2010-A, \$74 for Series 2010-B, \$743 for Series 2010-C
\$6,570 for Series 2013-A, \$1,066 for Series 2013-B, \$15 for Series 2013-C, \$17,762 for Series 2014-A,
\$10,091 for Series 2016-A, \$1,449 for Series Series 2016-B and \$19,219 for Series 2016-C.

3. Revenue Bonds

a. Primary Government - Governmental Activities

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 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 are used for the payment of principal and interest on the bonds. A Municipal Bond Insurance Policy also guarantees payment of the bonds.

For the Fiscal year Ended September 30, 2018

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. Principal and interest paid for the current year and federal revenue were \$113,838,000 and \$945,506,000, respectively.

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. Principal and interest paid for the current year and the "in lieu of taxes" revenue were \$17,943,000 and \$14,866,000, respectively.

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. Principal and interest paid for the current year was \$272,016,000. Sales taxes, use taxes, leasing taxes, and utilities gross receipts and use taxes for the current year were \$2,656,156,000.

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. Principal and interest paid for the current year was \$2,100,000. Tobacco and liquor taxes for the current year were \$7,989,000.

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. Principal and interest paid for the current year and tobacco settlement revenue were \$15,912,000 and \$16,000,000, respectively.

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. Principal and interest paid for the current year and cellular radio telecommunication privilege and license taxes were \$1,838,000 and \$28,545,000, respectively.

The Alabama Highway Finance Corporation issues bonds for the purpose of funding the state's share of the cost of constructing roads and bridges that the federal government and state funds jointly. The 0.07 gasoline tax, 0.13 diesel fuel tax, 0.06 diesel fuel tax, motor carrier tax, inspection fees, and identification marker fees are used to pay the debt. Principal and interest paid for the current year and specified taxes were \$3,814,000 and \$391,086,000 respectively.

The Alabama Economic Settlement Authority issued bonds to deposit funds in the Alabama Trust Fund and the General Fund Rainy Day Account, to provide additional funds to the Alabama Medicaid Agency, for the payment of cost of certain transportation projects, and to create a special fund to be known as the BP Settlement Fund. Settlement of claims against BP Exploration and Production, Inc. and proceeds from the bonds issuance will be used for payment of the bond principal and interest. Principal and interest paid for the current year and the BP settlement revenue totaled \$50,420,000 and \$50,000,000, respectively.

For the Fiscal year Ended September 30, 2018

PRIMARY GOVERNMENT**Governmental Activities**

Revenue Bonds (Amounts in Thousands)	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2018
Alabama Building Renovation Finance Authority				
Series 2010	07/21/10	09/01/24	2.50% to 4.00%	\$ 13,450
Alabama Judicial Building Authority				
Series 2007	10/01/07	11/01/18	3.50% to 5.00%	1,365
Alabama Public Health Care Authority				
Series 2015	03/12/15	09/01/44	2.00% to 5.00%	53,415
Series 2016	04/24/16	09/01/35	0.75% to 3.12%	20,340
Alabama Federal Aid Highway Finance Authority				
Series 2012	12/06/12	09/01/26	0.35% to 2.40%	120,685
Series 2015	01/21/15	09/01/36	2.34% to 2.99%	517,480
Series 2016-A	11/23/16	09/01/36	3.11% to 3.28%	236,395
Series 2017-A	06/26/17	06/01/37	0.91% to 3.24%	403,665
Series 2017-B Refunding Bonds	06/26/17	09/01/26	1.56% to 2.02%	139,975
Alabama Incentives Finance Authority				
Series 2009-A Refunding Bonds	09/17/09	09/01/29	3.00% to 4.00%	15,920
Series 2009-B Refunding Bonds	09/17/09	09/01/29	1.93% to 4.00%	68,280
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	12,000
Series 2012-A	10/23/12	09/01/42	0.45% to 3.85%	123,385
Alabama Public School and College Authority				
Series 2007	12/5/07	12/01/27	2.50% to 5.00%	77,205
Series 2009-A Refunding Bonds	10/21/09	05/01/19	5.00% to 5.00%	36,935
Series 2009-B Refunding Bonds	10/21/09	05/01/19	3.00% to 5.00%	17,800
Series 2009-C	10/21/09	05/01/19	3.00% to 4.00%	1,715
Series 2009-D	12/03/09	12/15/25	3.70% to 3.70%	145,880
Series 2010-A Refunding Bonds	04/14/10	05/01/19	4.00% to 5.00%	32,085
Series 2010-Q	09/14/10	03/01/27	5.15% to 5.15%	154,727
Series 2010-C	11/29/10	12/01/20	2.48% to 2.48%	36,885
Series 2010-D	11/29/10	12/01/20	3.77% to 3.77%	7,155
Series 2011-A	06/02/11	05/01/26	4.60% to 4.60%	51,270
Series 2011-B Refunding Bonds	06/02/11	05/01/21	2.00% to 5.00%	18,130
Series 2012-A Refunding Bonds	02/29/12	03/01/24	3.00% to 5.00%	38,845
Series 2012-B Refunding Bonds	02/29/12	03/01/29	2.50% to 5.00%	61,030
Series 2012-C Direct Loan Bonds	10/31/12	11/01/22	1.55% to 1.55%	3,050
Series 2012-D Direct Loan Bonds	10/31/12	11/01/22	2.02% to 2.02%	14,970
Series 2013-A	06/24/13	06/01/33	3.00% to 5.00%	97,660
Series 2013-B	06/24/13	06/01/33	4.00% to 5.00%	50,050
Series 2013-C	10/09/13	09/01/33	1.48% to 4.10%	71,325
Series 2013-D	10/09/13	09/01/33	0.45% to 4.25%	19,970
Series 2014-A Refunding Bonds	05/15/14	02/01/26	0.20% to 2.72%	56,060
Series 2014-B	07/01/14	01/01/27	1.26% to 2.80%	546,850
Series 2015-A Refunding Bonds	04/16/15	05/01/24	1.45% to 2.17%	33,635
Series 2015-B Refunding Bonds	04/16/15	05/01/29	1.27% to 3.23%	47,610
Series 2015-C	04/16/15	06/01/29	0.37% to 2.98%	42,325
Sub-Total (Continued on next page)				\$ 3,389,522

For the Fiscal year Ended September 30, 2018

PRIMARY GOVERNMENT, Continued**Governmental Activities****Revenue Bonds****(Amounts in Thousands)**

	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2018
Sub-Total from previous page				\$ 3,389,522
Alabama Public School and College Authority (Continued)				
Series 2016-A	06/23/16	06/01/36	0.75% to 3.00%	27,255
Series 2017-A	10/24/17	12/01/37	1.05% to 3.24%	18,455
Mental Health Finance Authority				
Series 2012	07/01/12	06/01/23	2.12% to 2.12%	9,965
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2012	03/08/12	06/01/21	3.00% to 5.00%	43,455
Alabama Revolving Loan Fund Authority				
Series 2010	12/01/10	03/01/30	2.50% to 6.13%	14,190
Alabama Highway Finance Corporation				
Series 2014	06/01/14	06/01/21	1.70% to 1.70%	11,065
Alabama Economic Settlement Authority				
Series 2016-A	12/01/16	09/01/33	4.24% to 4.29%	80,925
Series 2016-B	12/01/16	09/01/32	3.16% to 4.26%	521,035
Sub-total Revenue Bonds Payable				4,115,867
§ Plus: Unamortized Premiums				315,547
† Less: Unamortized Discounts				(2,311)
Net Primary Government				
Revenue Bonds Payable, Governmental Activities				\$ 4,429,103

§ Unamortized premium is \$187,351 for Federal Aid Highway Finance Authority, \$957 for Building Renovation Finance Authority, \$8 for the Judicial Building Authority, \$2,268 for the Alabama Twenty-first Century Authority, \$5,403 for the Alabama Public Health Care Authority, \$107,580 for the Alabama Public School and College Authority, \$11,955 for the Incentives Financing Authority, and \$25 for the Alabama Revolving Loan Authority.

† Unamortized discount is \$2,311 for the Alabama Settlement Authority.

b. Primary Government - Business-Type Activities

The Alabama State Port Authority issues 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. The Series 2008-A bonds pays a variable rate that is indexed to LIBOR (London Interbank Offered Rate). The Authority is in compliance with all debt covenants as of September 30, 2018. Principal and interest paid for the current year and gross revenues were \$23,109,000 and \$134,936,000, respectively.

For the Fiscal year Ended September 30, 2018

PRIMARY GOVERNMENT**Business-Type Activities****Revenue Bonds, Proprietary Funds****(Amounts in Thousands)**

	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2018
State Port Authority				
Series 2008-A	04/01/08	10/01/21	Variable	\$ 29,955
Series 2017-A	02/23/17	10/01/35	1.12% to 3.89%	121,995
Series 2017-B	02/23/17	10/01/20	1.41% to 1.85%	12,100
Series 2017-C	02/23/17	10/01/36	3.68% to 3.68%	6,130
Series 2017-D	02/23/17	10/01/40	1.32% to 4.72%	132,270
Series 2018	03/29/18	04/01/21	2.38% to 2.38%	50,000
Sub-total Revenue Bonds Payable, Proprietary Funds				352,450
Plus: Unamortized Premium				14,719
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 367,169

Revenue Bonds**Debt Service Requirements to Maturity****(Amounts in Thousands)**

Maturity	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 314,830	\$ 179,846	\$ 11,825	\$ 14,255
2020	247,535	165,283	12,425	13,858
2021	257,780	154,054	63,060	12,932
2022	226,060	142,575	12,985	11,856
2023	224,890	132,410	11,825	11,623
2024-2028	1,452,017	492,520	49,615	51,730
2029-2033	834,470	238,771	60,340	38,910
2034-2038	487,645	75,537	74,190	22,360
2039-2043	66,050	10,089	56,185	3,786
2044	4,590	230	—	—
Total Debt Service	4,115,867	\$ 1,591,315	352,450	\$ 181,310
Unamortized Premiums	315,547		14,719	
Unamortized Discounts	(2,311)		—	
Total Bonds Payable	\$ 4,429,103		\$ 367,169	

e. Component Units

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.

For the Fiscal year Ended September 30, 2018

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 Finance Authority issues bonds to provide funds which are used to make 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 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 (Amounts in Thousands)	Issued	Date	Rates	Sept. 30, 2018
Alabama Housing Finance Authority				
Single Family Bond Programs	2000-2016	2018-2039	2.43 to 7.80%	\$ 16,743
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds	2,010	2021-2023	2.00% to 4.00%	48,835
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds	2012-2015	2024-2027	0.05% to 5.00%	40,760
Alabama Space Science Exh Finance Authority	2014	2032	2.72% to 5.09%	9,444
Higher Education				
University of Alabama - Tuscaloosa	2008-2017	2019-2047	1.00% to 6.28%	962,710
University of Alabama - Birmingham	2005-2016	2019-2044	1.00% to 5.80%	909,861
University of Alabama - Huntsville	1980-2018	2020-2048	0.73% to 6.13%	121,929
Athens State	2007-2015	2024-2030	2.35% to 6.30%	13,691
Alabama A&M University	2015	2030-2045	2.02% to 5.00%	87,195
Alabama State University	1982-2012	2022-2042	2.00% to 5.43%	213,443
Auburn University	1978-2018	2019-2048	1.50% to 5.49%	833,049
Jacksonville State University	2009-2017	2023-2039	various	119,805
University of West Alabama	2011-2012	2041-2042	various	48,160
University of Montevallo	1985-2017	2023-2047	1.54% to 5.00%	47,877
University of North Alabama	2010-2014	2035-2044	2.00% to 6.55%	72,170
Alabama Community College System	various	various	various	260,893
University of South Alabama	1999-2017	2019-2038	2.00% to 6.55%	351,283
Troy University	2009-2015	2020-2037	various	148,090
Total Revenue Bonds Payable				4,305,938
Less: Unamortized Discounts †				(1,423) †
Plus: Unamortized Premium §				202,577 §
				<u>\$ 4,507,092</u>

† Unamortized discounts were \$3 for the University of South Alabama, \$93 for Jacksonville State University, \$518 for the University of North Alabama, \$627 for Alabama State University and \$182 for the University of West Alabama.

§ Unamortized premiums were \$40,148 for the University of Alabama - Tuscaloosa, \$85,656 for Auburn University, \$20,761 for the University of South Alabama, \$381 for the Water Pollution Control Authority, \$31 for Alabama State University, \$34,579 for the University of Alabama - Birmingham, \$2 for the University of West Alabama, \$5,892 for Jacksonville State University, \$1,542 for the Alabama Drinking Water Authority, \$4,884 for Troy University, \$5,517 for the University of Alabama - Huntsville, \$1,224 for the University of North Alabama and \$1,960 for the University of Montevallo.

For the Fiscal year Ended September 30, 2018

COMPONENT UNITS
Debt Service Requirements to Maturity
(Amounts in Thousands)

Maturity	Principal	Interest	Total
2019	\$ 182,099	\$ 173,446	\$ 355,545
2020	182,263	169,662	351,925
2021	187,659	162,720	350,379
2022	183,964	153,671	337,635
2023	190,062	146,859	336,921
2024-2028	931,638	622,327	1,553,965
2029-2033	930,941	433,310	1,364,251
2034-2038	860,765	243,926	1,104,691
2039-2043	479,348	85,327	564,675
2044-2048	160,704	20,391	181,095
2049-2053	8,695	2,618	11,313
2054-2057	7,800	787	8,587
Total	4,305,938 †	\$ 2,215,044	\$ 6,520,982
Unamortized Discount	(1,423)		
Unamortized Premium	202,577		
	\$ 4,507,092		

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

4. Refunded 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.

a. Primary Government

The primary government did not refund any bonds during fiscal year 2018.

b. Component Units

Component units did not refund any bonds during fiscal year 2018.

For the Fiscal year Ended September 30, 2018

c. Advance Refunded Bonds

Advance refunded bonds with remaining balances at September 30, 2018:

Primary Government	Amount
General Obligation 2010-D	\$ 83,975,000
Alabama Public School & College Authority 2009-A	35,035,000
Alabama Public School & College Authority 2009-C	22,415,000
Alabama Federal Aid Highway Finance Authority	146,215,000
Alabama State Port Authority Refunded Bonds	106,045,000
Component Units	
University of South Alabama	93,540,000

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. At September 30, 2018, there were no known outstanding liabilities for arbitrage.

This arbitrage information is based on 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.

For the Fiscal year Ended September 30, 2018

6. Bonds Authorized But Not Issued

(Amounts in Thousands)

Primary Government	Authorized	Issued	Unissued
General Obligation Bonds §			
State of Alabama - Constitutional Amend 666	\$ 750,000	\$ 489,420	\$ 260,580
State of Alabama - Constitutional Amend 887	50,000	26,695	23,305
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	83,000	19,000	64,000
Public Health Finance Authority	45,000	—	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	—	13,000
Garrett Coliseum Redevelopment Corporation	100,000	—	100,000
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		
State Industrial Development Authority †	100,000	38,390	61,610
Mental Health Finance Authority	100,000	99,981	19
Alabama Public School and College Authority-Pool Bonds	Unlimited		
Alabama Public School and College Authority-Capital Improvement Bonds	308,000	205,710	102,290
Total Reporting Entity	\$ 1,579,000	\$ 886,196	\$ 692,804

§ Constitutional amendment 666, as amended, limits the aggregate outstanding general obligation bonds to \$750,000,000.

The aggregate limit does not include general obligation bonds authorized by other constitutional amendments.

Constitutional amendment 887 authorized \$50,000,000 in General Obligation Bonds for the National Guard Amory.

† 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 September 30, 2018, there were no bonds outstanding.

7. Derivative Transactions - Interest Rate Swaps

University of South Alabama - The University is party to two derivatives with Wells Fargo Bank, the counterparty. In December 2013, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2004 Bonds to enter into an interest rate swap agreement with the University with an effective date of March 15, 2014. The resulting derivative is a 'receive-variable, pay-fixed' interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2004 Bonds, the University redeemed those bonds with the proceeds from the Series 2014-A Bonds.

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a 'receive-variable, pay-fixed' interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with the proceeds from the Series 2016-B, C, and D Bonds.

For the Fiscal year Ended September 30, 2018

Objective of the Transactions

Both interest rate swaps were the result of the original January 2008 synthetic advance refunding of the Series 2004 and Series 2006 Bonds. The objective of these transactions was to realize debt service savings currently from future debt refunding and create an economic benefit for the University.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on the annual rate of 4.9753% and receive on a monthly basis a variable payment of 68% of the one-month LIBOR plus .25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus .73%.

The 2016 swap will terminate in December 2036, when the Series 2016-B, C, and D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives a variable payment of 68% of the one-month LIBOR plus .25%. Conversely, the Series 2016-B, C, and D Bonds bear a weighted average interest on a monthly basis of 68% of the one month LIBOR rate plus .79%.

Fair Value

The 2014 interest rate swap had a negative fair value of approximately \$(9,138,000) at its inception. The amount, net of any amortization and adjustments to the fair value amount, is reported as a borrowing arising from the 2014 interest rate swap as other long-term liabilities in the amount of \$(3,597,000) in the Statement of Net Position at September 30, 2018. The change in the fair value of \$2,268,000 during the year ended September 30, 2018, is reported as a deferred inflow and contra liability in the statement of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2014 interest rate swap totaled \$1,429,000 at September 30, 2018.

The 2016 interest rate swap had a negative fair value of approximately \$(48,530,000) at its inception. This amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2016 interest rate swap as other long-term liabilities in the amount of \$(30,229,000) in the statement of net position at September 30, 2018. The change in fair value of the swap of \$9,514,000 during the year ended September 30, 2018, is reported as a deferred inflow and contra liability in the statement of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2016 interest rate swap totaled \$13,308,000 at September 30, 2018.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by a yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Risks Associated with these Transactions***Interest Rate Risk***

As the LIBOR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payments on the Series 2014-A and Series 2016-B, C and D Bonds. The University's exposure is limited to .48% and .54% of the notional amounts, the difference in the payment from the counterparty and the interest payment on the Series 2014-A and the Series 2016-B, C, and D Bonds.

Credit Risk

As of September 30, 2018, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standards and Poor's Ratings Services as of September 30, 2018.

Termination Risk

The University may be required to terminate the swaps based on certain standard default and termination events, such as failure to make payments, breach of agreements, and bankruptcy. As of the current date, no events of termination have occurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

Derivative Payments and Hedged Debt

As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2018, and calculating interest for subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year are as follows (amounts in thousands):

Fiscal Year	Variable Rate Loan		Interest Rate	
	Principal	Interest	Swap, Net	Total
2019	\$ 665	\$ 820	\$ 1,291	\$ 2,776
2020	6,925	798	1,106	8,829
2021	7,280	640	877	8,797
2022	7,655	463	646	8,764
2023	8,050	284	397	8,731
2024	8,455	96	135	8,686
Totals	<u>\$ 39,030</u>	<u>\$ 3,101</u>	<u>\$ 4,452</u>	<u>\$ 46,583</u>

Debt Service requirements for the 2016 interest rate swap payments, by fiscal year, are as follows (amounts in thousands):

Fiscal Year	Variable Rate Loan		Interest Rate	
	Principal	Interest	Swap, Net	Total
2019	\$ 0	\$ 2,178	\$ 3,362	\$ 5,540
2020	—	2,358	3,183	5,541
2021	—	2,362	3,177	5,539
2022	—	2,341	3,199	5,540
2023	—	2,338	3,202	5,540
2024-2028	24,180	10,603	14,470	49,253
2029-2033	37,890	6,693	9,220	53,803
2034-2037	37,930	1,621	2,661	42,212
Totals	<u>\$ 100,000</u>	<u>\$ 30,494</u>	<u>\$ 42,474</u>	<u>\$ 172,968</u>

For the Fiscal year Ended September 30, 2018

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity			
(Amounts in Thousands)			
	Governmental Activities Principal	Business-Type Activities Principal	Component Units Principal
Maturity			
2019	\$ 22,762	\$ 0	\$ 24,029
2020	21,718	1,117	23,866
2021	21,077	—	34,049
2022	17,938	—	15,999
2023	15,286	—	10,128
2024-2028	76,786	—	53,431
2029-2033	50,741	—	38,679
2034-2038	13,751	—	34,794
2039-2043	5,236	—	3,039
2044-2048	763	—	2,435
2049-2052	347	—	—
Total	246,405	1,117	240,449
Interest	(57,696)	—	(49,296)
Net	\$ 188,709	\$ 1,117	\$ 191,153

At September 30, 2018, assets recorded under capital leases were as follows:

	Governmental Activities
	(Amts in Thousands)
Buildings	\$ 168,288
Less: accumulated depreciation	(71,535)
Total	\$ 96,753

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.

For the Fiscal year Ended September 30, 2018

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	\$ 604,515	\$ 0	\$ 52,410	\$ 552,105	\$ 54,940
Revenue Bonds	4,393,397	18,455	295,985	4,115,867	314,830
Total Bond Principal	4,997,912	18,455	348,395	4,667,972	369,770
Plus: Premiums	432,141	1,421	60,487	373,075	—
Less: Discounts	2,469	—	158	2,311	—
Total Bonds Payable	5,427,584	19,876	408,724	5,038,736	369,770
Capital Leases/Notes/Mortgages	192,296	12,080	15,667	188,709	15,737
Claims & Judgments	79,805	15,560	8,355	87,010	6,065
Compensated Absences †	278,049	164,979	156,577	286,451	24,251
Net Pension Liabilities	3,620,333	837,438	1,163,072	3,294,699	—
Net OPEB Liability	3,234,202	207,033	457,752	2,983,483	—
Total Governmental Activities	12,832,269	1,256,966	2,210,147	11,879,088	415,823
Business-type Activities:					
Revenue Bonds	327,401	50,000	10,232	367,169	11,825
Capital Leases/Notes/Mortgages	1,217	—	100	1,117	—
Claims & Judgments	13,301	25,333	22,196	16,438	13,414
Compensated Absences †	10,641	3,670	3,091	11,220	3,401
Net Pension Liabilities	89,140	15,722	21,949	82,913	—
Net OPEB Liability	138,371	8,585	18,994	127,962	—
Other Long-Term Liabilities ‡	6,579	—	1,198	5,381	156
Total Business-Type Activities	586,650	103,310	77,760	612,200	28,796
Total Primary Government	\$ 13,418,919	\$ 1,360,276	\$ 2,287,907	\$ 12,491,288	\$ 444,619
Component Units:					
Revenue Bonds	\$ 4,298,426	\$ 553,398	\$ 344,732	\$ 4,507,092	\$ 183,246
Capital Leases/Notes/Mortgages	197,820	31,563	38,230	191,153	18,149
Compensated Absences †	181,918	3,448	4,484	180,882	141,668
Net Pension Liabilities	4,305,023	1,301,297	1,706,225	3,900,095	—
Net OPEB Liabilities	2,215,837	276,278	159,682	2,332,433	—
Claims & Judgments	113,329	1,312,697	1,213,383	212,643	138,265
Other Long-Term Liabilities §	165,760	4,711	40,548	129,923	—
Total Component Units	\$ 11,478,113	\$ 3,483,392	\$ 3,507,284	\$ 11,454,221	\$ 481,328

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

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

§ Other Long-term liabilities are payable as follows: University of Alabama \$25,546, Agricultural Development Authority \$65, Auburn University \$25,629, University of South Alabama, \$72,358, University of North Alabama, \$277, the Alabama Community College System, \$6,028, and Athens State University, \$20.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal year Ended September 30, 2018

NOTE 6 - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

All of the deferred inflows of resources which total \$531,515,000 reported in the Balance Sheet of the Governmental Funds are unavailable revenues that are not recognized as revenue under the modified accrual basis of accounting in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The other Deferred Outflows of Resources and Deferred Inflows of Resources are summarized in the following tables.

(Amounts in Thousands)

Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
Deferred Outflows of Resources				
Hedging Interest Rate Swap	\$ 0	\$ 0	\$ 0	\$ 1,442
Losses from Bond Refundings	49,455	17,695	67,150	107,435
Pension Related	355,934	9,593	365,527	641,581
OPEB Related	119,778	5,055	124,833	354,820
Total Deferred Outflows of Resources	\$ 525,167	\$ 32,343	\$ 557,510	\$ 1,105,278
Deferred Inflows of Resources				
Hedging Interest Rate Swap	\$ 0	\$ 0	\$ 0	\$ 14,737
Gains from Bond Refundings	3,407	—	3,407	6,433
Advance Grant Revenue	—	—	—	171
Split Interest - Remainder Interest	—	—	—	7,243
Pension Related	255,226	8,032	263,258	493,358
OPEB Related	334,456	15,028	349,484	270,808
Total Deferred Inflows of Resources	\$ 593,089	\$ 23,060	\$ 616,149	\$ 792,750

Business-Type Activities

Enterprise Funds

(Amounts in Thousands)

	State Port Authority	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Total Business-Type Activities
Deferred Outflows of Resources				
Losses from Bond Refundings	\$ 17,695	\$ 0	\$ 0	\$ 17,695
Pension Related	2,940	5,683	970	9,593
OPEB Related	1,452	3,383	220	5,055
Total Deferred Outflows of Resources	\$ 22,087	\$ 9,066	\$ 1,190	\$ 32,343
Deferred Inflows of Resources				
Pension Related	\$ 3,150	\$ 4,273	\$ 609	\$ 8,032
OPEB Related	5,310	9,381	337	15,028
Total Deferred Inflows of Resources	\$ 8,460	\$ 13,654	\$ 946	\$ 23,060

(Amounts in Thousands)

Component Units

	Housing Finance Authority	University of Alabama	Auburn University	University of South Alabama	Public Educ Emp Health Insurance	Alabama Community College System	Nonmajor Component Units	Total Component Units
Deferred Outflows of Resources								
Hedging Interest Rate Swap	\$ 0	\$ 0	\$ 0	\$ 1,442	\$ 0	\$ 0	\$ 0	\$ 1,442
Losses from Bond Refundings	—	37,267	46,219	7,051	—	1,824	15,074	107,435
Pension Related	4,311	301,661	129,323	39,968	691	75,579	90,048	641,581
OPEB Related	—	183,167	65,771	40,450	96	13,543	51,793	354,820
Total Deferred Outflows of Resources	\$ 4,311	\$ 522,095	\$ 241,313	\$ 88,911	\$ 787	\$ 90,946	\$ 156,915	\$ 1,105,278
Deferred Inflows of Resources								
Hedging Interest Rate Swap	\$ 0	\$ 0	\$ 0	\$ 14,737	\$ 0	\$ 0	\$ 0	\$ 14,737
Gains from Bond Refundings	—	54	—	4,122	—	2,257	—	6,433
Advance Grant Revenue	—	—	171	—	—	—	—	171
Split Interest - Remainder Interest	—	7,243	—	—	—	—	—	7,243
Pension Related	—	229,152	63,638	52,224	336	65,267	82,741	493,358
OPEB Related	—	105,867	35,739	27,963	338	45,775	55,126	270,808
Total Deferred Inflows of Resources	\$ 0	\$ 342,316	\$ 99,548	\$ 99,046	\$ 674	\$ 113,299	\$ 137,867	\$ 792,750

For the Fiscal year Ended September 30, 2018

NOTE 7 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES**A. Interfund Balances**

Interfund balances as of September 30, 2018 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	Non-major Governmental	Unemployment Compensation	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ 0	\$ 87	\$ 52	\$ 0	\$ 0	\$ 1,511	\$ 0	\$ 12,479	\$ 0	\$ 9	\$ 0	\$ 14,138
Education Trust	—	—	—	—	—	40	—	741	—	—	—	781
Alabama Trust	—	—	—	—	—	—	—	—	—	—	—	—
Medicaid Fund	435	512	—	—	1,963	16,308	—	—	—	—	—	19,218
Public Road & Bridge Fund	25	4	—	—	235	146	—	—	—	377	—	787
Public Welfare Trust Fund	—	15	7,000	—	—	400	—	7,058	—	11	—	14,484
Nonmajor Governmental	10,892	9,553	58,264	2,582	2,655	16,626	—	3,175	818	67	—	104,632
Unemployment Compensation	—	—	—	—	—	25	—	—	—	—	—	25
Alcoholic Beverage Control Board	—	—	—	—	—	4	—	—	—	—	—	4
Nonmajor Enterprise Funds	2,707	10	—	—	—	5,291	—	—	—	834	—	8,842
Internal Service Funds	1,713	711	1,620	1,288	2,783	6,800	—	182	—	792	3	15,892
Fiduciary Funds	49	—	—	—	—	152	—	—	—	—	—	201
Totals	\$ 15,821	\$ 10,892	\$ 66,936	\$ 3,870	\$ 7,636	\$ 47,303	\$ 0	\$ 23,635	\$ 818	\$ 2,090	\$ 3	\$ 179,004

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

The General Fund has interfund payables totaling \$15,821,000 in total. Of that amount, \$10,892,000 is to due to Nonmajor Governmental Funds. The majority of the interfund payables is \$4,060,000 due to Department of Corrections, \$3,649,000 due to Public Health, \$3,136,000 owed to Alabama Department of Economic and Community Affairs, and \$33,000 due to the Department of Commerce.

The Education Trust Fund has interfund payables of \$10,892,000 in total. Of that amount \$9,553,000 was payable to Nonmajor Governmental Funds.

Medicaid owed \$7,000,000 to the Public Welfare Trust Fund and \$58,264,000 to Nonmajor Governmental Funds. Of the amount owed to Nonmajor Governmental Funds, \$39,815,000 is due to Mental Health, \$6,705,000 is due to Senior Services, \$8,179,000 is due to Public Health, \$2,842,000 is due to Youth Services with the remainder due to Rehabilitation Services, Attorney General and Legislative Reference Services.

For the Fiscal year Ended September 30, 2018

Nonmajor Governmental Funds have interfund payables totaling \$47,303,000. Of that amount, \$16,308,000 is owed to Medicaid, \$16,626,000 is owed to other Nonmajor Governmental Funds, and \$6,800,000 is owed to Internal Service Funds for goods and services.

The Alcoholic Beverage Control Board (ABC) has interfund payables totaling \$23,635,000. ABC owed \$12,479,000 to the General Fund and \$7,058,000 to the Public Welfare Trust Fund. ABC is required by law to distribute profits and certain taxes collected to those two funds and local governments. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

Nonmajor Governmental Funds has the largest interfund receivables, at \$104,632,000. More than half, or \$58,264,000 is due from Medicaid. The Medicaid Fund has the second most interfund receivables at \$19,218,000. \$11,190,000 of that amount is due from Department of Mental Health, a Nonmajor Governmental Fund. The Internal Service Funds rank third in interfund receivables, at \$15,892,000. The Internal Service Fund receivables 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.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2018, consisted of (amounts in thousands):

PAYABLE BY	Alabama Community College System	Nonmajor Component Units
General Fund	\$ 0	\$ 173
Education Trust Fund	—	77
Public Road and Bridge Fund	—	6
Public Welfare Trust Fund	95	1
Nonmajor Governmental	—	442
Alcoholic Beverage Control Board	—	2
Internal Service Funds	—	502
Nonmajor Enterprise	—	5
Primary Government	—	4,702
Totals	\$ 95	\$ 5,910

Water Pollution Control Authority, a Nonmajor component unit, has a long term receivable of \$4,702,000 that is due from the primary government as a whole. The second largest payable of \$502,000 is a short term payable owed by Internal Service Funds to SEIB.

Balances owed to state funds by component units at September 30, 2018 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM				
	University of Alabama	Public Education Employees' Health Insur	Alabama Community College System	Nonmajor Component Units	Total
Public Road and Bridge Fund	\$ 0	\$ 0	\$ 0	\$ 5	\$ 5
Nonmajor Governmental	65,166	815	—	6,601	72,582
Nonmajor Enterprise	—	—	—	10	10
Internal Service Funds	—	2	1	37	40
Totals	\$ 65,166	\$ 817	\$ 1	\$ 6,653	\$ 72,637

For the Fiscal year Ended September 30, 2018

The component units of the State owe \$72,637,000 to various funds of the State. The largest amount, \$65,166,000, is owed by the University of Alabama to the Department of Mental Health for the purchase of the Bryce Hospital property and the construction of replacement facilities and to the Department of Conservation for a construction contract related to the Gulf State Park Project. \$6,601,000 is owed to Nonmajor Governmental funds by Nonmajor Component Units. Of that amount, \$151,000 is owed by the Water Pollution Control Authority. This payable is owed to the Department of Environmental Management primarily for administrative and payroll costs. State Insurance Fund, a Nonmajor Enterprise Fund, financed building renovations for Crime Victims Compensation, a Nonmajor Component Unit in the amount of \$10,000 for a period of less than one year. The Internal Service Fund receivable of \$40,000 is owed for routine billings of services rendered.

C. Balances between Component Units

There were not any balances owed between component units at September 30, 2018.

D. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2018 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN												
	Alabama			Public Road &	Public Welfare	Non-major	Unemployment	Alcoholic Beverage	Non-major	Internal	Fiduciary	Total	
	General Fund	Trust Fund	Medicaid Fund	Bridge Fund	Trust Fund	Governmental	Compensation	Control Board	Enterprise	Service Funds	Funds		
General Fund	\$ 0	\$ 0	\$ 21,727	\$ 16	\$ 62,516	\$ 295,292	\$ 0	\$ 0	\$ 0	\$ 4,195	\$ 0	\$ 383,746	
Education													
Trust Fund	—	—	7,461	—	31,285	100,742	—	—	4,383	1,471	62,783	208,125	
Alabama Trust	96,783	—	—	—	—	65,939	—	—	—	—	—	162,722	
Medicaid	—	—	—	—	63,362	750,160	—	—	—	—	—	813,522	
Public Road													
& Bridge Fund	—	—	—	—	—	195,553	—	—	—	1,112	—	196,665	
Public Welfare													
Trust Fund	—	—	34,460	551	—	52,543	—	—	—	680	—	88,234	
Nonmajor													
Governmental	119,265	1,686	324,481	395,171	2,065	623,647	228	60	—	12,374	—	1,478,977	
Unemployment													
Compensation	—	—	—	—	—	10,018	—	—	—	—	—	10,018	
State Port Auth	—	—	—	—	—	63	—	—	—	—	—	63	
Alcoholic													
Beverage													
Control Board	23,555	—	—	—	—	18,968	—	—	—	182	—	42,705	
Nonmajor													
Enterprise	—	—	—	—	—	11,661	—	—	—	16	—	11,677	
Internal													
Service Funds	—	—	—	—	—	609	—	—	—	5,982	—	6,591	
Fiduciary Funds	—	—	—	—	—	1,949	—	—	—	—	—	1,949	
Totals	\$ 239,603	\$ 1,686	\$ 388,129	\$ 395,738	\$ 159,228	\$ 2,127,144	\$ 228	\$ 60	\$ 4,383	\$ 26,012	\$ 62,783	\$ 3,404,994	

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 \$383,746,000 transferred to other funds by the General Fund, \$200,904,000 was transferred in compliance with the appropriation acts. Of that amount, \$62,516,000 was transferred to the Public Welfare Trust Fund, \$59,000,000 was transferred to the Fair Trial Tax Fund, a Nonmajor Governmental Fund, and \$76,356,000 was transferred to the Miscellaneous Special Revenue

For the Fiscal year Ended September 30, 2018

Funds, a Nonmajor Governmental Fund. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$208,125,000 transferred out of the Education Trust Fund, \$146,157,000 was transferred in compliance with the appropriation acts. Of that amount, the Prepaid Affordable College Tuition Fund (PACT), a Fiduciary Fund, received \$62,783,000, the Public Welfare Trust Fund received \$31,285,000, and the Mental Health Department received \$48,496,000. The remaining Education Trust Fund transfers were made in small amounts to comply with various statutes.

The Alcoholic Beverage Control Board transferred \$23,555,000 to the General Fund which represents the General Fund's statutorily mandated share of the Board's profits. Also, \$16,896,000 was transferred to the Miscellaneous Special Revenue Funds for law enforcement purposes in compliance with the appropriation acts.

The Alabama Trust Fund, in compliance with amendments to the Constitution of Alabama of 1901, is required to transfer a substantial portion of its earnings to other funds. In compliance with these amendments, the General Fund received \$96,783,000 and the Nonmajor Governmental Funds received \$65,939,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received \$14,026,000, the County Government Capital Improvement Fund received \$14,026,000, the Municipal Government Capital Improvement Fund received \$14,026,000, the Alabama Capital Improvement Trust Fund received \$19,152,000, the County and Municipal Capital Improvement Trust Fund received \$3,306,000 and the Senior Services Trust Fund received \$1,403,000.

Medicaid transferred out \$63,362,000 to the Public Welfare Trust and \$750,160,000 to Nonmajor Governmental Funds to fund services provided to Medicaid recipients. Within Nonmajor Governmental Funds, the Department of Mental Health received \$512,596,000, the Department of Public Health received \$105,551,000, and the Department of Senior Services received \$84,359,000. The Department of Youth Services and the Department Rehabilitation Services were the other Nonmajor Governmental Fund recipients.

NOTE 8 - RISK MANAGEMENT

A. Finance Department Division of 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. 72, "Fair Value Measurement and Application," 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 a professional actuary based on prior claims data. 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.

For the Fiscal year Ended September 30, 2018

1. 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. Salvage value coverage, used on property that is normally uninsurable, is determined by applying eight percent of the property's reconstruction value. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund. The State of Alabama, 122 city and county boards of education, and 19 entities in which State funds were used for capital acquisitions are participants in the pool.

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 or aggregate annual deductible and a \$3,500,000 specific loss retention for all perils other than wind from named or numbered storms, and a \$10,000,000 specific loss retention level for named and numbered wind losses. Excess insurance covers claims exceeding the retention levels with a \$500,000,000 limit for named or numbered wind storms and a \$2,000,000,000 limit for all other perils. Payments received in fiscal years 2018, 2017, and 2016 for settlements in excess of deductibles totaled \$33,787,148, \$3,142,713, and \$0 respectively.

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

(Amounts in Thousands)

	September 30,	
	2018	2017
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 9,826	\$ 7,175
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	25,900	12,822
Increase (Decrease) in provision for insured events of prior years	(567)	(6)
Total incurred claims and adjustment expenses	25,333	12,816
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(14,493)	(5,240)
Claims and adjustment expenses attributable to insured events of prior years	(7,026)	(4,925)
Total payments	(21,519)	(10,165)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 13,640</u>	<u>\$ 9,826</u>

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

2. 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 insured and the insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and

For the Fiscal year Ended September 30, 2018

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 procured in fiscal year 2016 but not renewed in fiscal years 2017 and 2018. There were no payments received in fiscal years 2018, 2017, and 2016 for settlements in excess of deductibles for old claims.

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

(Amounts in Thousands)

	September 30,	
	2018	2017
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 25,054	\$ 21,219
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	4,503	5,095
Increase (Decrease) in provision for insured events of prior years	1,261	3,281
Total incurred claims and adjustment expenses	5,764	8,376
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(303)	(295)
Claims and adjustment expenses attributable to insured events of prior years	(2,809)	(4,246)
Total payments	(3,112)	(4,541)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 27,706	\$ 25,054

3. 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.

For the Fiscal year Ended September 30, 2018

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

(Amounts in Thousands)

	September 30,	
	2018	2017
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,821	\$ 27,845
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	6,968	6,761
Increase (Decrease) in provision for insured events of prior years	(2,172)	(336)
Total incurred claims and adjustment expenses	4,796	6,425
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,751)	(2,008)
Claims and adjustment expenses attributable to insured events of prior years	(2,292)	(3,441)
Total payments	(4,043)	(5,449)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 29,574	\$ 28,821

The Department of Transportation finances its own risk for state employee injury compensation. This table includes the changes in claims liabilities for the Department of Transportation as well as Risk Management. Claims liabilities at the beginning of the year for Transportation totaled \$10,784,000, and total claims payments were \$671,000 in 2018. The Department of Transportation had \$12,448,000 in claims liabilities at the end of the year.

B. Health Insurance Plans

1. 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 estimated future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. 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.

For the Fiscal year Ended September 30, 2018

The following table represents changes in claims liabilities for SEIB during the past two years:

(Amounts in Thousands)	September 30,	
	2018	2017
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,601	\$ 27,215
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	291,224	267,781
Adjustment to estimated claims incurred but not reported at end of year	(3,683)	5,756
Total incurred claims and adjustment expenses	287,541	273,537
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(271,391)	(261,574)
Claims and adjustment expenses attributable to insured claims of prior years	(17,525)	(10,577)
Total payments	(288,916)	(272,151)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 27,226</u>	<u>\$ 28,601</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.

2. 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. The employer rate per participant was \$800 in 2018 and \$800 in 2017. 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. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

For the Fiscal year Ended September 30, 2018

The following table presents the changes in claims liabilities during 2018 and 2017:

(Amounts in Thousands)

	September 30,	
	2018	2017
Unpaid claims and claim adjustment expense at beginning of year	\$ 83,266	\$ 90,640
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	932,360	915,736
Increase (Decrease) in provision for insured events of prior years	(5,274)	(5,209)
Total incurred claims and adjustment expenses	927,086	910,527
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(847,201)	(832,470)
Claims and adjustment expenses attributable to insured events of prior years	(77,992)	(85,431)
Total payments	(925,193)	(917,901)
Total unpaid claims and adjustment expenses at end of year	\$ 85,159	\$ 83,266

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development. Also, \$98,000,000 is reported in claims and judgments for a special item disclosed in Note 14.

3. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Each claim for a loss in excess of the established self-insured retention of \$750,000 or \$1,000,000, depending on the classification code of the affected employee, is covered up to a \$25 million policy limit. 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 past two years:

(Amounts in Thousands)

	September 30,	
	2018	2017
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 3,475	\$ 3,255
Provision for claims	(509)	720
Total payments	(167)	(500)
Reported claims payable and estimated claims payable incurred but not reported at end of year	\$ 2,799	\$ 3,475

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

NOTE 9 - DEFERRED COMPENSATION

The State offers employees the opportunity to participate in optional deferred compensation plans created in accordance with Internal Revenue Service Code (IRC) Section 457. The plans are available to all state employees and permit 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.

For the Fiscal year Ended September 30, 2018

It is the opinion of the State's legal counsel that the State has no liability for losses under these plans 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, employees of employers eligible to participate in the Employees' Retirement System pursuant to provisions of Code of Alabama 1975 Section 36-27-6, and public officials and employees of the State of Alabama or any political subdivision thereof (collectively, participating employers), are eligible to participate in this plan. At September 30, 2018, net position of the plan totaled \$2,116,185,000.

State employees may also participate in the Alabama Deferred Compensation Plan sponsored by the Personnel Board and administered by Empower Retirement. The plan contract requires the assets to be held in trust for the benefit of plan participants. At September 30, 2018, net position of the plan totaled \$628,708,750.

NOTE 10 - RETIREMENT PLANS

A. Aggregate Disclosures

1. Aggregate Pension Liabilities, Pension Assets, Deferred Outflows, Deferred Inflows and Pension Expense All Pension Funds

Aggregate Amounts
(Amounts in Thousands)

	Total Pension Liabilities	Total Assets	(NPL)/ NPA	Deferred Outflows	Deferred Inflows	Pension Expense
Governmental-type Activities	\$ 9,210,342	\$ 5,915,671	\$ (3,294,671)	\$ 355,934	\$ 255,226	\$ 324,643
Business-type Activities	237,296	154,389	(82,907)	9,593	8,032	8,745
Totals Primary Government	\$ 9,447,638	\$ 6,070,060	\$ (3,377,578)	\$ 365,527	\$ 263,258	\$ 333,388
Component Units	\$13,581,368	\$ 9,685,033	\$ (3,896,335)	\$ 641,582	\$ 493,359	\$ 332,287

B. Retirement Systems of Alabama

The Retirement Systems of Alabama (RSA) administers the following three retirement programs for the benefit of state employees, public education employees, and judges: 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 TRS 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. The ERS provides retirement allowances and other specified

For the Fiscal year Ended September 30, 2018

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 ERS Board of Control consists of 13 trustees. Four trustees are ex officio members: the Governor, the State Treasurer, the State Personnel Director, and the State Finance Director. Three trustees are vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of State government nor from any department of which an ex officio trustee is the head. The remaining six trustees of ERS are elected by members from the same category of ERS for a term of four years. These six trustees include one from the ranks of retired state employees, one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS, two vested active state employees and two vested active employees of an employer participating in ERS pursuant to *The Code of Alabama* § 36-27-6.

As of September 30, 2017, membership consisted of:

ERS Membership			
Group	State Employees	State Police	Total
Retirees and beneficiaries currently receiving benefits	23,489	893	24,382
Post-DROP Retired Members Still in Active Service	371	2	373
Vested Inactive Members	966	15	981
Non-vested inactive members	22,499	3	22,502
Active members	28,555	620	29,175
Total	<u>75,880</u>	<u>1,533</u>	<u>77,413</u>

The Judicial Retirement Fund (JRF) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, established under the 1973 *Alabama Acts* 1163. The JRF 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.

As of September 30, 2017, membership consisted of:

JRF Membership	
Group	State Employees
Retirees and beneficiaries currently receiving benefits	403
Terminated employees entitled to but not yet receiving benefits	15
Non-vested inactive members	25
Active members	<u>351</u>
Total	<u>794</u>

For the Fiscal year Ended September 30, 2018

a. Benefits Provided

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by State law. Changes to benefits, including ad hoc cost of living adjustments, must be established by statute. Benefits for TRS and ERS members vest after 10 years of credited service.

Tier 1 employees are those employees who were hired before January 1, 2013. This paragraph describes benefits available to Tier 1 employees. 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 10 years of credited service and has attained age 70, or (5) 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 percent of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75 percent of the position's salary immediately prior to retirement.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for TRS and ERS members hired on or after January 1, 2013. Tier 2 TRS and ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of credited service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS and ERS (except State Police) are allowed 1.65 percent of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375 percent for each year of state police service in computing the formula method.

Act 498 of the Legislature of 2015 established a new group (Group 3) of members within JRF which consists of all justices, judges, circuit clerks, and district attorneys elected or appointed on or after November 8, 2016. Group 3 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. A district attorney who has Tier 1 ERS transferred service as an assistant or deputy district attorney is eligible for service retirement with 25 years of service credit, regardless of age. Service and disability retirement benefits are calculated using a retirement formula. Group 3 members who are judges or justices are allowed 4% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 75% of their average final compensation. Group 3 members who are clerks or district attorneys are allowed 3% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

A pre-retirement death benefit is offered in which the account is credited with TRS, ERS, and JRF 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, ERS, or JRF member who has completed at least one year of active membership in the system and whose date of death was within 180 days of the 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 and JRF.

For the Fiscal year Ended September 30, 2018

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.

b. Pension Plan Financial Report

RSA issued a stand-alone financial report that includes financial statements and required supplementary information (including GASB Statement No. 67 disclosures) for the year ended September 30, 2018. Copies may be obtained from the RSA website at www.rsa-al.gov or by writing to:

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

2. Summary of Significant Accounting Policies**a. Basis of Accounting**

The TRS, ERS, and JRF pension plan fiduciary net positions have been determined on the same basis used by the pension plans. The TRS, ERS, and JRF financial statements are prepared using the economic resources measurement focus and accrual basis of accounting consistent with the plans. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. 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 investments. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where similar investments are not sold in the open market, an independent appraisal is performed to determine the fair value. RSA invests in limited partnerships which are long-term and generally illiquid. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to dissolution. These partnership investments are valued using their respective net asset values (NAV). The most significant element of the NAV is the fair value of the investment holdings. These holdings are valued by the general partners in conjunction with management, investment advisers, and valuation specialists. The valuation techniques vary based on investment type and involve a certain degree of expert judgment. The fair value of these investments could differ significantly if a ready market for these assets existed. As of September 30, 2018, the TRS owned debt and equity securities of Goldman Sachs Group, Inc. which represented approximately 5.39%. The TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.20% and 8.69%, respectively, of the TRS and ERS investments. Additionally, TRS owned debt and equity securities of New Water Street Corporation which represented 5.00% of the TRS investments.

3. Employee Contribution Requirements

State Law established the contribution requirements and must be amended by state statute. The required contribution rate of active plan members for TRS and ERS (excluding state policemen, and certified firefighters, police officers and correctional officers) is 7.5 percent and 6.0 percent of earnable compensation for Tier 1 and Tier 2 members, respectively. State policemen are required to contribute 10 percent of earnable compensation. JRF members and Tier 1 certified firefighter, police officer, and correctional officer members of the TRS and ERS are required to contribute 8.5 percent of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS and ERS are required by statute to contribute 7 percent of earnable compensation.

For the Fiscal year Ended September 30, 2018

4. Disclosures of Individual Plans of the Retirement Systems of Alabama**a. TRS****Employer Contributions Required and Made**

As required by statute, the employer contribution rate is actuarially determined based on the amount needed in addition to employee contributions to fund the costs of member benefits earned during the year and to fund unfunded accrued liabilities. For fiscal year 2018, the required employer contribution rate was 12.24 percent for Tier 1 and 11.01 percent for Tier 2. Total employer contributions for fiscal year 2018 were \$14,249,000 for the primary government (\$13,943,000 for governmental activities and \$306,000 for business-type activities), and \$304,895,000 for discretely presented component units.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability (NPL) was determined by an actuarial valuation as of September 30, 2016. Update procedures were used to roll forward the NPL to the reporting date. Each participating TRS unit included in the State's financial report has its own proportion of the collective net pension liability based on the individual participating units' share of contributions to the pension plan relative to the total employer contributions of all participating TRS units. At September 30, 2018, the proportionate share of the primary government and component units' net pension liability was as follows:

TRS			
Proportionate Share of Net Pension Liability			
	Current Year Proportionate Share	Prior Year Proportionate Share	Change in Proportionate Share
Governmental-type Activities	1.83 %	1.89 %	(0.06) %
Business-type Activities	0.04	0.03	0.01
Totals Primary Government	1.87 %	1.92 %	(0.05) %
Component Units	39.00 %	39.10 %	(0.10) %

For the year ended September 30, 2018, the primary government recognized pension expense of \$15,490,000 (governmental-type activities - \$15,110,000 and business-type activities - \$380,000) and component units recognized a pension expense of \$327,787,000.

For the Fiscal year Ended September 30, 2018

As of September 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRS
Deferred Outflows and Inflows of Resources
(Amounts in Thousands)

	Govt- type Activities	Business- type Activities	Total Primary Government	Component Units
<i>Deferred Outflows of Resources</i>				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 4,330	\$ 397	\$ 4,727	\$ 94,613
Change in Assumptions	10,760	242	11,002	228,701
Employer contributions subsequent to the measurement date	13,943	306	14,249	304,895
Total Deferred Outflows of Resources	\$ 29,033	\$ 945	\$ 29,978	\$ 628,209
<i>Deferred Inflows of Resources</i>				
Net difference between projected and actual earnings on pension plan investments	\$ 10,779	\$ 243	11,022	229,098
Differences between expected and actual experience	7,729	174	7,903	164,280
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,290	139	9,429	96,288
Total Deferred Inflows of Resources	\$ 27,798	\$ 556	\$ 28,354	\$ 489,666

Employer contributions subsequent to the measurement date reported in the above tables as deferred outflows of resources will reduce the net pension liability reported as of September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will increase/ (decrease) pension expense reported in subsequent years as follows:

TRS
Increase/(Decrease) to Pension Expenses
(Amounts in Thousands)

Fiscal Year Ended	Governmental Activities	Business-type Activities	Component Units
2019	\$ (2,733)	\$ 18	\$ (35,780)
2020	2,390	(16)	31,283
2021	(6,281)	41	(82,223)
2022	(5,781)	38	(75,677)
2023	(302)	2	(3,955)

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Actuarial Assumptions

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The actuarial assumptions used to roll forward the TPL to the measurement date are as follows:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of returns*	7.75%

*Net of pension plan investment expense, including inflation

Mortality rates for TRS service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using BB and adjusted 105% for males and 120% for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00 %	4.40 %
U.S. Large Stocks	32.00	8.00
U.S. Mid Stocks	9.00	10.00
U.S. Small Stocks	4.00	11.00
International Developed Market Stocks	12.00	9.50
International Emerging Market Stocks	3.00	11.00
Alternatives	10.00	10.10
Real Estate	10.00	7.50
Cash Equivalents	3.00	1.50
Total	100.00 %	

*Includes assumed rate of inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the Fiscal year Ended September 30, 2018

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

TRS Sensitivity to Changes in Discount Rate Net Pension Liability (Amount in Thousands)			
	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Governmental-type Activities	\$ 248,668	\$ 180,283	\$ 122,435
Business-type Activities	5,597	4,058	2,756
Total Primary Government	\$ 254,265	\$ 184,341	\$ 125,191
Component Units	\$ 5,285,210	\$ 3,831,749	\$ 2,602,334

b. JRF

As mentioned above, the JRF is a multiple-employer cost sharing plan. The majority of the operations are related to the State. The remaining employers are county governments. All State related operations are governmental-type activities reported within the primary government. The State is responsible for all employer contributions.

Employer Contributions Required and Made

As required by statute, the employer contribution rate is actuarially determined based on the amount needed in addition to employee contributions to fund the costs of member benefits earned during the year and to fund unfunded accrued liabilities. For fiscal year 2018, the required employer contribution rate was 40.09 percent. Total employer contributions for fiscal year 2018 were \$17,112,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability (NPL) was determined by an actuarial valuation as of September 30, 2016. Update procedures were used to roll forward the NPL to the reporting date. All JRF activities are reported in the primary government - governmental-type activities. The State recognized pension expense of \$14,980,000 and grant expense for nonemployer support provided to counties of \$2,810,000.

For the Fiscal year Ended September 30, 2018

Information concerning the NPL, deferred outflows of resources and deferred inflows of resources are presented in the following tables:

JRF
Net Pension Liability
(Amounts in Thousands)

	Employer Share	Non-employer* Share	Total NPL
	\$ 130,974	\$ 23,375	\$ 154,349
Proportionate Share - Current Year	84.86 %	15.14 %	
Proportionate Share - Prior Year	84.89 %	15.11 %	
Change in Proportionate Share	<u>(0.03) %</u>	<u>0.03 %</u>	

* Represents the portion of the liability paid on behalf
of local governments.

JRF
Deferred Outflows and Inflows of resources
(Amount in Thousands)

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ 6,498
Net difference between projected and actual earnings on pension plan investments	—	6,885
Change In Assumptions	8,896	—
Employer contributions subsequent to the measurement date	17,112	—
Total Primary Government	<u>\$ 26,008</u>	<u>\$ 13,383</u>

For the Fiscal year Ended September 30, 2018

Employer contributions subsequent to the measurement date detailed above as deferred outflows of resources will reduce the net pension liability reported as of September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will increase/(decrease) pension expense and grant expense reported in subsequent years as follows (all expenses are governmental-type activity expenses):

JRF		
Increase/(Decrease) to Pension Expenses		
(Amounts in Thousands)		
Fiscal Year Ended	Employer Pension Expense	Non-employer Grant Expense
2019	\$ (566)	\$ (101)
2020	2,748	490
2021	(4,072)	(726)
2022	(1,917)	(342)

Actuarial Assumptions

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The actuarial assumptions used to roll forward the TPL to the measurement date are as follows:

Inflation	2.75%
Projected salary increases, including inflation	3.25-3.5%
Investment rate of returns *	7.75%

*Net of pension plan investment expense, including inflation

Mortality rates for JRF were based on the RP-2000 White Collar Mortality projected to 2020 using scale BB and 115% for males and 112% for females older than 78. The rates for disabled mortality were based on the RP-2000 Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

For the Fiscal year Ended September 30, 2018

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	22.00 %	4.40 %
U.S. Large Stocks	41.00	8.00
U.S. Mid Stocks	11.00	10.00
U.S. Small Stocks	3.00	11.00
International Developed Market Stocks	12.00	9.50
International Emerging Market Stocks	3.00	11.00
Alternatives	1.00	10.10
Real Estate	2.00	7.50
Cash Equivalents	5.00	1.50
Total	100 %	

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

JRF		
Sensitivity to Changes in Discount Rate		
Net Pension Liability		
(Amounts in Thousands)		
1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
\$ 196,532	\$ 154,349	\$ 117,851

For the Fiscal year Ended September 30, 2018

c. State Employer Segment of ERS**Employer Contributions Required and Made**

As required by statute, the employer contribution rate is actuarially determined based on the amount needed in addition to employee contributions to fund the costs of member benefits earned during the year and to fund unfunded accrued liabilities. For fiscal year 2018, the required employer contribution rate for regular state employees was 13.94 percent for Tier 1 employees and 13.29 percent Tier 2 employees. For fiscal year 2018, the required employer contribution rate for State Policemen was 44.44% for Tier 1 employees and 39.29% for Tier 2 employees. Total employer contributions for fiscal year 2018 were \$194,101,000 for the primary government (\$188,990,000 for governmental activities, \$5,111,000 for business-type activities), and \$1,183,000 for component units.

**Pension Liabilities, Pension Expense, and Deferred Outflows of
Resources and Deferred Inflows of Resources Related to Pensions**

The State's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques. The following tables detail the changes in the total pension liability, fiduciary net position and net pension liability:

**Changes in the Net Pension Liability
Employees' Retirement System
Governmental-type Activities
(Amounts in Thousands)**

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2016	\$ 7,851,639	\$ 4,831,038	\$ 3,020,601
Changes for the year:			
Service costs	110,345	—	110,345
Interest	576,563	—	576,563
Change in Assumptions	—		—
Difference in expected and actual experience	(54,471)	—	(54,471)
Contributions - employer	—	197,009	(197,009)
Contributions - employee	—	94,895	(94,895)
Net investment income	—	588,730	(588,730)
Benefit payments, including refunds of employee contributions	(563,102)	(563,102)	—
Administrative expense	—	(13,685)	13,685
Transfers among employees	1,470	704	766
Net changes	70,805	304,551	(233,746)
Balance at September 30, 2017	\$ 7,922,444	\$ 5,135,589	\$ 2,786,855

For the Fiscal year Ended September 30, 2018

Changes in the Net Pension Liability
Employees' Retirement System
Business-type Activities
(Amounts in Thousands)

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2016	\$ 197,607	\$ 114,168	\$ 83,439
Changes for the year:			
Service costs	3,971	—	3,971
Interest	20,843	—	20,843
Change in Assumptions	—	—	—
Difference in expected and actual experience	(2,093)	—	(2,093)
Contributions - employer	—	6,818	(6,818)
Contributions - employee	—	3,549	(3,549)
Net investment income	—	21,508	(21,508)
Benefit payments, including refunds of employee contributions	(20,403)	(20,403)	—
Administrative expense	—	(536)	536
Transfers among employees	48	18	30
Net changes	2,366	10,954	(8,588)
Balance at September 30, 2017	\$ 199,973	\$ 125,122	\$ 74,851

For the Fiscal year Ended September 30, 2018

Changes in the Net Pension Liability
Employees' Retirement System
Primary Government - Totals
(Amounts in Thousands)

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2016	\$ 8,049,246	\$ 4,945,206	\$ 3,104,040
Changes for the year:			
Service costs	114,316	—	114,316
Interest	597,406	—	597,406
Change in Assumptions	—	—	—
Difference in expected and actual experience	(56,564)	—	(56,564)
Contributions - employer	—	203,827	(203,827)
Contributions - employee	—	98,444	(98,444)
Net investment income	—	610,238	(610,238)
Benefit payments, including refunds of employee contributions	(583,505)	(583,505)	—
Administrative expense	—	(14,221)	14,221
Transfers among employees	1,518	722	796
Net changes	73,171	315,505	(242,334)
Balance at September 30, 2017	\$ 8,122,417	\$ 5,260,711	\$ 2,861,706

For the Fiscal year Ended September 30, 2018

Changes in the Net Pension Liability**Employees' Retirement System****Component Units**

(Amounts in Thousands)

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2016	\$ 51,778	\$ 31,630	\$ 20,148
Changes for the year:			
Service costs	933	—	933
Interest	4,898	—	4,898
Change in Assumptions	—	—	—
Difference in expected and actual experience	(491)	—	(491)
Contributions - employer	—	1,602	(1,602)
Contributions - employee	—	834	(834)
Net investment income	—	5,054	(5,054)
Benefit payments, including refunds of employee contributions	(4,794)	(4,794)	—
Administrative expense	—	(126)	126
Transfers among employees	11	4	7
Net changes	557	2,574	(2,017)
Balance at September 30, 2017	\$ 52,335	\$ 34,204	\$ 18,131

For the year ended September 30, 2018, the primary government recognized pension expense of \$295,519,000 (governmental-type activities - \$281,244,000 and business-type activities - \$14,275,000) and component units recognized a pension expense of \$3,735,000.

For the Fiscal year Ended September 30, 2018

As of September 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ERS
Deferred Inflows and Outflows of Resources
(Amounts in Thousands)

	Govt- type Activities	Business- type Activities	Total Primary Government	Component Units
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 0	\$ 0	\$ 0
Differences between expected and actual experience	5,399	52	5,451	13
Change in Assumptions	93,269	2,399	95,668	581
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,190	47	2,237	267
Employer contributions subsequent to the measurement date	188,990	5,111	194,101	1,183
Total Deferred Outflows of Resources	\$ 289,848	\$ 7,609	\$ 297,457	\$ 2,044
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 155,081	\$ 4,297	\$ 159,378	\$ 1,041
Differences between expected and actual experience	49,199	1,410	50,609	342
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,243	1,074	2,317	415
Total Deferred Inflows of Resources	\$ 205,523	\$ 6,781	\$ 212,304	\$ 1,798

Employer contributions subsequent to the measurement date reported in the above tables as deferred outflows of resources will reduce the net pension liability reported as of September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will increase/(decrease) pension expense reported in subsequent years as follows:

ERS
Increase/(Decrease) to Pension Expenses
(Amounts in Thousands)

Fiscal Year Ended	Governmental Activities	Business-type Activities	Totals Primary Govt	Component Units
2019	\$ (6,780)	\$ (435)	\$ (7,215)	\$ (95)
2020	23,635	659	24,294	144
2021	(74,719)	(2,788)	(77,507)	(611)
2022	(46,801)	(1,719)	(48,520)	(376)

For the Fiscal year Ended September 30, 2018

Actuarial assumptions

The actuarial assumptions used to roll forward the TPL to the measurement date are as follows:

Inflation	2.75%
Salary increases, including inflation	3.25-5.00% for State Employees and 4.50% For State Police, including inflation.
Investment rate of return *	7.75%

*Net of pension plan investment expense, including inflation.

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 - September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00 %	4.40 %
U.S. Large Stocks	32.00	8.00
U.S. Mid Stocks	9.00	10.00
U.S. Small Stocks	4.00	11.00
International Developed Market Stocks	12.00	9.50
International Emerging Market Stocks	3.00	11.00
Alternatives	10.00	10.10
Real Estate	10.00	7.50
Cash Equivalents	3.00	1.50
Total	100 %	

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Projected future benefit payments for all current members were projected for all years.

For the Fiscal year Ended September 30, 2018

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

ERS			
Sensitivity to Changes in Discount Rate			
(Amount in Thousands)			
	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Governmental Activities	\$ 3,586,904	\$ 2,786,856	\$ 2,105,936
Business-type Activities	96,800	74,851	56,179
Totals - Primary Government	\$ 3,683,704	\$ 2,861,707	\$ 2,162,115
Component Units	\$ 23,446	\$ 18,130	\$ 13,607

C. Other Pension Plans

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

For the Fiscal year Ended September 30, 2018

NOTE 11 - POSTEMPLOYMENT HEALTH BENEFITS**A. Aggregate Disclosures****1. Aggregate Other Postemployment Benefits Liabilities, Other Postemployment Benefits Assets, Deferred Outflows, Deferred Inflows and Other Postemployment Benefits Expense All Other Postemployment Benefits Funds****Aggregate Amounts**
(Amounts in Thousands)

	Total Other Postemployment Benefits Liabilities	Total Assets	(NOL)/ NOA	Deferred Outflows	Deferred Inflows	Other Postemployment Benefits Expense
Governmental-type Activities	\$ 3,144,228	\$ 160,745	\$ (2,983,483)	\$ 119,778	\$ 334,455	\$ 124,957
Business-type Activities	135,059	7,098	(127,961)	5,055	15,028	5,161
Totals Primary Government	\$ 3,279,287	\$ 167,843	\$ (3,111,444)	\$ 124,833	\$ 349,483	\$ 130,118
Component Units	\$ 2,742,434	\$ 410,360	\$ (2,332,074)	\$ 354,820	\$ 270,808	\$ 331,824

B. Alabama Retired State Employees' Health Care Trust (Trust)**Plan Description**

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 Trust provides basic coverage for up to 365 days of care during each hospital confinement, outpatient care, physicians' benefits, radiation therapy, and major medical benefits with no lifetime maximum. A group dental contract provides dental maintenance coverage with a maximum benefit amount of \$1,500 during each year for each eligible participant who elects coverage. Plan members include State Employees, State Police, and Judges.

Number of Employees:

At September 30, 2017, the following employees were covered by the benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	23,428
Inactive Members Entitled to but Not Yet Receiving Benefit Payments	977
Active Members	32,263
Total	<u>56,668</u>

For the Fiscal year Ended September 30, 2018

Contribution Requirements

The State provides health care benefits for retired state employees through SEHIP. The contribution requirements of the plan members and State agencies are established and may be amended by the Board of Directors of the State Employees' Insurance Board. 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 other than for disability after October 1, 2005, the employer contribution is less for each year under twenty-five years of creditable coverage and more for each year over 25. For retirees on or after January 1, 2012, the employer contribution is also less for each year under the Medicare age. The retiree is responsible for the amount of contribution not covered by the State. The State may make additional contributions; however no additional funds were contributed during the fiscal year. Retiree contributions vary based on the type of contract, dependent coverage, Medicare eligibility, and election, wellness participation, spousal surcharge, and tobacco usage. Employer contributions for the current year were as follows:

State Employees Insurance Plan**Employer Contributions**

(Amounts in Thousands)

	Amounts
Governmental-type Activities	\$ 75,033
Business-type Activities	3,453
Total Primary Government	<u>\$ 78,486</u>
Component Units	<u>\$ 1,125</u>

Stand Alone Report

The State Employees' Insurance Board issued 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, 2018. A copy of the financial report and a copies of the GASB 74 and GASB 75 reports may be obtained at the following website:

<https://www.alseib.org/>

For the Fiscal year Ended September 30, 2018

Information About the Net OPEB Liability***Assumptions and Other Inputs Used to Measure the Total OPEB Liability (TOL)***

Date of Actuarial Valuation Used to Determine TOL	September 30, 2016
Service Cost	Determined using Entry Age Normal Actuarial Method
Inflation	2.75 percent
Salary increases	3.25-5.00 percent for State and Local Employees, 4.5 percent for Police, and 3.25-3.50 percent for Judges, including 3.00 percent for wage inflation.
Long-term investment rate of return	7.50 percent compounded annually, net of investment expense and including inflation.
Municipal Bond Index Rate at Measurement Date	3.57 percent
Municipal Bond Index Rate at Prior Measurement Date	2.93 percent
Year FNP is projected to be depleted	2021
Single Equivalent Interest Rate at Measurement Date	3.60 percent
Single Equivalent Interest Rate at Prior Measurement Date	2.96 percent
Healthcare Cost Trend Rates:	
Pre-Medicare Eligible	7.75 percent
Medicare Eligible	5.00 percent
Ultimate Trend Rates:	
Pre-Medicare Eligible	5.00 Percent
Medicare Eligible	5.00 percent
Year of Ultimate Trend Rate	2021

Pattern of Practice of Sharing Benefit-related Costs

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

Mortality

State and Local Employees: The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with the scale BB to 2020 with an adjustment of 130% at all ages for females.

Judicial Employees: The rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table using Scale BB to 2020 with an adjustment of 115% at all ages for males and 112% for females on and after age 78. The rates of mortality for the period after disability retirement are according to the RP-2000 Disabled Retiree Mortality Table Projected with the scale BB to 2020 with an adjustment of 105% for males and 120% for females.

Experience Study

The decremental assumptions and methods used in the valuation were selected based on the actuarial experience study as of September 30, 2015 which was submitted and adopted by the Board on September 29, 2016.

For the Fiscal year Ended September 30, 2018

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Alabama Retired State Employees' Health Care Trust
Sensitivity to Changes in the Health Care Trend Rates
 (Amount in Thousands)

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% Medicare Eligible)	Current Rate (7.75% decreasing to 5% for pre-Medicare, 5% Medicare Eligible)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% Medicare Eligible)
Governmental Activities	\$ 2,455,045	\$ 2,967,004	\$ 3,630,746
Business-type Activities	103,870	125,530	153,612
Totals - Primary Government	\$ 2,558,915	\$ 3,092,534	\$ 3,784,358
Component Units	\$ 34,542	\$ 41,745	\$ 51,084

Projected Cash Flow Assumptions

The projection of cash flows used to determine the discount rate assumed that plan contributions will be made based on the average of the last five years of current contribution rates indexed for inflation.

Long-term Rate of Return

The long-term expected rate of return on OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal Bond Rate

The discount bond rate uses a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Discount Rate

The Single Equivalent Discount Rate (SEIR) is used in calculating the TOL. The SEIR is determined by calculating the rate that will generate the present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the depletion date using the long-term expected rate of return and the present value determined by discounting benefit payments after the date of depletion date by using the 20-year municipal bond (rating AA/Aa or higher) rate.

Periods of Projected Benefit Payments

Projected future benefit payments for all current plan members were projected through 2115. The long-term rate will be used until the assets are expected to be depleted in 2021, after which the municipal bond rate will be used.

For the Fiscal year Ended September 30, 2018

Assumed Asset Allocation of the Plan's Portfolio

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed Income	28.2%	4.4%
US Domestic Stocks	55.2	8.7
International Developed Market Stocks	10.8	9.8
Cash	5.8	1.5
Total	100.0%	

*Geometric mean, includes 2.5% inflation.

*Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***Alabama Retired State Employees' Health Care Trust****Sensitivity to Changes in Discount Rate**

(Amount in Thousands)

	1% Decrease (2.6%)	Current Rate (3.6%)	1% Increase (4.6%)
Governmental Activities	\$ 3,539,272	\$ 2,967,004	\$ 2,513,472
Business-type Activities	149,742	125,530	106,342
Totals - Primary Government	\$ 3,689,014	\$ 3,092,534	\$ 2,619,814
Component Units	\$ 49,797	\$ 41,745	\$ 35,364

The Plan's Fiduciary Net Position

The Plan's financial report may be obtained via the Internet at the address disclosed above. The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits are recognized when due and payable, in accordance with the terms of the Plan. Revenues are recognized when earned and expenses are recognized when incurred. Investments are reported at fair value and changes in fair value are included in investment income.

Changes in Actuarial Assumptions Since Prior Measurement Date

In 2016, economic assumptions, assumed rates of salary increases, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. The changes resulted in a decrease in the Net OPEB Obligation (NOL) of \$363,867,000 for the primary government (\$349,318,000 for governmental-type activities and \$14,549,000 for business-type activities) and \$6,777,000 for component units.

For the Fiscal year Ended September 30, 2018

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

Changes in the Net OPEB Liability

The Plan's net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques. The following tables detail the changes in the total OPEB liability, fiduciary net position and net OPEB liability:

Changes in the Net OPEB Liability
Alabama Retired State Employees' Health Care Trust
Governmental-type Activities
(Amounts in Thousands)

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)-(b)
Balances at September 30, 2016	\$ 3,356,449	\$ 141,024	\$ 3,215,425
Changes for the year:			
Service costs	106,210	—	106,210
Interest	97,791	—	97,791
Change in Assumptions	(349,318)	—	(349,318)
Contributions - employer	—	86,766	(86,766)
Net investment income	—	16,728	(16,728)
Benefit payments, including refunds of employee contributions *	(86,375)	(86,375)	—
Administrative expense	—	(390)	390
Net changes	(231,692)	16,729	(248,421)
Balance at September 30, 2017	\$ 3,124,757	\$ 157,753	\$ 2,967,004

*Benefit payments are net of member contributions

For the Fiscal year Ended September 30, 2018

Changes in the Net OPEB Liability
Alabama Retired State Employees' Health Care Trust
Business-type Activities
(Amounts in Thousands)

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)-(b)
Balances at September 30, 2016	\$ 141,836	\$ 5,959	\$ 135,877
Changes for the year:			
Service costs	4,424	—	4,424
Interest	4,073	—	4,073
Change in Assumptions	(14,549)	—	(14,549)
Contributions - employer	—	3,614	(3,614)
Net investment income	—	697	(697)
Benefit payments, including refunds of employee contributions*	(3,597)	(3,597)	—
Administrative expense	—	(16)	16
Net changes	(9,649)	698	(10,347)
Balance at September 30, 2017	\$ 132,187	\$ 6,657	\$ 125,530

*Benefit payments are net of member contributions

For the Fiscal year Ended September 30, 2018

Changes in the Net OPEB Liability
Alabama Retired State Employees' Health Care Trust
Primary Government - Totals
(Amounts in Thousands)

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)-(b)
Balances at September 30, 2016	\$ 3,498,285	\$ 146,983	\$ 3,351,302
Changes for the year:			
Service costs	110,634	—	110,634
Interest	101,864	—	101,864
Change in Assumptions	(363,867)	—	(363,867)
Contributions - employer	—	90,380	(90,380)
Net investment income	—	17,425	(17,425)
Benefit payments, including refunds of employee contributions *	(89,972)	(89,972)	—
Administrative expense	—	(406)	406
Net changes	(241,341)	17,427	(258,768)
Balance at September 30, 2017	\$ 3,256,944	\$ 164,410	\$ 3,092,534

*Benefit payments are net of member contributions

Changes in the Net OPEB Liability
Alabama Retired State Employees' Health Care Trust
Component Units
(Amounts in Thousands)

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a)-(b)
Balances at September 30, 2016	\$ 48,606	\$ 2,042	\$ 46,564
Changes for the year:			
Service costs	2,061	—	2,061
Interest	1,897	—	1,897
Change in Assumptions	(6,777)	—	(6,777)
Contributions - employer	—	1,683	(1,683)
Net investment income	—	325	(325)
Benefit payments, including refunds of employee contributions *	(1,676)	(1,676)	—
Administrative expense	—	(8)	8
Net changes	(4,495)	324	(4,819)
Balance at September 30, 2017	\$ 44,111	\$ 2,366	\$ 41,745

*Benefit payments are net of member contributions

For the Fiscal year Ended September 30, 2018

OPEB Expense

For the year ended September 30, 2018, the primary government recognized OPEB expense of \$132,871,000 (governmental-type activities - \$127,558,000 and business-type activities - \$5,313,000) and component units recognized an OPEB expense of \$2,475,000.

Deferred Outflows and Inflows of Resources

As of September 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Alabama Retired State Employees' Health Care Trust**Deferred Inflows and Outflows of Resources**

(Amounts in Thousands)

	Govt- type Activities	Business- type Activities	Total Primary Government	Component Units
Deferred Outflows of Resources				
Changes in proportion and differences between Employer contributions and proportionate share of contributions	\$ 44,340	\$ 1,408	\$ 45,748	\$ 306
Employer contributions subsequent to the measurement date	75,033	3,454	78,487	1,124
Total Deferred Outflows of Resources	\$ 119,373	\$ 4,862	\$ 124,235	\$ 1,430
Deferred Inflows of Resources				
Net difference between projected and actual earnings on OPEB plan investments	\$ 4,960	\$ 210	\$ 5,170	\$ 70
Change in Assumptions	285,146	12,064	297,210	4,012
Changes in proportion and differences between Employer contributions and proportionate share of contributions	41,745	2,489	44,234	2,106
Total Deferred Inflows of Resources	\$ 331,851	\$ 14,763	\$ 346,614	\$ 6,188

Employer contributions subsequent to the measurement date reported in the above tables as deferred outflows of resources will reduce the net OPEB liability reported as of September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will increase/(decrease) OPEB expense reported in subsequent years as follows:

Alabama Retired State Employees' Health Care Trust**Increase/(Decrease) to OPEB Expenses**

(Amounts in Thousands)

Fiscal Year Ended	Governmental Activities	Business-type Activities	Totals Primary Govt	Component Units
2019	\$ (65,896)	\$ (3,061)	\$ (68,957)	\$ (1,348)
2020	(65,896)	(3,061)	(68,957)	(1,348)
2021	(65,896)	(3,061)	(68,957)	(1,348)
2022	(65,896)	(3,061)	(68,957)	(1,348)
2023	(23,926)	(1,111)	(25,037)	(490)

For the Fiscal year Ended September 30, 2018

C. Alabama Retired Education Employees' Health Care Trust**Plan Description**

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost sharing multiple employer defined benefit postemployment healthcare plan that administers healthcare benefits to retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 as an irrevocable trust to fund postemployment healthcare benefits to retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services and prescription drugs.

Contribution Requirements

The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section 16-25-8.1 provide the Board with the authority to set employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active member, necessary to fund active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

OPEB Plan Stand Alone Financial and GASB Reports

The Public Education Employees' Health Insurance Board issues a stand-alone financial report for the Alabama Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2018. The financial report and the GASB 74 and 75 reports may be obtained at the following website:

www.rsa-al.gov

For the Fiscal year Ended September 30, 2018

Information About the Employer's Proportionate Share of the Collective Net OPEB Liability***Assumptions and Other Inputs***

The following table provides significant assumptions and other inputs used to measure the total OPEB liability:

Date of Actuarial Valuation Used to Determine TOL	September 30, 2016
Service Cost	Determined using Entry Age Normal Actuarial Method
Inflation	2.75 percent
Salary increases	3.25-5.00 percent, including 3.00 percent for wage inflation.
Long-term investment rate of return	7.25 percent compounded annually, net of investment expense and including inflation.
Municipal Bond Index Rate at Measurement Date	3.57 percent
Municipal Bond Index Rate at Prior Measurement Date	2.93 percent
Year FNP is projected to be depleted	2042
Single Equivalent Interest Rate at Measurement Date	4.63 percent
Single Equivalent Interest Rate at Prior Measurement Date	4.01 percent
Healthcare Cost Trend Rates:	
Pre-Medicare Eligible	7.75 percent
Medicare Eligible	5.00 percent
Ultimate Trend Rates:	
Pre-Medicare Eligible	5.00 percent
Medicare Eligible	5.00 percent
Year of Ultimate Trend Rate	2022

Pattern of Practice of Sharing Benefit-related Costs

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

Mortality

The rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table using Scale BB to 2020 with an adjustment of 115% at all ages for males and 112% for females on and after age 78. The rates of mortality for the period after disability retirement are according to the RP-2000 Disabled Retiree Mortality Table Projected with the scale BB to 2020 with an adjustment of 105% for males and 120% for females.

Experience Study

The decremental assumptions and methods used in the valuation were selected based on the actuarial experience study as of September 30, 2015 which was submitted to and adopted by the Teachers' Retirement Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

For the Fiscal year Ended September 30, 2018

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Alabama Retired Education Employees' Health Care Trust
Net OPEB Liability
Sensitivity to Changes in the Health Care Trend Rates
(Amount in Thousands)

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% Medicare Eligible, 1% for Optional Plans)	Current Rate (7.75% decreasing to 5% for pre-Medicare, 5% Medicare Eligible, 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% Medicare Eligible, 3% for Optional Plans)
Governmental Activities	\$ 13,306	\$ 16,480	\$ 20,576
Business-type Activities	1,963	2,431	3,035
Totals - Primary Government	\$ 15,269	\$ 18,911	\$ 23,611
 Component Units	 \$ 1,798,102	 \$ 2,227,079	 \$ 2,780,577

Projected Cash Flow Assumption

The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 27.08% of the employer contributions are used to assist in funding retiree benefit payments in fiscal year 2016 and it is assumed that amount will increase by 3.00% per year and continue into the future.

Long-term Rate of Return

The long-term expected rate of return on OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal Bond Rate

The discount bond rate uses a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Discount Rate

The Single Equivalent Interest Rate (SEIR) is used in calculating the TOL. The SEIR is determined by calculating the rate that will generate the present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the depletion date using the long-term expected rate of return and the present value determined by discounting benefit payments after the date of depletion date by using the 20-year municipal bond (rating AA/Aa or higher) rate.

Periods of Projected Benefit Payments

Projected future benefit payments for all current plan members were projected through 2115. The long-term rate will be used until the assets are expected to be depleted in 2042, after which the municipal bond rate will be used.

For the Fiscal year Ended September 30, 2018

Assumed Asset Allocation of the Plan's Portfolio

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed Income	30.0%	4.4%
US Large Stocks	38.0	8.0
US Mid Stocks	8.0	10.0
US Small Stocks	4.0	11.0
International Developed Market Stocks	15.0	9.5
Cash	5.0	1.5
Total	100.0%	

*Geometric mean, includes 2.5% inflation.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Alabama Retired Education Employees' Health Care Trust
Net OPEB Liability
Sensitivity to Changes in Discount Rate
(Amount in Thousands)

	1% Decrease (3.63%)	Current Rate (4.63%)	1% Increase (5.63%)
Governmental Activities	\$ 19,921	\$ 16,480	\$ 13,737
Business-type Activities	2,939	2,431	2,026
Totals - Primary Government	\$ 22,860	\$ 18,911	\$ 15,763
Component Units	\$ 2,692,075	\$ 2,227,079	\$ 1,856,419

The Plan's Fiduciary Net Position

The Plan's financial report may be obtained via the Internet at the address disclosed above. The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits are recognized when due and payable, in accordance with the terms of the Plan. Revenues are recognized when earned and expenses are recognized when incurred. Investments are reported at fair value and changes in fair value are included in investment income.

Net OPEB Liability

The Plan's net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques.

For the Fiscal year Ended September 30, 2018

Proportionate Share of OPEB Liability

The employer's proportionate share was determined based on its share of total employer contributions. The following table presents the employer's proportionate share of the NOL at the measurement date for the current and prior year and the change in the proportionate share.

Alabama Retired Education Employees' Health Care Trust
Proportionate Share of Collective Net OPEB Liability
(Amounts in Thousands)

	Employer's Proportionate Share	Current Year Proportionate Share	Prior Year Proportionate Share	Change in Proportionate Share
Governmental-type Activities	\$ 16,480	0.22 %	0.23 %	(0.01) %
Business-type Activities	2,431	0.03	0.03	—
Totals - Primary Government	\$ 18,911	0.25 %	0.26 %	(0.01) %
 Component Units	 \$ 2,227,079	 30.00 %	 26.20 %	 3.80 %

The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. Each participating unit included in the State's financial report has its own proportion of the net OPEB liability based on a projection of the unit's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

Changes in Actuarial Assumptions Since the Previous Measurement Date

In 2016, economic assumptions, assumed rates of salary increases, withdrawal, retirement, disability, mortality, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience. The changes resulted in a decrease in the Net OPEB Obligation (NOL) of \$2,339,000 for the primary government (\$2,038,000 for governmental-type activities and \$301,000 for business-type activities) and \$275,451,000 for component units.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan was changed in 2017 to reflect the Affordable Care Act (ACA) maximum out-of-pocket amounts.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**OPEB Expense**

For the year ended September 30, 2018, the primary government recognized OPEB expense of \$1,011,000 (governmental-type activities - \$842,000 and business-type activities - \$169,000) and component units recognized OPEB expense of \$183,583,000.

For the Fiscal year Ended September 30, 2018

Deferred Outflows and Inflows

As of September 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Alabama Retired Education Employee's Health Care Trust**Deferred Outflows and Inflows of Resources**

(Amounts in Thousands)

	Govt- type Activities	Business- type Activities	Total Primary Government	Component Units
Deferred Outflows of Resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 3	\$ 113	\$ 116	\$ 277,187
Employer contributions subsequent to the measurement date	402	80	482	73,700
Total Deferred Outflows of Resources	\$ 405	\$ 193	\$ 598	\$ 350,887
Deferred Inflows of Resources				
Net difference between projected and actual earnings on OPEB plan investments	\$ 88	\$ 13	\$ 101	\$ 11,857
Changes in proportion and differences between employer contributions and proportionate share of contributions	805	—	805	20,640
Change in Assumptions	1,711	252	1,963	231,237
Total Deferred Inflows of Resources	\$ 2,604	\$ 265	\$ 2,869	\$ 263,734

Employer contributions subsequent to the measurement date reported in the above tables as deferred outflows of resources will reduce the net OPEB liability reported as of September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will increase/(decrease) OPEB expense reported in subsequent years as follows:

Alabama Retired Education Employees' Health Care Trust**Increase/(Decrease) to OPEB Expenses**

(Amounts in Thousands)

Fiscal Year Ended	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
2019	\$ (505)	\$ (30)	\$ (535)	\$ 2,611
2020	(505)	(30)	(535)	2,611
2021	(505)	(30)	(535)	2,611
2022	(505)	(30)	(535)	2,611
2023	(473)	(28)	(501)	2,447
Thereafter	(109)	(6)	(115)	563

For the Fiscal year Ended September 30, 2018

NOTE 12 - 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 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. 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 was to be determined by an arbitration panel consisting of three retired Article III federal judges. Before Alabama's arbitration hearing began, a settlement was reached in principle between 22 states including Alabama and the participating manufacturers resolving diligent enforcement determinations through 2012. This settlement provided Alabama with a "one-time" distribution on April 15, 2013 of approximately 48 million dollars in addition to its normal distribution. The final settlement agreement is still being negotiated. Six states that did not diligently enforce their escrow statutes must pay the 2003 adjustment to the participating manufacturers for all states. There are several remitter actions nationally attacking the settlement as well as the arbitration awards. If the settlement is set aside, Alabama's potential share of the 2003 non-participating manufacturers' adjustment could be as much as \$80 million if Alabama is subsequently determined to have not diligently enforced its escrow statutes during 2003. Additional arbitration proceedings are likely to continue.

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.

For the Fiscal year Ended September 30, 2018

NOTE 14 - SPECIAL ITEM

The president of the Alabama Education Association filed a lawsuit against members of the Public Education Employees' Health Insurance Board, claiming that an educational session on April 27, 2016 violated the provisions of the Alabama Open Meetings Act. Subsequent to the fiscal year end, the Alabama Supreme Court issued a ruling in the case of Remington, et al. vs. Swindle, et al., and ordered refunds of employee-paid health insurance premiums to be paid. \$(98,000,000) is reported for this special item. These premiums have been escrowed since the inception of the refund period awaiting a final decision from the Court.

NOTE 15 - EXTRAORDINARY ITEM

An extraordinary item is reported for Jacksonville State University for insurance recoveries and impairment of capital assets resulting from the tornado that touched down on JSU's campus March 19, 2018.

NOTE 16 - SUBSEQUENT EVENTS**A. Primary Government**

Subsequent to the fiscal year end, the State issued the following General Obligation Bonds:

-2018-A in the amount of \$98,360,000 for the purpose of making grants in connection with economic development projects.

-2018-B in the amount of \$38,740,000 for the purpose of making grants in connection with economic development projects and the recruitment of industrial projects to the State.

-2018-C in the amount of \$23,305,000 for the purpose of renovating the State's National Guard armories.

B. Component Units

Subsequent to the fiscal year end, the Alabama Housing Finance Authority has called approximately \$10,647,000 of multi-family bond conduit debt. Also, the Authority has issued approximately \$8,000,000 of multi-family bond conduit debt.

Subsequent to the fiscal year end, the University of South Alabama issued Series 2019-A and Series 2019-B University Facilities Revenue Bonds in the amounts of \$47,750,000 and \$18,440,000, respectively.

Subsequent to the fiscal year end, the Alabama Community College System issued Series 2019-A and Series 2019-B Beville State Community College Refunding Revenue Bonds in the amounts of \$8,335,000 and \$3,045,000, respectively.

Subsequent to the fiscal year end, the University of West Alabama issued Series 2018 General Fee Revenue Bonds in the amount of \$6,785,000.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - All Budgeted Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,342,683	\$ 1,385,374	\$ 1,553,067	\$ 167,693
Licenses, Permits and Fees	142,161	146,681	164,436	17,755
Fines, Forfeits, and Court Settlements	12,326	12,718	14,258	1,540
Investment Income	27,947	28,836	32,327	3,491
Federal Grants and Reimbursements	13	13	15	2
Other Revenues	391	403	451	48
Total Revenues	1,525,521	1,574,025	1,764,554	190,529
EXPENDITURES				
Administrative Office of Courts	100,203	102,763	102,759	4
Agriculture and Industries	11,423	11,423	11,223	200
Alabama Community College System	—	—	—	—
Attorney General	10,419	14,001	14,001	—
Auditor	768	780	770	10
Commission on Higher Education	—	—	—	—
Corrections	422,541	442,503	432,564	9,939
Economic and Community Affairs	8,207	10,964	10,390	574
Education	—	—	—	—
Emergency Management	5,738	5,848	5,240	608
Examiners of Public Accounts	5,825	5,825	5,825	—
Finance	5,238	5,187	3,244	1,943
Governor	1,991	3,777	3,181	596
Human Resources	—	—	—	—
Labor	834	834	693	141
Law Enforcement	—	—	—	—
Legislature	26,599	26,598	20,907	5,691
Medicaid	748,689	748,689	664,703	83,986
Mental Health	—	—	—	—
Public Health	32,384	32,492	32,306	186
Public Service Commission	—	—	—	—
Rehabilitation Services	—	—	—	—
Revenue	337	337	44	293
Secretary of State	2,258	2,259	838	1,421
Transportation	—	—	—	—
Treasurer	—	—	—	—
Youth Services	5,705	5,705	5,705	—
Universities and Training Institutes	—	—	—	—
Other	262,966	271,593	222,592	49,001
Total Expenditures	1,652,125	1,691,578	1,536,985	154,593
Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,604)	(117,553)	227,569	345,122
OTHER FINANCING SOURCES (USES)				
Carryover of funds from prior year	190,374	190,374	190,374	—
Transfers In	231,872	239,245	268,204	28,959
Transfers Out	(295,642)	(312,100)	(312,100)	—
Bonds Issued	—	—	—	—
Refunding Bonds Issued	—	—	—	—
Debt Issuance Premiums	—	—	—	—
Insurance Recovery Proceeds	—	34	34	—
Total Other Financing Sources (Uses)	126,604	117,553	146,512	28,959
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	374,081	\$ 374,081

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 6,409,668	\$ 6,416,588	\$ 6,755,864	\$ 339,276	\$ 1,531,711	\$ 1,674,470	\$ 1,531,095	\$ (143,375)
137	137	144	7	492,617	538,530	492,419	(46,111)
—	—	—	—	27,028	29,547	27,017	(2,530)
—	—	—	—	5,062	5,534	5,060	(474)
—	—	—	—	9,202,672	10,060,384	9,198,972	(861,412)
261	261	275	14	1,018,859	1,113,820	1,018,450	(95,370)
6,410,066	6,416,986	6,756,283	339,297	12,277,949	13,422,285	12,273,013	(1,149,272)
—	750	749	1	81,502	81,502	73,524	7,978
—	—	—	—	38,524	38,524	28,107	10,417
363,959	363,959	363,951	8	34,819	42,872	21,125	21,747
—	—	—	—	12,416	12,916	10,309	2,607
—	—	—	—	—	—	—	—
28,700	28,700	27,942	758	2,096	2,096	420	1,676
—	—	—	—	80,713	80,713	55,744	24,969
—	—	—	—	208,214	219,549	157,516	62,033
4,263,768	4,260,168	4,258,523	1,645	1,589,327	1,632,974	1,236,024	396,950
—	—	—	—	59,946	60,316	32,025	28,291
6,266	6,516	6,516	—	4,854	5,384	3,814	1,570
—	—	—	—	187,547	114,997	67,403	47,594
—	—	—	—	121	1,096	384	712
—	—	—	—	1,973,265	1,993,274	1,818,105	175,169
—	—	—	—	108,225	108,310	77,305	31,005
—	—	—	—	217,691	217,838	172,617	45,221
2,849	2,849	2,845	4	—	—	—	—
—	—	—	—	6,552,207	6,595,043	5,926,022	669,021
—	—	—	—	989,352	1,016,254	936,764	79,490
19,182	19,182	18,965	217	699,405	771,864	654,079	117,785
—	—	—	—	27,690	27,690	21,853	5,837
42,585	42,585	42,583	2	141,576	141,576	114,882	26,694
—	—	—	—	171,242	182,354	156,768	25,586
—	—	—	—	7,524	9,713	5,837	3,876
—	—	—	—	1,505,970	2,546,903	2,064,956	481,947
—	—	—	—	4,930	4,930	3,907	1,023
54,782	54,782	54,547	235	40,473	43,973	37,673	6,300
1,151,827	1,151,827	1,151,827	—	—	9,684	9,684	—
330,013	336,225	323,496	12,729	1,415,298	1,591,899	1,270,343	321,556
6,263,931	6,267,543	6,251,944	15,599	16,154,927	17,554,244	14,957,190	2,597,054
146,135	149,443	504,339	354,896	(3,876,978)	(4,131,959)	(2,684,177)	1,447,782
6,919	6919	6,919	—	1,141,208	1,141,208	1,141,208	—
17	17	18	1	2,735,770	2,990,751	2,734,671	(256,080)
(153,071)	(156,379)	(156,379)	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	3,650	3,650
(146,135)	(149,443)	(149,442)	1	3,876,978	4,131,959	3,879,529	(252,430)
\$ 0	\$ 0	354,897	\$ 354,897	\$ 0	\$ 0	1,195,352	\$ 1,195,352

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	BUDGETARY FUNDS			Alabama Trust Fund
	General Fund	Education Trust Fund	Earmarked Funds	
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	\$ 374,081	\$ 354,897	\$ 1,195,352	
Reconciliation to GAAP Basis:				
Perspective Differences:				
Reclassification of budgetary funds to GAAP financial statement fund types			(1,195,352)	\$ 285
Basis Differences:				
Accruals of revenues and other revenue adjustments	(17,155)	(29,252)		200
To remove prior year funds carried over in budget	(190,374)	(6,919)		(313)
Accruals of expenditures and capitalization of assets	(1,075)	(331)		(10)
To remove encumbrances recognized as expenditures	2,938	1,882		30
To recognize prior budget year expenditures/expenses	(2,013)	(1,509)		(59)
To remove budget expenditures/expenses not accrued as liabilities	194	64		—
Entity Differences:				
Add net operating results for funds not budgeted				89,180
Net Change in Fund Balances/Net Position - GAAP Basis	\$ 166,596	\$ 318,832	\$ 0	\$ 89,313

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
\$ 81,095	\$ 166,780	\$ 29,039	\$ 902,516	\$ (50,219)	\$ 51,932	\$ 11,575	\$ 155	\$ 2,194
(21,223)	(43,921)	(12,505)	44,288	(148)	(4,155)	136,977	(94)	(2,470)
(18,685)	(264,026)	(20,349)	(739,205)	(16,008)	(46,198)	(26,911)	(485)	(9,028)
(35,772)	(7,893)	16,721	(208,945)	62,095	(7,520)	(97,459)	234	(91,904)
831	30,252	3,453	29,245	752	4,364	229	11	266
(6)	(9,124)	(764)	(24,908)	(232)	(249)	—	—	(260)
(41)	(2,692)	(18)	(4,564)		(1,575)	(37)	(11)	(12)
815	(2,885)	1,194	(498,126)	81,324	3,949	2,089,309	163,429	790,966
<u>\$ 7,014</u>	<u>\$ (133,509)</u>	<u>\$ 16,771</u>	<u>\$ (499,699)</u>	<u>\$ 77,564</u>	<u>\$ 548</u>	<u>\$ 2,113,683</u>	<u>\$ 163,239</u>	<u>\$ 689,752</u>

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 2018, approximately \$32.6 million of supplemental appropriations were distributed from the General Fund. The Department of Corrections received \$30 million in supplemental appropriations. Approximately \$34 million of conditional and other appropriations were distributed to various agencies from the General Fund. The District Attorneys, the Fair Trial Tax Fund, and the Election Expenses Fund received conditional appropriations in the amounts of \$6 million, \$9 million, and \$9 million, respectively. 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.

During fiscal year 2018, approximately \$4.8 million of supplemental appropriations were distributed from the Education Trust Fund (ETF) to the Department of Veterans' Affairs and the State Department of Education.

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, which is restricted to funding all levels of educational activity in the State. The third budgetary group is referred to in the budget documents as Earmarked Funds. The Earmarked Funds group includes the operations of most governmental funds of both the primary government and the component units, as well as portions of some proprietary and fiduciary operations.

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes federal funds which are included in the Earmarked Funds. Most of the \$1.4 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.

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 or she 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. Within the Alabama Trust Fund, a General Fund Rainy Day Account and an Education Trust Fund Rainy Day Account have been created by constitutional amendment. If proration is declared for the General Fund or the Education Trust Fund, then oil and gas capital payments in the Alabama Trust Fund will be used to fund withdrawals from the Rainy Day Accounts. If proration is declared for the General Fund, Rainy Day withdrawals may not exceed the lesser of (a) ten percent of the previous fiscal year's General Fund appropriations less the total amount of any prior years' withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the General Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. If proration is declared for the Education Trust Fund, Rainy Day withdrawals may not exceed the lesser of (a) six and one-half percent of the previous fiscal year's Education Trust Fund appropriations less the total amount of any prior years' withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the Education Trust Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. The Rainy Day Accounts must be replenished within 10 years for the General Fund withdrawals and 6 years for the Education Trust Fund withdrawals. Neither the General Fund nor the Education Trust Fund was prorated in 2018. The General Fund and the Education Trust Fund have paid back all of its withdrawals. The available balance during FY 18 for the Education Trust Fund Rainy Day Account was \$419 million. The General Fund Rainy Day Account available balance during FY 18 was \$190 million.

The Rolling Reserve Act (Act 2011-3, as amended by Act 2015-538) caps appropriations from the Education Trust Fund (ETF). The cap is the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues for the 14 highest of the 15 completed fiscal years preceding the date on which the calculation is made; (2) if legislation is enacted that will increase recurring revenues deposited into the ETF, an amount equal to 95 percent of the fiscal note attached to the legislative act is added to the cap; (3) if legislation is enacted that will decrease recurring revenues deposited into the ETF, the negative impact, based on the enacted fiscal note is subtracted from the cap; (4) any nonrecurring revenue; and (5) the amount required to be appropriated from the ETF to the Prepaid Affordable College Tuition Trust Fund. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the *Constitution of Alabama of 1901* (prior to the third day of each Regular Session). Revenues in excess of the appropriation cap are required to be used to pay back transfers from the constitutional ETF Rainy Day Account until the account has been repaid in full. Any remaining funds shall be transferred to the ETF Budget Stabilization Fund and the ETF Advancement and Technology Fund. The ETF Budget Stabilization Fund will generally be used to reduce any future proration. At the end of fiscal year 2018 the balance in the ETF Budget Stabilization Fund was \$174 million.

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 are reported in the year the orders are placed for budgetary purposes in the Budgetary Comparison Schedule. Encumbrances are reported in the year the goods and services are received for GAAP basis financial statements.

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.

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 detailed information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2018

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.

(Amounts in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	32,760	32,489	30,401	36,732	40,758	44,343	46,049	55,381	60,037	53,966
Ceded	17,022	16,803	16,625	20,834	26,115	24,153	22,469	21,171	20,273	22,480
Net Earned	15,738	15,686	13,776	15,898	14,643	20,190	23,580	34,210	39,764	31,486
2. Unallocated Expenses	3,273	3,010	2,863	2,774	3,090	3,375	3,710	3,494	3,270	3,693
3. Estimated losses and expenses, end of accident year:										
Incurred	15,975	17,531	113,642	38,861	33,467	11,500	8,300	16,450	19,792	126,564
Ceded	—	5,781	91,228	28,359	2,757	—	—	4,550	6,969	100,664
Net incurred	15,975	11,750	22,414	10,502	30,710	11,500	8,300	11,900	12,823	25,900
4. Net paid (cumulative) as of:										
End of Accident Year	5,135	6,493	9,192	3,842	16,000	3,823	2,857	6,316	5,240	14,493
One Year Later	11,681	10,178	16,880	22,703	26,555	8,188	6,477	9,680	11,139	
Two Years Later	14,307	10,241	22,070	4,351	29,088	8,275	7,000	10,361		
Three Years Later	14,310	10,859	21,604	11,370	29,611	8,446	7,692			
Four Years Later	14,312	10,858	21,833	11,369	29,609	8,446				
Five Years Later	14,312	10,856	21,833	11,369	29,607					
Six Years Later	14,312	10,855	21,833	11,369						
Seven Years Later	14,312	10,854	21,833							
Eight Years Later	14,312	10,853								
Nine Years Later	14,312									
5. Reestimated ceded losses and expenses	—	2,929	72,691	18,662	—	—	—	3,148	4,296	100,664
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	15,975	11,750	22,414	10,502	30,710	11,500	8,300	11,900	12,823	25,900
One Year Later	14,850	10,750	21,000	32,435	29,711	9,000	7,700	11,800	12,733	
Two Years Later	14,606	10,883	22,900	11,045	29,688	8,643	7,700	11,000		
Three Years Later	14,528	10,859	22,062	11,380	29,611	8,446	7,692			
Four Years Later	14,312	10,858	21,833	11,369	29,609	8,446				
Five Years Later	14,312	10,856	21,833	11,369	29,607					
Six Years Later	14,312	10,855	21,833	11,369						
Seven Years Later	14,312	10,854	21,833							
Eight Years Later	14,312	10,853								
Nine Years Later	14,312									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(1,663)	(897)	(581)	867	(1,103)	(3,054)	(608)	(900)	(90)	—

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Trend Information

Teachers' Retirement System

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

Pension Liability Trend Data

Fiscal Year	% of Collective NPL	Proportionate Share of Collective NPL	Covered Payroll	Proportionate Share of NPL as a % of Covered Payroll	Pension Plan FNP as a % of TPL
2017	40.86%	\$ 4,016,090	\$ 2,606,833	154.06%	71.50%
2016	41.00%	4,438,794	2,581,488	171.95%	67.93%
2015	40.73%	4,262,429	2,532,066	168.34%	67.51%
2014	40.86%	3,710,637	2,612,755	142.02%	71.01%

Information is presented prospectively beginning in 2014.

Information was determined and is presented based on information as of the measurement date one year prior to the CAFR fiscal year end.

Statutorily Required Employer Contributions

Fiscal Year	Contribution Amount	% Contributed	Covered Payroll	% of Covered Payroll
2018	\$ 319,144	100%	\$ 2,661,584	11.99%
2017	307,935	100%	2,606,833	11.81%
2016	304,670	100%	2,581,488	11.80%
2015	295,148	100%	2,532,066	11.66%

Statute requires employers to contribute at the actuarially determined rate.

Information is presented prospectively beginning in 2015.

For the Fiscal Year Ended September 30, 2018

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Ten Year Trend Information.

Changes of benefit terms

The member contribution rates were increased from 5.00% (6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows: (i) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer). (ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service). (iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

Changes of assumptions

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality as changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Trend Information

Judicial Retirement Fund

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

Pension Liability Trend Data

Fiscal Year	% of Collective NPL (1)	% Share of NPL Due to State Operations	NPL	Covered Payroll	NPL as a % of Covered Payroll	Pension Plan FNP as a % of TPL
2017	100%	84.86%	\$ 154,349	\$ 42,743	361.11%	66.22%
2016	100%	84.89%	168,961	42,601	396.61%	62.54%
2015	100%	84.98%	160,330	41,617	385.25%	62.20%
2014	100%	85.04%	145,093	42,699	339.80%	65.46%

(1) The State is responsible for funding the entire NPL.

Information is presented prospectively beginning in 2014.

Information was determined and is presented based on information as of the measurement date one year prior to the CAFR fiscal year end.

Statutorily Required Employer Contributions

Fiscal Year	Contribution Amount	% Contributed	Covered Payroll	% of Covered Payroll
2018	\$ 17,112	100%	\$ 42,684	40.09%
2017	17,375	100%	42,743	40.65%
2016	17,458	100%	42,601	40.98%
2015	14,666	100%	41,617	35.24%

Statute requires employers to contribute at the actuarially determined rate.

Information is presented prospectively beginning in 2015.

The State is responsible for 100% of employer contributions.

Information is presented prospectively beginning in 2015.

For the Fiscal Year Ended September 30, 2018

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Ten Year Trend Information.

Changes of benefit terms

The member contribution rate was increased from 6.00% of salary to 8.25% of salary on October 1, 2011, and to 8.50% of salary on October 1, 2012. All justices and judges elected or appointed on or after November 8, 2016 are covered under a new benefit structure. In addition, circuit clerks and district attorneys elected or appointed on or after that date will also become members of the Fund and will be covered under the new structure. There were no members under the new benefit structure included in the September 30, 2017 NPL.

Changes of assumptions

In 2016, rates of retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females older than 78.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Trend Information

Employees' Retirement System

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

Schedule of Changes in Net Pension Liability

Total Pension Liability	2017	2016	2015	2014
Service Costs	\$ 115,249	\$ 119,589	\$ 159,234	\$ 115,716
Interest	602,304	588,965	587,703	579,810
Change in Assumptions	—	203,894	—	—
Difference in Expected and Actual Experience	(57,055)	11,012	(62,937)	—
Benefit payments, including refunds of employee contributions	(588,299)	(596,794)	(597,910)	(567,669)
Transfers among employers	1,529	(871)	19,137	—
Net change in total pension liability	73,728	325,795	105,227	127,857
Total pension liability - beginning	8,101,024	7,775,229	7,670,002	7,542,145
Total pension liability - ending (a)	\$ 8,174,752	\$ 8,101,024	\$ 7,775,229	\$ 7,670,002
Plan Fiduciary Net Position				
Contributions - employer	\$ 205,429	\$ 206,854	\$ 260,832	\$ 161,114
Contributions - employee	99,278	103,187	100,676	100,391
Net investment income	615,292	467,280	58,073	556,028
Benefit payments, including refunds of employee contributions*	(588,299)	(596,794)	(597,910)	(567,669)
Administrative expenses	(14,347)	(12,748)	(13,068)	—
Transfers among employers	726	(871)	6,241	24
Net change in fiduciary plan net position	318,079	166,908	(185,156)	249,888
Plan fiduciary net position - beginning	4,976,836	4,809,928	4,995,084	4,745,196
Plan fiduciary net position - ending (b)	\$ 5,294,915	\$ 4,976,836	\$ 4,809,928	\$ 4,995,084
Net pension liability - ending (a) - (b)	\$ 2,879,837	\$ 3,124,188	\$ 2,965,301	\$ 2,674,918
Plan fiduciary net position as a percentage of the total pension liability	64.77%	61.43%	61.86%	65.12%
Covered payroll - measurement period	\$ 1,262,409	\$ 1,295,085	\$ 1,331,883	\$ 1,280,583
Net pension liability as a % of covered payroll	228.12%	241.23%	222.64%	208.88%

Note that information was determined and presented as of the measurement date (one year prior to the CAFR fiscal year-end) and is presented prospectively beginning in 2014.

Actuarially Determined Employer Contributions

	2018	2017	2016	2015
Amount	\$ 195,284	\$ 191,906	\$ 199,636	\$ 185,110
% Contributed	100%	100%	100%	100%
Covered Payroll	\$ 1,324,433	\$ 1,262,409	\$ 1,295,085	\$ 1,331,883
% of covered payroll	14.74%	15.20%	15.41%	13.90%

Information presented prospectively beginning in 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedules for Employees' Retirement System

For the Fiscal Year Ended September 30, 2018

Valuation Date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the beginning of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	3.75-7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation.

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Trend Information

Alabama Retired State Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

Schedule of Changes in Net OPEB Liability

Total OPEB Liability	2017
Service Costs	\$ 112,694
Interest	103,761
Change in Assumptions	(370,644)
Difference in Expected and Actual Experience	—
Benefit payments, including	
refunds of employee contributions	(91,641)
Net change in total OPEB liability	(245,830)
Total pension liability - beginning	3,546,892
Total OPEB liability - ending (a)	\$ 3,301,062
Plan Fiduciary Net Position	
Contributions - employer	\$ 92,063
Net investment income	17,749
Benefit payments, including	
refunds of employee contributions*	(91,641)
Administrative expenses	(414)
Net change in fiduciary plan net position	17,757
Plan fiduciary net position - beginning	149,026
Plan fiduciary net position - ending (b)	\$ 166,783
Net OPEB liability - ending (a) - (b)	\$ 3,134,279
Plan fiduciary net position as a percentage of the total OPEB liability	5.05%
Covered payroll - measurement period	\$ 1,409,257
Net OPEB liability as a % of covered payroll	222.41%

*Benefit payments are net of member contributions

Note that information was determined and presented as of the measurement date (one year prior to the CAFR fiscal year-end) and is presented prospectively beginning in 2017.

Actuarially Required Employer Contributions

(Amounts in Thousands)

Fiscal Year	Actuarially Determined Contribution	Contribution Amount	Contribution Deficiency	Covered Payroll	Contributions as % of Covered Payroll
2018	\$ 163,178	\$ 79,611	\$ 83,567	\$ 1,470,777	5.41%

Information presented prospectively beginning in 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedules for Alabama Retired State Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2018

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Ten Year Trend Information.

Changes in actuarial assumptions:

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience (See the notes for amounts).

Recent Plan Changes:

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a MAPD plan.

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Pay, open
Remaining Amortization Period:	30 Years
Asset Valuation Method:	Market Value of Assets
Inflation:	3%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.5%
Medicare Eligible	5.75%
Ultimate Trend Rate	
Pre-Medicare Eligible	5%
Medicare Eligible	5%
Year of Ultimate Trend Rate:	2019
Investment Rate of Return:	5%, including inflation

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Trend Information

Alabama Retired Education Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

OPEB Liability

Fiscal Year	Proportionate Share of Collective NOL* (%)	Proportionate Share of Collective NOL (\$)	Covered Payroll	Collective Share of NOL as a % of Covered Payroll	OPEB Plan's FNP* as a % of TOL*
2017	30.24%	\$ 2,245,990	\$ 2,502,728	89.74%	15.37%

*Net OPEB Liability (NOL), Fiduciary Net Position (FNP), Total OPEB Liability (TOL)

Information is presented prospectively beginning in 2017.

Information was determined and is presented as of the measurement date one year prior to the CAFR fiscal year-end.

Statutorily Required Employer Contributions

Fiscal Year	Statutorily Required Contribution	Contributions Recognized (%)	Covered Payroll	Contributions as % of Covered Payroll
2018	\$ 74,182	100%	\$ 2,557,924	2.90%

Information is presented prospectively beginning in 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Schedules for Alabama Retired Education Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2018

Changes in actuarial assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes:

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the UnitedHealthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan was changed in 2017 to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2018

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 2018 include approximately 10,888 miles of state maintained highways and 5,406 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

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2018

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,					
	2018		2017		2016	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	6,703	87.24	6,702	85.44	6,705	84.16
Non-Interstate National Highway System	3,183	73.34	3,185	73.75	3,169	72.52
Interstate System	1,002	61.03	1,002	61.15	999	67.97
Total and Weighted Average Rating	10,888	80.76	10,889	79.79	10,873	79.28

Bridges**Measurement Scale**

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

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

Established Condition Level

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

Assessed Conditions

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

Category	As of September 30,					
	2018		2017		2016	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National Highway System	2,324	6.66	2,321	6.70	2,325	6.70
Non-Interstate National Highway System	1,838	6.58	1,834	6.67	1,845	6.67
Interstate System	1,244	6.04	1,240	5.99	1,261	5.99
Total and Weighted Average Rating	5,406	6.49	5,395	6.53	5,431	6.52

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2018

Estimated and Actual Costs

For fiscal years 2018, 2017, 2016, 2015, and 2014, the State estimated it would need to spend \$357.8, \$361.8, \$323.6, \$309.2, and \$333.1, respectively, to preserve and maintain all roadway assets (amounts in millions) and \$10 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$520,098,000 for roadway preservation and \$492,721,000 for bridge preservation in fiscal year 2018. The State spent \$372,860,000 for roadway preservation and \$286,279,000 for bridge preservation in fiscal year 2017. The State spent \$324,726,000 for roadway preservation and \$163,389,000 for bridge preservation in fiscal year 2016. The State spent \$424,506,000 for road preservation and \$116,600,000 for bridge preservation in fiscal year 2015. In fiscal year 2014, the State spent \$468,464,000 for road preservation and \$80,579,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$382,771,000 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, 2018

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 1,576,326	\$ 59,344	\$ 82,883	\$ 643	\$ 1,719,196
Investments	886,611	143,600	434,558	96,628	1,561,397
Due From Other Funds	102,618	—	2,014	—	104,632
Due From Component Units	26,490	—	46,093	—	72,583
Investment Sales Receivable	558	—	—	—	558
Accounts Receivable	96,829	—	—	241	97,070
Taxes Receivable	344,131	6,237	—	—	350,368
Due From Other Governments	137,821	—	—	—	137,821
Mortgages, Notes, and Loans Receivable	—	—	—	63	63
Securities Lending Collateral	1,153	—	—	5,557	6,710
Inventory	1,709	—	—	—	1,709
Restricted Assets	2,367	—	—	—	2,367
Other Assets	161	—	—	—	161
TOTAL ASSETS	\$ 3,176,774	\$ 209,181	\$ 565,548	\$ 103,132	\$ 4,054,635
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 14,056	\$ 0	\$ 49	\$ 0	\$ 14,105
Investment Purchases Payable	1,708	—	—	—	1,708
Due To Other Funds	47,240	—	—	63	47,303
Due To Component Units	443	—	—	—	443
Accounts Payable	257,872	—	1,519	1	259,392
Due To Other Governments	185,368	—	—	—	185,368
Securities Lending Obligation	1,153	—	—	5,557	6,710
Unearned Revenue	5,139	—	—	—	5,139
Amounts Held in Custody for Others	120,240	—	—	—	120,240
Compensated Absences	893	—	—	—	893
TOTAL LIABILITIES	634,112	—	1,568	5,621	641,301
Deferred Inflows of Resources	329,400	0	30,198	0	359,598
Fund Balances					
Nonspendable:					
Inventory	1,709	—	—	—	1,709
Permanent Fund Principal	—	—	—	92,170	92,170
Restricted for:					
Economic Development and Regulation	85,060	—	—	—	85,060
Education and Cultural Resources	425,676	—	—	1,470	427,146
Natural Resources and Recreation	122,161	—	—	—	122,161
Health	227,635	—	—	135	227,770
Social Services	209,831	—	—	3,736	213,567
Protection of Persons and Property	272,915	—	—	—	272,915
Transportation	92,656	—	—	—	92,656
General Government	740,093	—	—	—	740,093
Capital Projects	—	—	533,782	—	533,782
Debt Service	—	209,181	—	—	209,181
Assigned for:					
Economic Development and Regulation	1,364	—	—	—	1,364
Education and Cultural Resources	2,345	—	—	—	2,345
Social Services	332	—	—	—	332
Protection of Persons and Property	18,233	—	—	—	18,233
General Government	21,402	—	—	—	21,402
Unassigned	(8,150)	—	—	—	(8,150)
Total Fund Balances	2,213,262	209,181	533,782	97,511	3,053,736
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,176,774	\$ 209,181	\$ 565,548	\$ 103,132	\$ 4,054,635

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 1,377,865	\$ 196,758	\$ 0	\$ 0	\$ 1,574,623
Licenses, Permits, and Fees	596,120	—	—	1,270	597,390
Fines, Forfeits, and Court Settlements	189,499	—	—	—	189,499
Investment Income	39,072	4,764	8,699	(1,183)	51,352
Federal Grants and Reimbursements	2,162,929	9,098	—	—	2,172,027
Other Revenues	472,473	6,403	7,362	14	486,252
Total Revenues	4,837,958	217,023	16,061	101	5,071,143
EXPENDITURES					
Current:					
Economic Development and Regulation	130,298	—	—	—	130,298
Education and Cultural Resources	1,332,917	—	—	65	1,332,982
Natural Resources and Recreation	215,661	—	—	—	215,661
Health	1,992,694	—	—	—	1,992,694
Social Services	395,042	—	—	61	395,103
Protection of Persons and Property	592,953	—	—	—	592,953
Transportation	246,323	—	—	—	246,323
General Government	729,388	—	—	10	729,398
Capital Outlay	2,792	—	23,568	—	26,360
Debt Service - Principal Retirement	7,303	346,445	—	—	353,748
Debt Service - Interest and Other Charges	4,929	219,641	—	—	224,570
Total Expenditures	5,650,300	566,086	23,568	136	6,240,090
Excess (Deficiency) of Revenues Over (Under) Expenditures	(812,342)	(349,063)	(7,507)	(35)	(1,168,947)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,738,667	385,223	223	3,031	2,127,144
Bonds Issued	18,455	—	—	—	18,455
Debt Issuance Premiums	1,421	—	—	—	1,421
Insurance Recovery Proceeds	1,205	—	—	—	1,205
Transfers Out	(1,080,450)	(2,100)	(394,971)	(1,456)	(1,478,977)
Total Other Financing Sources (Uses)	679,298	383,123	(394,748)	1,575	669,248
Net Change in Fund Balances	(133,044)	34,060	(402,255)	1,540	(499,699)
Fund Balances, October 1, 2017, as Restated	2,346,261	175,121	936,037	95,971	3,553,390
Increase (Decrease) in Inventory	45	—	—	—	45
Fund Balances, September 30, 2018	\$ 2,213,262	\$ 209,181	\$ 533,782	\$ 97,511	\$ 3,053,736



Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Public Health

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

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

Other Medicaid

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.

Mental Health

Accounts for resources used by the Department of Mental Health to care for citizens who suffer from mental illness.

Public School Fund

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

Alabama Public School and College Authority

Accounts for resources used by the Authority, primarily to make grants to local public school systems for capital expenditures.

Labor

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

Conservation

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

Twenty-first Century Authority

Accounts for resources used by the Authority for the purpose of making incentive grants to major industries locating or expanding within the State.

Other 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, 2018

(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	\$ 53,190	\$ 38,187	\$ 9,079	\$ 38,233	\$ 10,991
Investments	—	—	32,239	—	—
Due From Other Funds	18,607	3,571	3,624	395	—
Due From Component Units	1,059	—	—	—	—
Investment Sales Receivable	—	—	—	—	—
Accounts Receivable	16	50	403	—	—
Taxes Receivable	219	25	—	25,292	10,130
Due From Other Governments	10,176	94,932	15,306	—	—
Securities Lending Collateral	—	—	—	—	—
Inventory	—	—	60	—	—
Restricted Assets	—	—	1,337	—	—
Other Assets	—	—	—	—	—
TOTAL ASSETS	\$ 83,267	\$ 136,765	\$ 62,048	\$ 63,920	\$ 21,121
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 216	\$ 863	\$ 124	\$ 568	\$ 0
Investment Purchases Payable	—	—	—	—	—
Due To Other Funds	9,116	756	2,009	1,148	—
Due To Component Units	—	145	2	—	—
Accounts Payable	29,613	5,662	13,077	44	—
Due To Other Governments	2,118	89,874	3,719	58,832	—
Securities Lending Obligation	—	—	—	—	—
Unearned Revenue	—	—	—	—	—
Amounts Held in Custody for Others	—	—	—	—	—
Compensated Absences	233	28	1	—	—
TOTAL LIABILITIES	41,296	97,328	18,932	60,592	0
Deferred Inflows of Resources	0	0	4,026	0	0
Fund Balances					
Nonspendable:					
Inventory	—	—	60	—	—
Restricted for:					
Economic Development and Regulation	—	—	—	42	—
Education and Cultural Resources	—	37,602	—	—	—
Natural Resources and Recreation	—	—	—	—	—
Health	41,971	—	—	—	21,121
Social Services	—	1,835	—	—	—
Protection of Persons and Property	—	—	—	48	—
Transportation	—	—	—	1,944	—
General Government	—	—	39,030	1,294	—
Assigned for:					
Economic Development and Regulation	—	—	—	—	—
Education and Cultural Resources	—	—	—	—	—
Social Services	—	—	—	—	—
Protection of Persons and Property	—	—	—	—	—
General Government	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	41,971	39,437	39,090	3,328	21,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 83,267	\$ 136,765	\$ 62,048	\$ 63,920	\$ 21,121

Mental Health	Public School Fund	Public School and College Authority	Labor Department	Conservation and Natural Resources	Twenty-first Century Authority	Other Special Revenue Funds	Total
\$ 118,239	\$ 26,805	\$ 52,808	\$ 29,222	\$ 86,161	\$ 2,696	\$ 1,110,715	\$ 1,576,326
—	—	17,401	12,538	397	—	824,036	886,611
43,926	—	—	2,525	634	—	29,336	102,618
—	—	—	—	19,073	—	6,358	26,490
—	—	—	—	—	—	558	558
1	—	—	129	78	79,470	16,682	96,829
142,677	159,447	—	—	215	—	6,126	344,131
724	—	—	—	—	—	16,683	137,821
—	—	—	—	—	—	1,153	1,153
451	—	—	—	811	—	387	1,709
—	—	—	—	—	—	1,030	2,367
—	—	—	—	—	—	161	161
\$ 306,018	\$ 186,252	\$ 70,209	\$ 44,414	\$ 107,369	\$ 82,166	\$ 2,013,225	\$ 3,176,774
\$ 7,289	\$ 31	\$ 0	\$ 22	\$ 235	\$ 0	\$ 4,708	\$ 14,056
—	—	—	—	—	—	1,708	1,708
11,616	—	5	690	1,079	—	20,821	47,240
—	—	—	—	14	—	282	443
66,653	—	1,263	4,921	11,521	—	125,118	257,872
7,168	—	300	42	579	—	22,736	185,368
—	—	—	—	—	—	1,153	1,153
—	—	—	—	—	—	5,139	5,139
30	—	—	—	307	—	119,903	120,240
143	—	—	75	23	—	390	893
92,899	31	1,568	5,750	13,758	0	301,958	634,112
103,435	134,289	0	0	0	79,470	8,180	329,400
451	—	—	—	811	—	387	1,709
—	—	—	—	—	2,696	82,322	85,060
—	51,932	68,641	—	—	—	267,501	425,676
—	—	—	—	92,800	—	29,361	122,161
109,233	—	—	—	—	—	55,310	227,635
—	—	—	22,748	—	—	185,248	209,831
—	—	—	15,916	—	—	256,951	272,915
—	—	—	—	—	—	90,712	92,656
—	—	—	—	—	—	699,769	740,093
—	—	—	—	—	—	1,364	1,364
—	—	—	—	—	—	2,345	2,345
—	—	—	—	—	—	332	332
—	—	—	—	—	—	18,233	18,233
—	—	—	—	—	—	21,402	21,402
—	—	—	—	—	—	(8,150)	(8,150)
109,684	51,932	68,641	38,664	93,611	2,696	1,703,087	2,213,262
\$ 306,018	\$ 186,252	\$ 70,209	\$ 44,414	\$ 107,369	\$ 82,166	\$ 2,013,225	\$ 3,176,774

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 2,350	\$ 2,057	\$ 0	\$ 357,384	\$ 374,797
Licenses, Permits, and Fees	88,671	868	2,150	35,743	—
Fines, Forfeits, and Court Settlements	66	—	1,221	1	—
Investment Income	—	—	8	—	—
Federal Grants and Reimbursements	525,940	1,000,718	143,793	1,617	—
Other Revenues	38,912	26,905	4,158	—	—
Total Revenues	655,939	1,030,548	151,330	394,745	374,797
EXPENDITURES					
Current:					
Economic Development and Regulation	—	—	—	1,646	—
Education and Cultural Resources	—	952,078	—	—	—
Natural Resources and Recreation	—	—	—	2,687	—
Health	734,204	—	—	378	368,958
Social Services	—	52,892	—	—	—
Protection of Persons and Property	—	—	—	6,572	—
Transportation	—	—	—	224,600	—
General Government	—	—	152,252	208,014	—
Capital Outlay	—	—	—	—	—
Debt Service - Principal Retirement	793	—	—	—	—
Debt Service - Interest and Other Charges	433	—	—	—	—
Total Expenditures	735,430	1,004,970	152,252	443,897	368,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,491)	25,578	(922)	(49,152)	5,839
OTHER FINANCING SOURCES (USES)					
Transfers In	108,107	3,112	9,505	50,649	36,179
Bonds Issued	—	—	—	—	—
Debt Issuance Premiums	—	—	—	—	—
Insurance Recovery Proceeds	—	—	—	—	—
Transfers Out	(37,417)	(19,113)	(9,619)	—	(36,179)
Total Other Financing Sources (Uses)	70,690	(16,001)	(114)	50,649	0
Net Change in Fund Balances	(8,801)	9,577	(1,036)	1,497	5,839
Fund Balances, October 1, 2017, as Restated	50,772	29,860	40,136	1,831	15,282
Increase (Decrease) in Inventory	—	—	(10)	—	—
Fund Balances, September 30, 2018	\$ 41,971	\$ 39,437	\$ 39,090	\$ 3,328	\$ 21,121

Mental Health	Public School Fund	Public School and College Authority	Labor Department	Conservation and Natural Resources	Twenty-first Century Authority	Other Special Revenue Funds	Total
\$ 221,858	\$ 191,094	\$ 0	\$ 3,881	\$ 9,134	\$ 0	\$ 215,310	\$ 1,377,865
98	20	—	300	21,717	—	446,553	596,120
—	—	—	127	2,563	111,247	74,274	189,499
—	—	832	87	719	21	37,405	39,072
48,379	—	—	54,020	34,137	—	354,325	2,162,929
7,362	59,866	—	5,382	74,114	18	255,756	472,473
277,697	250,980	832	63,797	142,384	111,286	1,383,623	4,837,958
—	—	—	—	—	210	128,442	130,298
—	176,907	26,416	—	—	—	177,516	1,332,917
—	—	—	—	183,848	—	29,126	215,661
784,681	—	—	—	—	—	104,473	1,992,694
444	—	—	64,734	—	—	276,972	395,042
—	—	—	9,922	—	—	576,459	592,953
—	—	—	—	—	—	21,723	246,323
—	—	—	—	—	—	369,122	729,388
—	—	—	—	—	—	2,792	2,792
—	—	—	24	—	—	6,486	7,303
—	533	249	3	—	13	3,698	4,929
785,125	177,440	26,665	74,683	183,848	223	1,696,809	5,650,300
(507,428)	73,540	(25,833)	(10,886)	(41,464)	111,063	(313,186)	(812,342)
905,483	533	—	17,316	14,024	16,505	577,254	1,738,667
—	—	18,455	—	—	—	—	18,455
—	—	1,421	—	—	—	—	1,421
123	—	—	—	261	—	821	1,205
(369,158)	(61,655)	(3,284)	(541)	(10,977)	(127,247)	(405,260)	(1,080,450)
536,448	(61,122)	16,592	16,775	3,308	(110,742)	172,815	679,298
29,020	12,418	(9,241)	5,889	(38,156)	321	(140,371)	(133,044)
80,662	39,514	77,882	32,775	131,714	2,375	1,843,458	2,346,261
2	—	—	—	53	—	—	45
\$ 109,684	\$ 51,932	\$ 68,641	\$ 38,664	\$ 93,611	\$ 2,696	\$ 1,703,087	\$ 2,213,262

STATE OF ALABAMA
COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2018

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Rehabilitation Services
ASSETS					
Cash and Cash Equivalents	\$ 37,842	\$ 18,992	\$ 54,190	\$ 1,096	\$ 32,495
Investments	—	43,227	16,642	—	—
Due From Other Funds	5,161	201	93	5	3,837
Due From Component Units	—	401	—	—	—
Investment Sales Receivable	—	—	—	—	—
Accounts Receivable	90	—	174	—	43
Taxes Receivable	—	—	—	—	—
Due From Other Governments	—	—	—	3,855	—
Securities Lending Collateral	—	—	—	—	—
Inventory	—	—	—	—	97
Restricted Assets	—	—	—	—	—
Other Assets	—	—	36	—	—
TOTAL ASSETS	\$ 43,093	\$ 62,821	\$ 71,135	\$ 4,956	\$ 36,472
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 0	\$ 243	\$ 98	\$ 182	\$ 206
Investment Purchases Payable	—	—	—	—	—
Due To Other Funds	16	5,384	283	145	1,101
Due To Component Units	—	250	—	5	—
Accounts Payable	3,563	9,945	2,396	410	13,298
Due To Other Governments	—	1,204	14	3,595	499
Securities Lending Obligation	—	—	—	—	—
Unearned Revenue	—	—	4,428	—	—
Amounts Held in Custody for Others	—	—	912	—	—
Compensated Absences	—	9	—	—	3
Total Liabilities	3,579	17,035	8,131	4,337	15,107
Deferred Inflows Of Resources	0	0	0	0	0
Fund Balances					
Nonspendable:					
Inventory	—	—	—	—	97
Restricted for:					
Economic Development and Regulation	—	—	—	—	—
Education and Cultural Resources	—	—	—	—	1,901
Natural Resources and Recreation	—	—	6	—	—
Health	—	45,786	—	—	—
Social Services	—	—	—	—	19,367
Protection of Persons and Property	39,514	—	62,998	619	—
Transportation	—	—	—	—	—
General Government	—	—	—	—	—
Assigned for:					
Economic Development and Regulation	—	—	—	—	—
Education and Cultural Resources	—	—	—	—	—
Social Services	—	—	—	—	—
Protection of Persons and Property	—	—	—	—	—
General Government	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	39,514	45,786	63,004	619	21,365
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 43,093	\$ 62,821	\$ 71,135	\$ 4,956	\$ 36,472

Children First Trust	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Revenue Administrative Fund	Miscellaneous Special Revenue Funds	Totals
\$ 18,499	\$ 1,463	\$ 3,922	\$ 108	\$ 0	\$ 66,430	\$ 875,678	\$ 1,110,715
—	21,295	—	5,104	505,043	—	232,725	824,036
—	—	—	—	—	252	19,787	29,336
—	—	—	—	—	—	5,957	6,358
—	—	—	—	558	—	—	558
—	—	3	18	1,404	—	14,950	16,682
—	—	16	—	—	5,593	517	6,126
—	—	—	—	—	—	12,828	16,683
—	—	—	—	—	—	1,153	1,153
—	—	—	—	—	115	175	387
—	—	—	—	—	—	1,030	1,030
—	—	—	—	—	—	125	161
\$ 18,499	\$ 22,758	\$ 3,941	\$ 5,230	\$ 507,005	\$ 72,390	\$ 1,164,925	\$ 2,013,225
\$ 10	\$ 0	\$ 544	\$ 0	\$ 0	\$ 27	\$ 3,398	\$ 4,708
—	—	—	—	1,708	—	—	1,708
1,460	9	39	—	—	1,210	11,174	20,821
—	—	—	—	—	—	27	282
1,174	49	767	—	—	10,064	83,452	125,118
336	—	6	—	—	16	17,066	22,736
—	—	—	—	—	—	1,153	1,153
—	—	—	—	—	—	711	5,139
—	—	—	—	—	21	118,970	119,903
—	—	—	—	—	109	269	390
2,980	58	1,356	—	1,708	11,447	236,220	301,958
0	0	0	3	537	0	7,640	8,180
—	—	—	—	—	115	175	387
—	—	—	—	—	—	82,322	82,322
—	—	—	—	—	—	265,600	267,501
—	22,700	—	—	—	—	6,655	29,361
1,608	—	—	—	—	—	7,916	55,310
7,475	—	—	—	—	—	158,406	185,248
4,149	—	—	—	—	—	149,671	256,951
—	—	—	—	—	—	90,712	90,712
2,287	—	2,585	5,227	504,760	60,828	124,082	699,769
—	—	—	—	—	—	1,364	1,364
—	—	—	—	—	—	2,345	2,345
—	—	—	—	—	—	332	332
—	—	—	—	—	—	18,233	18,233
—	—	—	—	—	—	21,402	21,402
—	—	—	—	—	—	(8,150)	(8,150)
15,519	22,700	2,585	5,227	504,760	60,943	921,065	1,703,087
\$ 18,499	\$ 22,758	\$ 3,941	\$ 5,230	\$ 507,005	\$ 72,390	\$ 1,164,925	\$ 2,013,225

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Other Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Rehabilitation Services
REVENUES					
Taxes	\$ 0	\$ 6,959	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	5,010	65,992	44,716	—	—
Fines, Forfeits, and Court Settlements	1,781	2,624	9,009	—	708
Investment Income	1	708	694	—	—
Federal Grants and Reimbursements	4	18,998	—	32,165	71,147
Other Revenues	18,246	1,616	1,097	250	1,468
Total Revenues	25,042	96,897	55,516	32,415	73,323
EXPENDITURES					
Current:					
Economic Development and Regulation	—	—	—	—	—
Education and Cultural Resources	—	—	—	—	8,895
Natural Resources and Recreation	—	—	6	—	—
Health	—	98,310	—	—	—
Social Services	—	—	—	—	90,902
Protection of Persons and Property	45,703	—	49,976	32,761	—
Transportation	—	—	—	—	—
General Government	—	—	—	—	—
Capital Outlay	—	—	—	—	—
Debt Service - Principal Retirement	2,736	—	—	—	—
Debt Service - Interest and Other Charges	3,099	410	4	—	—
Total Expenditures	51,538	98,720	49,986	32,761	99,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,496)	(1,823)	5,530	(346)	(26,474)
OTHER FINANCING SOURCES (USES)					
Transfers In	21,584	6,067	536	603	27,386
Insurance Recovery Proceeds	470	—	2	—	50
Transfers Out	—	(5,474)	(1,987)	(935)	(6,060)
Total Other Financing Sources (Uses)	22,054	593	(1,449)	(332)	21,376
Net Change in Fund Balances	(4,442)	(1,230)	4,081	(678)	(5,098)
Fund Balances, October 1, 2017, as Restated	43,956	47,016	58,923	1,297	26,476
Increase (Decrease) in Inventory	—	—	—	—	(13)
Fund Balances, September 30, 2018	\$ 39,514	\$ 45,786	\$ 63,004	\$ 619	\$ 21,365

Children First Trust	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Revenue Administrative Fund	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 11,187	\$ 0	\$ 0	\$ 145,455	\$ 51,709	\$ 215,310
—	219	271	—	—	12,203	318,142	446,553
—	—	—	—	—	—	60,152	74,274
—	305	—	(9)	32,386	—	3,320	37,405
—	—	—	—	—	—	232,011	354,325
462	78	3,867	—	—	7,204	221,468	255,756
462	602	15,325	(9)	32,386	164,862	886,802	1,383,623
—	—	—	—	—	—	128,442	128,442
—	—	—	—	—	—	168,621	177,516
—	8,930	—	—	—	—	20,190	29,126
3,266	—	—	—	—	—	2,897	104,473
15,181	—	—	—	—	—	170,889	276,972
8,429	—	—	—	—	—	439,590	576,459
—	—	—	—	—	—	21,723	21,723
4,646	—	73,295	1	1,595	127,017	162,568	369,122
—	—	—	—	—	—	2,792	2,792
—	—	—	—	—	—	3,750	6,486
—	—	—	—	—	—	185	3,698
31,522	8,930	73,295	1	1,595	127,017	1,121,647	1,696,809
(31,060)	(8,328)	(57,970)	(10)	30,791	37,845	(234,845)	(313,186)
54,997	14,026	60,092	19,934	3,306	5,673	363,050	577,254
—	—	—	—	—	—	299	821
(15,338)	(2,116)	(1,095)	(17,263)	(22,596)	(29,034)	(303,362)	(405,260)
39,659	11,910	58,997	2,671	(19,290)	(23,361)	59,987	172,815
8,599	3,582	1,027	2,661	11,501	14,484	(174,858)	(140,371)
6,920	19,118	1,558	2,566	493,259	46,447	1,095,922	1,843,458
—	—	—	—	—	12	1	—
\$ 15,519	\$ 22,700	\$ 2,585	\$ 5,227	\$ 504,760	\$ 60,943	\$ 921,065	\$ 1,703,087



Nonmajor Debt Service Funds

Nonmajor Debt Service Funds account for financial resources that are restricted, committed or assigned to expenditure for the payment of general governmental debt principal and interest.

Public School and College Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State educational facilities.

General Obligation Bond Debt Service

Accounts for resources used to pay the interest and principal on general obligation debt issued by the State.

Twenty-first Century Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing incentive grants to major industries locating or expanding within the State.

Incentives Financing Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State worker training facilities.

Industrial Development Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purpose of making industrial development grants to local governments.

Federal Aid Highway Finance Authority

Accounts for resources used to pay interest and principal on debt issued to finance road and bridge construction.

Public Health Care Authority Debt Service

Accounts for resources used to pay interest and principal on debt issued to finance public health facilities.

Mental Health Finance Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State mental health facilities.

Judicial Building Authority

Accounts for 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.

Highway Finance Corporation

Accounts for resources used to pay interest and principal on debt issued by the Corporation for the purpose of financing State roads and bridge projects.

Economic Settlement Authority

Accounts for resources used to pay the interest and principal on debt issued by the Authority for the purposes of Alabama Trust Fund repayment, additional funding of the Medicaid Agency, and transportation projects.

Other Debt Service

Accounts for resources used to pay the interest and principal on all other debt issued by the State.

STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Debt Service Funds

September 30, 2018

(Amounts in Thousands)

	Public School & College Authority	General Obligation Bonds	Twenty-first Century Authority	Incentives Financing Authority	Industrial Development Authority
ASSETS					
Cash and Cash Equivalents	\$ 3,336	\$ 0	\$ 16,816	\$ 25,340	\$ 87
Investments	142,835	—	—	—	—
Taxes Receivable	6,087	—	—	—	—
TOTAL ASSETS	\$ 152,258	\$ 0	\$ 16,816	\$ 25,340	\$ 87
Fund Balances					
Restricted for:					
Debt Service	\$ 152,258	\$ —	\$ 16,816	\$ 25,340	\$ 87
Total Fund Balances	152,258	0	16,816	25,340	87
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,258	\$ 0	\$ 16,816	\$ 25,340	\$ 87

Federal Aid Highway Finance Authority	Public Health Care Authority	Mental Health Finance Authority	Judicial Building Authority	Highway Finance Corporation	Economic Settlement Authority	Other Debt Service Funds	Totals
\$ 16	\$ 0	\$ 2,261	\$ 0	\$ 0	\$ 11,488	\$ 0	\$ 59,344
—	765	—	—	—	—	—	143,600
—	—	150	—	—	—	—	6,237
\$ 16	\$ 765	\$ 2,411	\$ 0	\$ 0	\$ 11,488	\$ 0	\$ 209,181

\$ 16	\$ 765	\$ 2,411	\$ —	\$ —	\$ 11,488	\$ —	\$ 209,181
16	765	2,411	0	0	11,488	0	209,181
\$ 16	\$ 765	\$ 2,411	\$ 0	\$ 0	\$ 11,488	\$ 0	\$ 209,181

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Debt Service Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Public School & College Authority	General Obligation Bonds	Twenty-first Century Authority	Incentives Financing Authority	Industrial Development Authority
REVENUES					
Taxes	\$ 193,120	\$ 0	\$ 0	\$ 0	\$ 0
Investment Income	4,418	—	142	122	—
Federal Grants and Reimbursements	9,098	—	—	—	—
Other Revenues	6,403	—	—	—	—
Total Revenues	213,039	0	142	122	0
EXPENDITURES					
Current:					
Debt Service - Principal Retirement	190,995	52,410	13,085	6,290	—
Debt Service - Interest and Other Charges	81,021	27,006	2,827	11,653	—
Total Expenditures	272,016	79,416	15,912	17,943	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,977)	(79,416)	(15,770)	(17,821)	0
OTHER FINANCING SOURCES (USES)					
Transfers In	81,994	79,416	15,495	17,938	—
Transfers Out	—	—	—	—	—
Total Other Financing Sources (Uses)	81,994	79,416	15,495	17,938	0
Net Change in Fund Balances	23,017	0	(275)	117	0
Fund Balances, October 1, 2017, as Restated	129,241	0	17,091	25,223	87
Fund Balances, September 30, 2018	\$ 152,258	\$ 0	\$ 16,816	\$ 25,340	\$ 87

Federal Aid Highway Finance Authority	Public Health Care Authority	Mental Health Finance Authority	Judicial Building Authority	Highway Finance Corporation	Economic Settlement Authority	Other Debt Service Funds	Totals
\$ 0	\$ 0	\$ 1,800	\$ 0	\$ 0	\$ 0	\$ 1,838	\$ 196,758
—	3	—	—	—	79	—	4,764
—	—	—	—	—	—	—	9,098
—	—	—	—	—	—	—	6,403
0	3	1,800	0	0	79	1,838	217,023
45,110	1,535	1,850	3,820	3,565	26,755	1,030	346,445
68,729	3,283	250	150	249	23,665	808	219,641
113,839	4,818	2,100	3,970	3,814	50,420	1,838	566,086
(113,839)	(4,815)	(300)	(3,970)	(3,814)	(50,341)	0	(349,063)
113,855	4,812	2,100	3,970	3,814	61,829	—	385,223
—	—	(2,100)	—	—	—	—	(2,100)
113,855	4,812	—	3,970	3,814	61,829	0	383,123
16	(3)	(300)	0	0	11,488	0	34,060
—	768	2,711	—	—	—	—	175,121
\$ 16	\$ 765	\$ 2,411	\$ 0	\$ 0	\$ 11,488	\$ 0	\$ 209,181



Nonmajor Capital Project Funds

Nonmajor Capital Project Funds account for financial resources restricted, committed or assigned to expenditure 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.

Public Health Care Authority Capital Projects

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

Mental Health Finance Authority

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction, renovation, and equipping of State mental health facilities.

Judicial Building Authority

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.

Highway Finance Corporation

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

Other Capital Projects

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

STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Capital Projects Funds

September 30, 2018

(Amounts in Thousands)

	General Obligation Bond Projects	Public Health Care Authority	Mental Health Finance Authority	Judicial Building Authority
ASSETS				
Cash and Cash Equivalents	\$ 11,916	\$ 31,958	\$ 8,704	\$ 0
Investments	—	22,721	—	—
Due From Other Funds	2,014	—	—	—
Due From Component Units	—	—	46,093	—
TOTAL ASSETS	\$ 13,930	\$ 54,679	\$ 54,797	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants Payable	49	—	—	—
Accounts Payable	4	1,433	82	—
Total Liabilities	53	1,433	82	0
Deferred Inflows Of Resources	0	0	30,198	0
Fund Balances				
Restricted for:				
Capital Projects	13,877	53,246	24,517	—
Total Fund Balances	13,877	53,246	24,517	0
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,930	\$ 54,679	\$ 54,797	\$ 0

Federal Aid Highway Finance Authority	Highway Finance Corporation	Other Capital Project Funds	Total
\$ 30,299	\$ 0	\$ 6	\$ 82,883
400,644	11,193	—	434,558
—	—	—	2,014
—	—	—	46,093
\$ 430,943	\$ 11,193	\$ 6	\$ 565,548

—	—	—	49
—	—	—	1,519
0	0	0	1,568
0	0	0	30,198

430,943	11,193	6	533,782
430,943	11,193	6	533,782
\$ 430,943	\$ 11,193	\$ 6	\$ 565,548

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	General Obligation Bond Projects	Public Health Care Authority	Mental Health Finance Authority	Judicial Building Authority
REVENUES				
Investment Income	\$ 28	\$ 35	\$ 426	\$ 1
Other Revenues	—	—	7,362	—
Total Revenues	28	35	7,788	1
EXPENDITURES				
Current:				
Capital Outlay	10,399	5,965	6,899	305
Total Expenditures	10,399	5,965	6,899	305
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,371)	(5,930)	889	(304)
OTHER FINANCING SOURCES (USES)				
Transfers In	—	186	37	—
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	0	186	37	0
Net Change in Fund Balances	(10,371)	(5,744)	926	(304)
Fund Balances, October 1, 2017, as Restated	24,248	58,990	23,591	304
Fund Balances, September 30, 2018	\$ 13,877	\$ 53,246	\$ 24,517	\$ 0

Federal Aid Highway Finance Authority	Highway Finance Corporation	Other Capital Project Funds	Totals
\$ 8,029	\$ 180	\$ 0	\$ 8,699
—	—	—	7,362
8,029	180	0	16,061
—	—	—	23,568
0	0	0	23,568
8,029	180	0	(7,507)
—	—	—	223
(392,008)	(2,963)	—	(394,971)
(392,008)	(2,963)	0	(394,748)
(383,979)	(2,783)	0	(402,255)
814,922	13,976	6	936,037
\$ 430,943	\$ 11,193	\$ 6	\$ 533,782



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 and Game and Fish Endowments

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 Alliance

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, 2018

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 533	\$ 4	\$ 0	\$ 106	\$ 643
Investments	25,287	12,818	43,877	14,646	96,628
Accounts Receivable	—	—	241	—	241
Mortgages, Notes, and Loans Receivable	—	—	—	63	63
Securities Lending Collateral	2,502	—	3,055	—	5,557
TOTAL ASSETS	\$ 28,322	\$ 12,822	\$ 47,173	\$ 14,815	\$ 103,132
LIABILITIES AND FUND BALANCES					
Liabilities					
Due To Other Funds	60	3	—	—	63
Accounts Payable	1	—	—	—	1
Securities Lending Obligation	2,502	—	3,055	—	5,557
Total Liabilities	2,563	3	3,055	0	5,621
Fund Balances					
Nonspendable:					
Permanent Fund Principal	25,759	11,500	40,382	14,529	92,170
Restricted for:					
Education and Cultural Resources	—	1,319	—	151	1,470
Health	—	—	—	135	135
Social Services	—	—	3,736	—	3,736
Total Fund Balances	25,759	12,819	44,118	14,815	97,511
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,322	\$ 12,822	\$ 47,173	\$ 14,815	\$ 103,132

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Permanent Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 1,185	\$ 0	\$ 0	\$ 85	\$ 1,270
Investment Income	(809)	(76)	(220)	(78)	(1,183)
Other Revenues	—	—	14	—	14
Total Revenues	376	(76)	(206)	7	101
EXPENDITURES					
Current:					
Education and Cultural Resources	—	65	—	—	65
Social Services	—	—	61	—	61
General Government	—	—	—	10	10
Total Expenditures	0	65	61	10	136
Excess (Deficiency) of Revenues Over (Under) Expenditures	376	(141)	(267)	(3)	(35)
OTHER FINANCING SOURCES (USES)					
Transfers In	—	—	3,031	—	3,031
Transfers Out	—	(2)	(1,077)	(377)	(1,456)
Total Other Financing Sources (Uses)	0	(2)	1,954	(377)	1,575
Net Change in Fund Balances	376	(143)	1,687	(380)	1,540
Fund Balances, October 1, 2017, as Restated	25,383	12,962	42,431	15,195	95,971
Fund Balances, September 30, 2018	\$ 25,759	\$ 12,819	\$ 44,118	\$ 14,815	\$ 97,511



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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	3,270	3,270	-
Alabama Sentencing Commission	326	326	-
Court Operations	85,942	85,938	4
Drug Court	2,042	2,042	-
Juvenile Probation Officer Services	11,183	11,183	-
TOTAL Administrative Office of Courts	102,763	102,759	4
<u>Agriculture and Industries</u>			
Administrative Services	4,540	4,540	-
Agricultural Development Services	554	354	200
Agricultural Inspection Services	3,869	3,869	-
Lab Analysis and Disease Control	2,460	2,460	-
TOTAL Agriculture and Industries	11,423	11,223	200
<u>Alabama Community College System</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary Administration: Science, Technology, Engineering, Art, and Mathematics STEAM	-	-	-
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-Central Alabama Community College	-	-	-
Postsecondary-Two Year Colleges	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Dual Enrollment	-	-	-
Postsecondary-Two Year Colleges: Industry Certification Initiatives	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
TOTAL Alabama Community College System	-	-	-
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	1,010	1,010	-
Legal Advice And Legal Service: Attorney General-Operations	12,991	12,991	-
TOTAL Attorney General	14,001	14,001	-
<u>Auditor</u>			
Fiscal Management	780	770	10
TOTAL Auditor	780	770	10
<u>Commission on Higher Education</u>			
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Programs	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	3,270	3,270	-
-	-	-	-	-	-	326	326	-
-	-	-	76,855	68,878	7,977	162,797	154,816	7,981
-	-	-	-	-	-	2,042	2,042	-
750	749	1	4,647	4,646	1	16,580	16,578	2
750	749	1	81,502	73,524	7,978	185,015	177,032	7,983
-	-	-	6,613	6,222	391	11,153	10,762	391
-	-	-	6,411	2,670	3,741	6,965	3,024	3,941
-	-	-	15,328	12,095	3,233	19,197	15,964	3,233
-	-	-	10,172	7,120	3,052	12,632	9,580	3,052
-	-	-	38,524	28,107	10,417	49,947	39,330	10,617
-	-	-	17,868	9,634	8,234	17,868	9,634	8,234
12,399	12,399	-	-	-	-	12,399	12,399	-
-	-	-	5,051	2,383	2,668	5,051	2,383	2,668
10,274	10,269	5	7,953	7,953	-	18,227	18,222	5
250	250	-	-	-	-	250	250	-
9,346	9,346	-	-	-	-	9,346	9,346	-
350	350	-	-	-	-	350	350	-
4,500	4,500	-	-	-	-	4,500	4,500	-
-	-	-	2,000	1,155	845	2,000	1,155	845
241	241	-	-	-	-	241	241	-
-	-	-	10,000	-	10,000	10,000	-	10,000
4,897	4,897	-	-	-	-	4,897	4,897	-
11,300	11,300	-	-	-	-	11,300	11,300	-
5,867	5,864	3	-	-	-	5,867	5,864	3
7,821	7,821	-	-	-	-	7,821	7,821	-
296,714	296,714	-	-	-	-	296,714	296,714	-
363,959	363,951	8	42,872	21,125	21,747	406,831	385,076	21,755
-	-	-	1,000	747	253	2,010	1,757	253
-	-	-	11,916	9,562	2,354	24,907	22,553	2,354
-	-	-	12,916	10,309	2,607	26,917	24,310	2,607
-	-	-	-	-	-	780	770	10
-	-	-	-	-	-	780	770	10
3,253	3,107	146	425	173	252	3,678	3,280	398
12,624	12,041	583	-	-	-	12,624	12,041	583
2,444	2,415	29	1,671	247	1,424	4,115	2,662	1,453
5,138	5,138	-	-	-	-	5,138	5,138	-
5,241	5,241	-	-	-	-	5,241	5,241	-
28,700	27,942	758	2,096	420	1,676	30,796	28,362	2,434

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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Corrections</u>			
Administration Service and Logistical Support	22,804	22,756	48
Correctional Industries	-	-	-
Institutional Service Corrections	419,699	409,808	9,891
TOTAL Corrections	442,503	432,564	9,939
<u>Economic and Community Affairs</u>			
Administrative Support Service	1,489	1,489	-
Energy Management	797	680	117
Law Enforcement Planning and Development	775	775	-
Planning	5,190	4,752	438
Surplus Property	635	635	-
Water Resources	2,078	2,059	19
TOTAL Economic and Community Affairs	10,964	10,390	574
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Student Program	-	-	-
Board of Adjustment	-	-	-
Career Tech Operations and Maintenance	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-Public School Fund	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Gifted Students Program	-	-	-
Information Technology Services	-	-	-
Liability Insurance Program	-	-	-
Reading is Fundamental Program	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness And Recovery	-	-	-
Readiness And Recovery: Administration	2,888	2,289	599
Readiness And Recovery: Federal Emergency Management Agency - Match	2,960	2,951	9
TOTAL Emergency Management Agency	5,848	5,240	608
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	5,825	5,825	-
TOTAL Examiners of Public Accounts	5,825	5,825	-
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capitol	1,623	1,171	452
Administrative Support Service: Capitol Complex Maintenance and Repair	-	-	-
Administrative Support Service: Leasing Management	370	370	-
Administrative Support Service: Space Management	267	-	267
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,729	1,232	497
Fiscal Management: Director's Office	1,198	471	727
TOTAL Finance	5,187	3,244	1,943

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	22,804	22,756	48
-	-	-	25,817	15,283	10,534	25,817	15,283	10,534
-	-	-	54,896	40,461	14,435	474,595	450,269	24,326
-	-	-	80,713	55,744	24,969	523,216	488,308	34,908
-	-	-	11,397	9,764	1,633	12,886	11,253	1,633
-	-	-	69,083	64,255	4,828	69,880	64,935	4,945
-	-	-	53,200	41,131	12,069	53,975	41,906	12,069
-	-	-	76,143	35,994	40,149	81,333	40,746	40,587
-	-	-	2,203	1,731	472	2,838	2,366	472
-	-	-	7,523	4,641	2,882	9,601	6,700	2,901
-	-	-	219,549	157,516	62,033	230,513	167,906	62,607
155,043	154,156	887	61,560	21,443	40,117	216,603	175,599	41,004
-	-	-	3,166	2,090	1,076	3,166	2,090	1,076
20,268	20,268	-	-	-	-	20,268	20,268	-
751	656	95	-	-	-	751	656	95
5,000	4,990	10	-	-	-	5,000	4,990	10
-	-	-	101,801	53,070	48,731	101,801	53,070	48,731
-	-	-	533	533	-	533	533	-
40,143	39,535	608	1,285,894	978,868	307,026	1,326,037	1,018,403	307,634
3,655,168	3,655,168	-	180,020	180,020	-	3,835,188	3,835,188	-
2,500	2,455	45	-	-	-	2,500	2,455	45
5,851	5,851	-	-	-	-	5,851	5,851	-
5,000	5,000	-	-	-	-	5,000	5,000	-
30	30	-	-	-	-	30	30	-
31,185	31,185	-	-	-	-	31,185	31,185	-
339,229	339,229	-	-	-	-	339,229	339,229	-
4,260,168	4,258,523	1,645	1,632,974	1,236,024	396,950	5,893,142	5,494,547	398,595
-	-	-	60,316	32,025	28,291	60,316	32,025	28,291
-	-	-	-	-	-	2,888	2,289	599
-	-	-	-	-	-	2,960	2,951	9
-	-	-	60,316	32,025	28,291	66,164	37,265	28,899
6,516	6,516	-	5,384	3,814	1,570	17,725	16,155	1,570
6,516	6,516	-	5,384	3,814	1,570	17,725	16,155	1,570
-	-	-	64,074	37,362	26,712	64,074	37,362	26,712
-	-	-	22,434	13,772	8,662	22,434	13,772	8,662
-	-	-	-	-	-	1,623	1,171	452
-	-	-	10,925	3,704	7,221	10,925	3,704	7,221
-	-	-	-	-	-	370	370	-
-	-	-	-	-	-	267	-	267
-	-	-	17,564	12,565	4,999	17,564	12,565	4,999
-	-	-	-	-	-	1,729	1,232	497
-	-	-	-	-	-	1,198	471	727
-	-	-	114,997	67,403	47,594	120,184	70,647	49,537

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	10	-	10
Executive Direction: Governor's BP Oil Spill	-	-	-
Executive Direction: Governor's Contingency Fund	189	158	31
Executive Direction: Governor's Office	3,020	2,865	155
Executive Direction: Governor's Proclamation Expense	402	2	400
Executive Direction: Justice Reinvestment Initiative	-	-	-
Executive Direction: National Governor's Conference	156	156	-
TOTAL Governor	3,777	3,181	596
<u>Human Resources</u>			
Human Services	-	-	-
TOTAL Human Resources	-	-	-
<u>Labor</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	834	693	141
Regulation Workers Compensation	-	-	-
Regulatory Services	-	-	-
TOTAL Labor	834	693	141
<u>Law Enforcement Agency</u>			
Administrative Bureau	-	-	-
Department of Public Safety	-	-	-
Information Bureau	-	-	-
Readiness And Recovery	-	-	-
State Bureau of Investigation	-	-	-
TOTAL Law Enforcement Agency	-	-	-
<u>Legislature</u>			
Commission to Reduce Poverty	7	-	7
Legislative Operations and Support	26,591	20,907	5,684
TOTAL Legislature	26,598	20,907	5,691
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid: Administrative Cost	27,937	26,213	1,724
Medical Assistance Through Medicaid: Alternative Care	31,000	17,348	13,652
Medical Assistance Through Medicaid: Designated State Health Programs (DSHP)	-	-	-
Medical Assistance Through Medicaid: Family Planning	2,400	785	1,615
Medical Assistance Through Medicaid: Health Support	36,000	18,276	17,724
Medical Assistance Through Medicaid: Hospital Care	82,000	70,717	11,283
Medical Assistance Through Medicaid: Medicaid-Children's Health Insurance Program	-	-	-
Medical Assistance Through Medicaid: Mental Health - Facilities	-	-	-
Medical Assistance Through Medicaid: Mental Health - Waivers	-	-	-
Medical Assistance Through Medicaid: Mental Health-Others Health Insurance	-	-	-
Medical Assistance Through Medicaid: Nursing Home Care	160,000	149,986	10,014
Medical Assistance Through Medicaid: Pharmaceutical	194,000	188,529	5,471
Medical Assistance Through Medicaid: Physician Care	109,000	90,942	18,058
Medical Assistance Through Medicaid: Premiums	106,352	101,907	4,445
Medical Assistance Through Medicaid: Regional Care Organizations (RCOs)	-	-	-
TOTAL Medicaid Agency	748,689	664,703	83,986

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	10	-	10
-	-	-	953	241	712	953	241	712
-	-	-	-	-	-	189	158	31
-	-	-	-	-	-	3,020	2,865	155
-	-	-	-	-	-	402	2	400
-	-	-	143	143	-	143	143	-
-	-	-	-	-	-	156	156	-
-	-	-	1,096	384	712	4,873	3,565	1,308
-	-	-	1,993,274	1,818,105	175,169	1,993,274	1,818,105	175,169
-	-	-	1,993,274	1,818,105	175,169	1,993,274	1,818,105	175,169
-	-	-	20,218	14,002	6,216	20,218	14,002	6,216
-	-	-	69,352	51,672	17,680	69,352	51,672	17,680
-	-	-	11,884	6,032	5,852	12,718	6,725	5,993
-	-	-	5,099	4,037	1,062	5,099	4,037	1,062
-	-	-	1,757	1,562	195	1,757	1,562	195
-	-	-	108,310	77,305	31,005	109,144	77,998	31,146
-	-	-	17,726	11,653	6,073	17,726	11,653	6,073
-	-	-	67,569	61,326	6,243	67,569	61,326	6,243
-	-	-	93,457	70,175	23,282	93,457	70,175	23,282
-	-	-	57	18	39	57	18	39
-	-	-	39,029	29,445	9,584	39,029	29,445	9,584
-	-	-	217,838	172,617	45,221	217,838	172,617	45,221
-	-	-	-	-	-	7	-	7
2,849	2,845	4	-	-	-	29,440	23,752	5,688
2,849	2,845	4	-	-	-	29,447	23,752	5,695
-	-	-	340,364	218,462	121,902	368,301	244,675	123,626
-	-	-	356,663	354,502	2,161	387,663	371,850	15,813
-	-	-	-	-	-	-	-	-
-	-	-	64,391	44,224	20,167	66,791	45,009	21,782
-	-	-	280,305	225,321	54,984	316,305	243,597	72,708
-	-	-	2,397,835	2,221,422	176,413	2,479,835	2,292,139	187,696
-	-	-	194,203	173,643	20,560	194,203	173,643	20,560
-	-	-	11,313	2,033	9,280	11,313	2,033	9,280
-	-	-	385,185	351,460	33,725	385,185	351,460	33,725
-	-	-	140,662	130,077	10,585	140,662	130,077	10,585
-	-	-	833,489	814,754	18,735	993,489	964,740	28,749
-	-	-	606,072	594,020	12,052	800,072	782,549	17,523
-	-	-	495,032	459,347	35,685	604,032	550,289	53,743
-	-	-	355,154	336,757	18,397	461,506	438,664	22,842
-	-	-	134,375	-	134,375	134,375	-	134,375
-	-	-	6,595,043	5,926,022	669,021	7,343,732	6,590,725	753,007

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<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	-	-	-
<u>Public Health</u>			
Administrative Services	8,742	8,742	-
Alabama Medical Education Consortium Program	-	-	-
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	23,750	23,564	186
TOTAL Public Health	32,492	32,306	186
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	-	-	-
TOTAL Rehabilitation Services	-	-	-
<u>Revenue</u>			
State Revenue Administration	337	44	293
TOTAL Revenue	337	44	293
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration Of Help America Vote Act	-	-	-
Administrative Support Service: Distribution of Public Documents	166	166	-
Administrative Support Service: Printing of Acts/Journals	160	84	76
Administrative Support Service: Printing of Codes	627	47	580
Special Services: Photo Voter Identification	1,210	500	710
Special Services: Training of Elected Officials	96	41	55
TOTAL Secretary of State	2,259	838	1,421
<u>Transportation</u>			
General Administration	-	-	-
General Aviation and Aeronautics	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	-	-	-
TOTAL Treasurer	-	-	-
<u>Youth Services</u>			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	5,705	5,705	-
TOTAL Youth Services	5,705	5,705	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	33,910	24,810	9,100	33,910	24,810	9,100
-	-	-	521,341	488,237	33,104	521,341	488,237	33,104
-	-	-	376,776	347,790	28,986	376,776	347,790	28,986
-	-	-	24,945	18,801	6,144	24,945	18,801	6,144
-	-	-	59,282	57,126	2,156	59,282	57,126	2,156
-	-	-	1,016,254	936,764	79,490	1,016,254	936,764	79,490
699	699	-	25,853	23,028	2,825	35,294	32,469	2,825
2,000	2,000	-	-	-	-	2,000	2,000	-
-	-	-	249,861	241,228	8,633	249,861	241,228	8,633
1,636	1,586	50	-	-	-	1,636	1,586	50
2,486	2,328	158	-	-	-	2,486	2,328	158
12,361	12,352	9	496,150	389,823	106,327	532,261	425,739	106,522
19,182	18,965	217	771,864	654,079	117,785	823,538	705,350	118,188
-	-	-	27,690	21,853	5,837	27,690	21,853	5,837
-	-	-	27,690	21,853	5,837	27,690	21,853	5,837
42,585	42,583	2	141,576	114,882	26,694	184,161	157,465	26,696
42,585	42,583	2	141,576	114,882	26,694	184,161	157,465	26,696
-	-	-	182,354	156,768	25,586	182,691	156,812	25,879
-	-	-	182,354	156,768	25,586	182,691	156,812	25,879
-	-	-	7,093	4,344	2,749	7,093	4,344	2,749
-	-	-	2,620	1,493	1,127	2,620	1,493	1,127
-	-	-	-	-	-	166	166	-
-	-	-	-	-	-	160	84	76
-	-	-	-	-	-	627	47	580
-	-	-	-	-	-	1,210	500	710
-	-	-	-	-	-	96	41	55
-	-	-	9,713	5,837	3,876	11,972	6,675	5,297
-	-	-	228,942	164,980	63,962	228,942	164,980	63,962
-	-	-	70,706	20,743	49,963	70,706	20,743	49,963
-	-	-	2,247,255	1,879,233	368,022	2,247,255	1,879,233	368,022
-	-	-	2,546,903	2,064,956	481,947	2,546,903	2,064,956	481,947
-	-	-	4,930	3,907	1,023	4,930	3,907	1,023
-	-	-	4,930	3,907	1,023	4,930	3,907	1,023
3,566	3,566	-	-	-	-	3,566	3,566	-
6,402	6,377	25	916	307	609	7,318	6,684	634
44,814	44,604	210	43,057	37,366	5,691	93,576	87,675	5,901
54,782	54,547	235	43,973	37,673	6,300	104,460	97,925	6,535

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Universities and Training Institutes			
Alabama Agricultural and Mechanical University			
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M Agricultural 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: Carter Science Center	-	-	-
Support of State Universities: Dormitory Renovation	-	-	-
Support of State Universities: Urban Affairs and Non-Traditional Program	-	-	-
Support of State Universities: Virginia Caples Learning Living Institute	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Children and Youth	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama Institute for the Deaf and Blind - Adult Program			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Total Alabama Institute for the Deaf and Blind - Adult Program	-	-	-
Alabama Institute for the Deaf and Blind - Industries			
Alabama Institute for the Deaf and Blind- Industries for the	-	-	-
Total Alabama Institute for the Deaf and Blind - Industries	-	-	-
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Total Alabama State University	-	-	-
Athens State University			
Support of State Universities: Athens State University	-	-	-
Total Athens State University	-	-	-
Auburn University - Agricultural Experiment Station			
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Total Auburn University - Agricultural Experiment Station	-	-	-
Auburn University - Alabama Cooperative Extension Service			
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Total Auburn University - Alabama Cooperative Extension Service	-	-	-
Auburn University - Main Campus			
Support of State Universities: Auburn University System/Operations and Maintenance	-	-	-
Support of State Universities: Aviation Center	-	-	-
Total Auburn University - Main Campus	-	-	-
Auburn University - Montgomery			
Support of State Universities: Auburn/AUM Operations and Maintenance	-	-	-
Total Auburn University - Montgomery	-	-	-
Fire College and Personnel Standards Commission			
Firefighters-Fire College: Alabama Fire College	-	-	-
Total Fire College and Personnel Standards Commission	-	-	-
Jacksonville State University			
Support of State Universities: Jacksonville State University/Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Talladega College			
Support - Other Educational Activities	-	-	-
Total Talladega College	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
278	278	-	-	-	-	278	278	-
1,190	1,190	-	-	-	-	1,190	1,190	-
365	365	-	-	-	-	365	365	-
32,448	32,448	-	356	356	-	32,804	32,804	-
100	100	-	-	-	-	100	100	-
400	400	-	-	-	-	400	400	-
3,748	3,748	-	-	-	-	3,748	3,748	-
100	100	-	-	-	-	100	100	-
38,629	38,629	-	356	356	-	38,985	38,985	-
32,624	32,624	-	-	-	-	32,624	32,624	-
32,624	32,624	-	-	-	-	32,624	32,624	-
12,553	12,553	-	-	-	-	12,553	12,553	-
12,553	12,553	-	-	-	-	12,553	12,553	-
8,577	8,577	-	-	-	-	8,577	8,577	-
8,577	8,577	-	-	-	-	8,577	8,577	-
42,946	42,946	-	309	309	-	43,255	43,255	-
42,946	42,946	-	309	309	-	43,255	43,255	-
12,422	12,422	-	208	208	-	12,630	12,630	-
12,422	12,422	-	208	208	-	12,630	12,630	-
31,190	31,190	-	-	-	-	31,190	31,190	-
31,190	31,190	-	-	-	-	31,190	31,190	-
32,520	32,520	-	-	-	-	32,520	32,520	-
32,520	32,520	-	-	-	-	32,520	32,520	-
162,700	162,700	-	1,570	1,570	-	164,270	164,270	-
5,000	5,000	-	-	-	-	5,000	5,000	-
167,700	167,700	-	1,570	1,570	-	169,270	169,270	-
22,995	22,995	-	324	324	-	23,319	23,319	-
22,995	22,995	-	324	324	-	23,319	23,319	-
4,383	4,383	-	-	-	-	4,383	4,383	-
4,383	4,383	-	-	-	-	4,383	4,383	-
38,359	38,359	-	539	539	-	38,898	38,898	-
38,359	38,359	-	539	539	-	38,898	38,898	-
883	883	-	-	-	-	883	883	-
883	883	-	-	-	-	883	883	-

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Troy University			
Support of State Universities: Troy State University System/Operations and Maintenance	-	-	-
Total Troy University	-	-	-
Tuskegee University			
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
Total Tuskegee University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/University of Alabama at Birmingham	-	-	-
Support of State Universities: University of Alabama at Birmingham- 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: American Village	-	-	-
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/Cancer Center	-	-	-
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 Universities and Training Institutes	-	-	-
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	95	63	32
Total Agricultural Museum Board	95	63	32
Agriculture and Conservation Development Commission			
Water Resource Development	-	-	-
Total Agriculture and Conservation Development Commission	-	-	-
Alabama Athletic Commission			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Athletic Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
49,303	49,303	-	842	842	-	50,145	50,145	-
49,303	49,303	-	842	842	-	50,145	50,145	-
10,595	10,595	-	-	-	-	10,595	10,595	-
-	-	-	57	57	-	57	57	-
10,595	10,595	-	57	57	-	10,652	10,652	-
-	-	-	44	44	-	44	44	-
3,237	3,237	-	-	-	-	3,237	3,237	-
5,053	5,053	-	-	-	-	5,053	5,053	-
263,793	263,793	-	1,180	1,180	-	264,973	264,973	-
272,083	272,083	-	1,224	1,224	-	273,307	273,307	-
47,833	47,833	-	519	519	-	48,352	48,352	-
47,833	47,833	-	519	519	-	48,352	48,352	-
154,836	154,836	-	1,906	1,906	-	156,742	156,742	-
154,836	154,836	-	1,906	1,906	-	156,742	156,742	-
75	75	-	-	-	-	75	75	-
19,703	19,703	-	186	186	-	19,889	19,889	-
19,778	19,778	-	186	186	-	19,964	19,964	-
28,186	28,186	-	464	464	-	28,650	28,650	-
28,186	28,186	-	464	464	-	28,650	28,650	-
3,000	3,000	-	-	-	-	3,000	3,000	-
104,285	104,285	-	937	937	-	105,222	105,222	-
107,285	107,285	-	937	937	-	108,222	108,222	-
16,147	16,147	-	243	243	-	16,390	16,390	-
16,147	16,147	-	243	243	-	16,390	16,390	-
1,151,827	1,151,827	-	9,684	9,684	-	1,161,511	1,161,511	-
-	-	-	1,678	1,567	111	1,678	1,567	111
-	-	-	1,678	1,567	111	1,678	1,567	111
-	-	-	-	-	-	95	63	32
-	-	-	-	-	-	95	63	32
-	-	-	486	313	173	486	313	173
-	-	-	486	313	173	486	313	173
-	-	-	206	121	85	206	121	85
-	-	-	206	121	85	206	121	85

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Alabama Historic Ironworks Commission			
Historical Resources Management	80	80	-
Total Alabama Historic Ironworks Commission	80	80	-
Alabama Innovation Fund			
Alabama Innovation Fund	-	-	-
Total Alabama Innovation Fund	-	-	-
Alabama Security Regulatory Board			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Security Regulatory Board	-	-	-
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	31	6	25
Total Alabama Trust Fund	31	6	25
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	-	-	-
American Legion Scholarships			
Financial Assistance: American Legion Scholarships	-	-	-
Total American Legion Scholarships	-	-	-
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	-	-	-
Archives and History			
Historical Resources Management	1,665	1,665	-
Historical Resources Management: Bicentennial Program	-	-	-
Total Archives and History	1,665	1,665	-
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	44	6	38
Special Services: Death Claims-Board of Adjustment	823	820	3
Total Board of Adjustment	867	826	41
Board of Cosmetology and Barbering			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Cosmetology and Barbering	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	80	80	-
-	-	-	-	-	-	80	80	-
2,420	2,420	-	-	-	-	2,420	2,420	-
2,420	2,420	-	-	-	-	2,420	2,420	-
-	-	-	450	423	27	450	423	27
-	-	-	450	423	27	450	423	27
-	-	-	1,544	1,230	314	1,544	1,230	314
-	-	-	-	-	-	31	6	25
-	-	-	1,544	1,230	314	1,575	1,236	339
-	-	-	24,268	17,595	6,673	24,268	17,595	6,673
-	-	-	63,519	59,622	3,897	63,519	59,622	3,897
-	-	-	7,018	4,589	2,429	7,018	4,589	2,429
-	-	-	94,805	81,806	12,999	94,805	81,806	12,999
113	85	28	-	-	-	113	85	28
113	85	28	-	-	-	113	85	28
-	-	-	516	453	63	516	453	63
-	-	-	516	453	63	516	453	63
5,592	4,841	751	534	387	147	7,791	6,893	898
1,119	1,057	62	-	-	-	1,119	1,057	62
6,711	5,898	813	534	387	147	8,910	7,950	960
-	-	-	106	69	37	106	69	37
-	-	-	106	69	37	106	69	37
-	-	-	64	18	46	64	18	46
-	-	-	64	18	46	64	18	46
-	-	-	84	65	19	84	65	19
-	-	-	84	65	19	84	65	19
-	-	-	195	142	53	195	142	53
-	-	-	195	142	53	195	142	53
-	-	-	18,055	15,696	2,359	18,055	15,696	2,359
-	-	-	18,055	15,696	2,359	18,055	15,696	2,359
-	-	-	-	-	-	44	6	38
-	-	-	-	-	-	823	820	3
-	-	-	-	-	-	867	826	41
-	-	-	3,355	2,141	1,214	3,355	2,141	1,214
-	-	-	3,355	2,141	1,214	3,355	2,141	1,214

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Child Abuse & Neglect Prevention			
Social Services	-	-	-
Total Child Abuse & Neglect Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	217	213	4
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	217	213	4
Coalition Against Domestic Violence			
Non-State	170	170	-
Total Coalition Against Domestic Violence	170	170	-
Commerce			
Industrial Development: Alabama Department Of Commerce	5,577	4,877	700
Industrial Training: Alabama Industrial Development Training/ Development Program	-	-	-
Industrial Training: Alabama Industrial Development Training/ Training Program	-	-	-
Industrial Training: Alabama Industrial Development/ Workforce Development	-	-	-
Industrial Training: Marketing Campaign Technical Education	-	-	-
Skills Enhancement/Employment Opportunities: Skills Enhancement	1,013	473	540
Total Commerce	6,590	5,350	1,240
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-
Construction Recruitment			
Recruitment/Training Promotion	-	-	-
Total Construction Recruitment	-	-	-
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	4,273	3,632	641
Total Court of Civil Appeals	4,273	3,632	641
Court of Criminal Appeals			
Court Operations	4,369	3,735	634
Total Court of Criminal Appeals	4,369	3,735	634
Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Court Reporting	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	8,168	7,555	613	8,168	7,555	613
-	-	-	8,168	7,555	613	8,168	7,555	613
-	-	-	4,036	1,746	2,290	4,036	1,746	2,290
-	-	-	4,036	1,746	2,290	4,036	1,746	2,290
-	-	-	504	334	170	504	334	170
-	-	-	504	334	170	504	334	170
-	-	-	11	11	-	228	224	4
-	-	-	11	11	-	228	224	4
-	-	-	-	-	-	170	170	-
-	-	-	-	-	-	170	170	-
-	-	-	498	180	318	6,075	5,057	1,018
6,965	6,965	-	-	-	-	6,965	6,965	-
5,813	5,813	-	-	-	-	5,813	5,813	-
43,171	43,171	-	-	-	-	43,171	43,171	-
750	750	-	-	-	-	750	750	-
-	-	-	47,526	29,867	17,659	48,539	30,340	18,199
56,699	56,699	-	48,024	30,047	17,977	111,313	92,096	19,217
-	-	-	10,405	8,031	2,374	10,405	8,031	2,374
-	-	-	41,640	36,468	5,172	41,640	36,468	5,172
-	-	-	20,184	14,232	5,952	20,184	14,232	5,952
-	-	-	45,423	44,095	1,328	45,423	44,095	1,328
-	-	-	63,257	11,418	51,839	63,257	11,418	51,839
-	-	-	180,909	114,244	66,665	180,909	114,244	66,665
-	-	-	1,750	1,378	372	1,750	1,378	372
-	-	-	1,750	1,378	372	1,750	1,378	372
4,849	4,697	152	785	785	-	5,634	5,482	152
4,849	4,697	152	785	785	-	5,634	5,482	152
-	-	-	466	340	126	466	340	126
-	-	-	466	340	126	466	340	126
-	-	-	-	-	-	4,273	3,632	641
-	-	-	-	-	-	4,273	3,632	641
-	-	-	-	-	-	4,369	3,735	634
-	-	-	-	-	-	4,369	3,735	634
-	-	-	200	112	88	200	112	88
-	-	-	200	112	88	200	112	88

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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, 2018

(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	-	-	-
Dental Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Dental Scholarships Awards Board	-	-	-
Dietetics and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietetics and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	13,412	12,973	439
Total District Attorneys	13,412	12,973	439
Early Childhood Education			
Children's Policy Council	-	-	-
Social Services	-	-	-
Total Early Childhood Education	-	-	-
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	-	-	-
Endowments			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University Of Alabama Endowment	-	-	-
Total Endowments	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	2,605	2,082	523
Total Ethics Commission	2,605	2,082	523
Finance - Teacher Unused Sick Leave			
Employee Benefits	-	-	-
Total Finance - Teacher Unused Sick Leave	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,971	1,915	1,056	2,971	1,915	1,056
-	-	-	2,971	1,915	1,056	2,971	1,915	1,056
-	-	-	3,529	2,500	1,029	3,529	2,500	1,029
-	-	-	3,529	2,500	1,029	3,529	2,500	1,029
191	191	-	-	-	-	191	191	-
191	191	-	-	-	-	191	191	-
-	-	-	150	123	27	150	123	27
-	-	-	150	123	27	150	123	27
-	-	-	18,791	18,791	-	32,203	31,764	439
-	-	-	18,791	18,791	-	32,203	31,764	439
-	-	-	1,000	271	729	1,000	271	729
79,759	79,322	437	34,301	27,023	7,278	114,060	106,345	7,715
79,759	79,322	437	35,301	27,294	8,007	115,060	106,616	8,444
8,472	7,809	663	1,428	762	666	9,900	8,571	1,329
8,472	7,809	663	1,428	762	666	9,900	8,571	1,329
-	-	-	925	795	130	925	795	130
-	-	-	925	795	130	925	795	130
-	-	-	636	622	14	636	622	14
-	-	-	636	622	14	636	622	14
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
82	82	-	-	-	-	82	82	-
-	-	-	66,847	58,902	7,945	66,847	58,902	7,945
-	-	-	66,847	58,902	7,945	66,847	58,902	7,945
-	-	-	-	-	-	2,605	2,082	523
-	-	-	-	-	-	2,605	2,082	523
1,740	317	1,423	-	-	-	1,740	317	1,423
1,740	317	1,423	-	-	-	1,740	317	1,423

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Finance Special Appropriations			
Administration Service and Logistical Support: Removal of Prisoners	994	992	2
Criminal Investigation: Arrest of Absconding Felons	25	-	25
Executive Direction: Governors' Widow Retirement	6	-	6
Fiscal Management: Cash Management Improvement Act (CMIA)	80	79	1
Fiscal Management: Employee Suggestion Awards Program	10	1	9
Institutional Service Corrections: Feeding of Prisoners	8,978	8,700	278
Legal Advice And Legal Service: Automatic Appeal Expense	16	-	16
Legal Advice And Legal Service: Court Assessed Cost Not Otherwise Provided	265	245	20
Legal Advice And Legal Service: Law Enforcement Legal Defense	1	-	1
Special Services: Court Assessed Cost Not Otherwise Provided	5,500	4,823	677
Special Services: Election Expenses	17,615	16,641	974
Special Services: Emergency Fund, Departmental	4,391	1,361	3,030
Special Services: Registration of Voters	4,255	3,415	840
Total Finance Special Appropriations	42,136	36,257	5,879
Finance Special Funds			
Appropriation Transfers	-	-	-
Education Trust Fund- Budget Stabilization Fund Loans: Jacksonville State University-Budget Stabilizatio	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	9,796	9,789	7
Total Forensic Sciences	9,796	9,789	7
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - General Fund Share	2,589	2,589	-
Total Fringe Benefit Accounts	2,589	2,589	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	994	992	2
-	-	-	-	-	-	25	-	25
-	-	-	-	-	-	6	-	6
-	-	-	-	-	-	80	79	1
-	-	-	-	-	-	10	1	9
-	-	-	-	-	-	8,978	8,700	278
-	-	-	-	-	-	16	-	16
-	-	-	-	-	-	265	245	20
-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	5,500	4,823	677
-	-	-	-	-	-	17,615	16,641	974
-	-	-	-	-	-	4,391	1,361	3,030
-	-	-	-	-	-	4,255	3,415	840
-	-	-	-	-	-	42,136	36,257	5,879
-	-	-	211,340	211,340	-	211,340	211,340	-
-	-	-	5,947	5,947	-	5,947	5,947	-
-	-	-	50,650	50,650	-	50,650	50,650	-
-	-	-	267,937	267,937	-	267,937	267,937	-
-	-	-	19,054	16,774	2,280	28,850	26,563	2,287
-	-	-	19,054	16,774	2,280	28,850	26,563	2,287
-	-	-	200	128	72	200	128	72
-	-	-	200	128	72	200	128	72
42	42	-	22,989	20,198	2,791	23,031	20,240	2,791
42	42	-	22,989	20,198	2,791	23,031	20,240	2,791
-	-	-	9,313	2,592	6,721	9,313	2,592	6,721
-	-	-	9,313	2,592	6,721	9,313	2,592	6,721
-	-	-	-	-	-	2,589	2,589	-
-	-	-	-	-	-	2,589	2,589	-
-	-	-	591	434	157	591	434	157
-	-	-	591	434	157	591	434	157
-	-	-	2,469	1,335	1,134	2,469	1,335	1,134
-	-	-	2,469	1,335	1,134	2,469	1,335	1,134

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
General Obligation Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: Alabama Incentives Finance Authority 2009-A Bonds	-	-	-
Debt Service: Alabama Incentives Finance Authority 2009-B Bonds	-	-	-
Debt Service: Alabama Incentives Finance Authority 2009-C Bonds	-	-	-
Debt Service: Debt Service-General Obligation 2016-A	7,083	7,083	-
Debt Service: Debt Service-General Obligation 2016-B	-	-	-
Debt Service: Debt Service-General Obligation 2016-C	-	-	-
Debt Service: General Obligation 2010-A Refunding Agriculture Development	-	-	-
Debt Service: General Obligation 2010-B Refunding Forensic Science	-	-	-
Debt Service: General Obligation 2010-C Refunding Parks Systems Board	7,934	7,934	-
Debt Service: General Obligation 2013-A Refunding Bond	6,000	6,000	-
Debt Service: General Obligation 2013-B Capital Improvement Bond	-	-	-
Debt Service: General Obligation 2013-C Refunding Bond	270	270	-
Debt Service: General Obligation 2014-A Refunding Bonds	15,216	15,216	-
Total General Obligation Debt Service and Reserve	36,503	36,503	-
Geological Survey			
Mineral, Energy, and Water Resources	3,701	3,161	540
Total Geological Survey	3,701	3,161	540
Governor's Mansion Authority			
Historical Resources Management	-	-	-
Total Governor's Mansion Authority	-	-	-
Governor's Office of Minority Affairs			
Executive Direction	350	284	66
Total Governor's Office of Minority Affairs	350	284	66
Governor's Office of Volunteer Services			
Executive Direction	-	-	-
Total Governor's Office of Volunteer Services	-	-	-
Governor's Office on Disability			
Executive Direction	262	71	191
Total Governor's Office on Disability	262	71	191
Health Planning and Development			
Health Planning Development and Regulation	7	7	-
Total Health Planning and Development	7	7	-
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: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Historical Commission	-	-	-
Total Historical Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	79,145	79,145	-	79,145	79,145	-
210	210	-	-	-	-	210	210	-
2,593	2,593	-	-	-	-	2,593	2,593	-
1,444	1,444	-	-	-	-	1,444	1,444	-
1,771	1,771	-	-	-	-	8,854	8,854	-
-	-	-	5,927	5,927	-	5,927	5,927	-
3,322	3,322	-	1,424	1,424	-	4,746	4,746	-
4,816	4,816	-	-	-	-	4,816	4,816	-
1,523	1,523	-	-	-	-	1,523	1,523	-
-	-	-	-	-	-	7,934	7,934	-
5,757	5,757	-	5,421	5,421	-	17,178	17,178	-
-	-	-	2,491	2,491	-	2,491	2,491	-
-	-	-	-	-	-	270	270	-
10,462	10,462	-	-	-	-	25,678	25,678	-
31,898	31,898	-	94,408	94,408	-	162,809	162,809	-
500	498	2	3,983	985	2,998	8,184	4,644	3,540
500	498	2	3,983	985	2,998	8,184	4,644	3,540
-	-	-	661	603	58	661	603	58
-	-	-	661	603	58	661	603	58
-	-	-	-	-	-	350	284	66
-	-	-	-	-	-	350	284	66
350	230	120	4,918	1,636	3,282	5,268	1,866	3,402
350	230	120	4,918	1,636	3,282	5,268	1,866	3,402
-	-	-	30	29	1	292	100	192
-	-	-	30	29	1	292	100	192
-	-	-	2,140	1,088	1,052	2,147	1,095	1,052
-	-	-	2,140	1,088	1,052	2,147	1,095	1,052
-	-	-	54	38	16	54	38	16
-	-	-	54	38	16	54	38	16
-	-	-	1,500	1,225	275	1,500	1,225	275
-	-	-	1,500	1,225	275	1,500	1,225	275
6,867	6,866	1	20	19	1	6,887	6,885	2
6,867	6,866	1	20	19	1	6,887	6,885	2
-	-	-	288	254	34	288	254	34
-	-	-	666	515	151	666	515	151
-	-	-	6,423	5,537	886	6,423	5,537	886
-	-	-	7,377	6,306	1,071	7,377	6,306	1,071

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	-	-	-
Indian Affairs Commission			
Social Services	104	87	17
Total Indian Affairs Commission	104	87	17
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Transliterations			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Transliterations	-	-	-
Judicial Inquiry Commission			
Administrative Services	626	615	11
Total Judicial Inquiry Commission	626	615	11
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Council			
Legislative Operations and Support	1,682	912	770
Total Legislative Council	1,682	912	770
Legislative Services			
Legislative Operations and Support	4,986	3,468	1,518
Support - Other Educational Activities	473	145	328
Total Legislative Services	5,459	3,613	1,846
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	-	-	-
Lyman Ward Military Academy			
Support - Other Educational Activities	-	-	-
Total Lyman Ward Military Academy	-	-	-
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	-	-	-
Marine Environmental Sciences Consortium			
Support - Other Educational Activities	-	-	-
Total Marine Environmental Sciences Consortium	-	-	-
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	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4,176	2,005	2,171	4,176	2,005	2,171
-	-	-	4,176	2,005	2,171	4,176	2,005	2,171
-	-	-	400	151	249	400	151	249
-	-	-	400	151	249	400	151	249
-	-	-	160	82	78	264	169	95
-	-	-	160	82	78	264	169	95
-	-	-	28,921	22,205	6,716	28,921	22,205	6,716
-	-	-	28,921	22,205	6,716	28,921	22,205	6,716
-	-	-	50	41	9	50	41	9
-	-	-	50	41	9	50	41	9
-	-	-	50	35	15	50	35	15
-	-	-	50	35	15	50	35	15
-	-	-	-	-	-	626	615	11
-	-	-	-	-	-	626	615	11
-	-	-	62	40	22	62	40	22
-	-	-	62	40	22	62	40	22
-	-	-	-	-	-	1,682	912	770
-	-	-	-	-	-	1,682	912	770
3,133	1,994	1,139	307	10	297	8,426	5,472	2,954
650	650	-	178	37	141	1,301	832	469
3,783	2,644	1,139	485	47	438	9,727	6,304	3,423
-	-	-	1,793	1,100	693	1,793	1,100	693
-	-	-	1,793	1,100	693	1,793	1,100	693
340	340	-	-	-	-	340	340	-
340	340	-	-	-	-	340	340	-
-	-	-	3,642	2,422	1,220	3,642	2,422	1,220
-	-	-	3,642	2,422	1,220	3,642	2,422	1,220
4,505	4,505	-	-	-	-	4,505	4,505	-
4,505	4,505	-	-	-	-	4,505	4,505	-
-	-	-	100	63	37	100	63	37
-	-	-	100	63	37	100	63	37
-	-	-	225	166	59	225	166	59
-	-	-	225	166	59	225	166	59

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	-	-	-
Military			
Military Operations: Active Military Service	1,576	624	952
Military Operations: Air National Guard Operations and Maintenance	1,125	797	328
Military Operations: Counter Drug	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	2,206	1,317	889
Military Operations: Operations and Maintenance	7,366	3,893	3,473
Total Military	12,273	6,631	5,642
Music Hall of Fame			
Fine Arts	-	-	-
Total Music Hall of Fame	-	-	-
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 Information Technology			
Administrative Support Service	-	-	-
Total Office of Information Technology	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	628	628	-
Total Office of Prosecution Services	628	628	-
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Develop	2,809	2,508	301
Total Oil and Gas Board	2,809	2,508	301
Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Onsite Wastewater Board	-	-	-
Optometric Scholarships Awards			
Support - Other Educational Activities	-	-	-
Total Optometric Scholarships Awards	-	-	-
Pardons and Paroles			
Administration of Pardons and Paroles	63,794	39,681	24,113
Total Pardons and Paroles	63,794	39,681	24,113
Peace Officer Annuity and Benefits			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefits	-	-	-
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
1,440	1,438	2	400	-	400	1,840	1,438	402
1,440	1,438	2	400	-	400	1,840	1,438	402
-	-	-	-	-	-	1,576	624	952
-	-	-	7,295	5,863	1,432	8,420	6,660	1,760
-	-	-	13	6	7	13	6	7
-	-	-	630	531	99	630	531	99
-	-	-	-	-	-	2,206	1,317	889
-	-	-	105,817	43,289	62,528	113,183	47,182	66,001
-	-	-	113,755	49,689	64,066	126,028	56,320	69,708
-	-	-	386	329	57	386	329	57
-	-	-	386	329	57	386	329	57
616	586	30	7,191	6,169	1,022	7,807	6,755	1,052
616	586	30	7,191	6,169	1,022	7,807	6,755	1,052
-	-	-	115	85	30	115	85	30
-	-	-	115	85	30	115	85	30
-	-	-	187	163	24	187	163	24
-	-	-	187	163	24	187	163	24
-	-	-	78,297	69,093	9,204	78,297	69,093	9,204
-	-	-	78,297	69,093	9,204	78,297	69,093	9,204
-	-	-	2,558	2,005	553	3,186	2,633	553
-	-	-	2,558	2,005	553	3,186	2,633	553
-	-	-	822	61	761	3,631	2,569	1,062
-	-	-	822	61	761	3,631	2,569	1,062
-	-	-	485	376	109	485	376	109
-	-	-	485	376	109	485	376	109
135	135	-	-	-	-	135	135	-
135	135	-	-	-	-	135	135	-
-	-	-	15,071	12,417	2,654	78,865	52,098	26,767
-	-	-	15,071	12,417	2,654	78,865	52,098	26,767
-	-	-	695	543	152	695	543	152
-	-	-	695	543	152	695	543	152
348	348	-	500	275	225	848	623	225
249	249	-	6,218	1,881	4,337	6,467	2,130	4,337
597	597	-	6,718	2,156	4,562	7,315	2,753	4,562

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	1,338	956	382
Total President Pro Tempore Senate	1,338	956	382
Private Investigation Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Private Investigation Board	-	-	-
Professional Engineers and Land Surveyors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Professional Engineers and Land Surveyors Board	-	-	-
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	-	-	-
Prosthetists and Orthotists Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Prosthetists and Orthotists 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 Historical Sites Improvement			
Debt Service	-	-	-
Total Public Historical Sites Improvement	-	-	-
Public Library Service			
Public Library Services	-	-	-
Total Public Library Service	-	-	-
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
-	-	-	11,752	8,736	3,016	11,752	8,736	3,016
-	-	-	11,752	8,736	3,016	11,752	8,736	3,016
1,424	1,422	2	13	8	5	1,437	1,430	7
1,424	1,422	2	13	8	5	1,437	1,430	7
-	-	-	600	397	203	600	397	203
-	-	-	600	397	203	600	397	203
-	-	-	2,137	1,933	204	2,137	1,933	204
-	-	-	2,137	1,933	204	2,137	1,933	204
-	-	-	30	15	15	30	15	15
-	-	-	30	15	15	30	15	15
-	-	-	-	-	-	1,338	956	382
-	-	-	-	-	-	1,338	956	382
-	-	-	125	112	13	125	112	13
-	-	-	125	112	13	125	112	13
-	-	-	1,751	1,022	729	1,751	1,022	729
-	-	-	1,751	1,022	729	1,751	1,022	729
-	-	-	75	65	10	75	65	10
-	-	-	75	65	10	75	65	10
-	-	-	250	164	86	250	164	86
-	-	-	250	164	86	250	164	86
-	-	-	467	264	203	467	264	203
-	-	-	467	264	203	467	264	203
-	-	-	5,782	4,363	1,419	5,782	4,363	1,419
-	-	-	5,782	4,363	1,419	5,782	4,363	1,419
-	-	-	270	270	-	270	270	-
-	-	-	270	270	-	270	270	-
7,668	7,538	130	3,097	2,695	402	10,765	10,233	532
7,668	7,538	130	3,097	2,695	402	10,765	10,233	532
-	-	-	1,174	855	319	1,174	855	319
-	-	-	1,174	855	319	1,174	855	319
-	-	-	5,482	3,817	1,665	5,482	3,817	1,665
-	-	-	5,482	3,817	1,665	5,482	3,817	1,665

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Respiratory Therapy	-	-	-
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
School of Fine Arts			
Financial Assistance	-	-	-
Total School of Fine Arts	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	1,754	1,746	8
Medicaid Waiver Services	23,353	21,981	1,372
Planning and Advocacy for Elderly	6,889	6,837	52
Total Senior Services	31,996	30,564	1,432
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Water Resource Development	2,702	2,106	596
Total Soil and Water Conservation Commission	2,702	2,106	596
Space Science Exhibit Commission and Finance Authority			
Special Services	-	-	-
Total Space Science Exhibit Commission and Finance Authority	-	-	-
Speaker of the House			
Speaker Of House, Office Of	3,088	1,047	2,041
Total Speaker of the House	3,088	1,047	2,041
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 Community Services Grants Commission			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Community Services Grants Commission	-	-	-
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	350	172	178	350	172	178
-	-	-	350	172	178	350	172	178
-	-	-	67,585	52,064	15,521	67,585	52,064	15,521
-	-	-	67,585	52,064	15,521	67,585	52,064	15,521
7,527	7,527	-	-	-	-	7,527	7,527	-
7,527	7,527	-	-	-	-	7,527	7,527	-
-	-	-	18,098	8,820	9,278	18,098	8,820	9,278
-	-	-	18,098	8,820	9,278	18,098	8,820	9,278
-	-	-	-	-	-	1,754	1,746	8
-	-	-	88,555	84,777	3,778	111,908	106,758	5,150
-	-	-	31,580	27,060	4,520	38,469	33,897	4,572
-	-	-	120,135	111,837	8,298	152,131	142,401	9,730
1,355	1,355	-	-	-	-	1,355	1,355	-
1,355	1,355	-	-	-	-	1,355	1,355	-
-	-	-	339	238	101	339	238	101
-	-	-	339	238	101	339	238	101
-	-	-	9	2	7	9	2	7
-	-	-	2,797	1,964	833	5,499	4,070	1,429
-	-	-	2,806	1,966	840	5,508	4,072	1,436
1,055	1,055	-	-	-	-	1,055	1,055	-
1,055	1,055	-	-	-	-	1,055	1,055	-
-	-	-	-	-	-	3,088	1,047	2,041
-	-	-	-	-	-	3,088	1,047	2,041
-	-	-	300	234	66	300	234	66
-	-	-	300	234	66	300	234	66
-	-	-	6,970	5,432	1,538	6,970	5,432	1,538
-	-	-	6,970	5,432	1,538	6,970	5,432	1,538
-	-	-	8,232	5,249	2,983	8,232	5,249	2,983
-	-	-	1,768	1,768	-	1,768	1,768	-
-	-	-	10,000	7,017	2,983	10,000	7,017	2,983
3,250	3,234	16	-	-	-	3,250	3,234	16
3,250	3,234	16	-	-	-	3,250	3,234	16
6,500	6,468	32	-	-	-	6,500	6,468	32
-	-	-	2,308	1,164	1,144	2,308	1,164	1,144
-	-	-	2,308	1,164	1,144	2,308	1,164	1,144

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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	11,049	10,135	914
Total Supreme Court	11,049	10,135	914
Supreme Court Law Library			
Court Operations	831	828	3
Total Supreme Court Law Library	831	828	3
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tax Tribunal			
Administrative Services	-	-	-
Total Tax Tribunal	-	-	-
Tennessee - Tombigbee Waterway Authority			
Water Resource Development	90	90	-
Total Tennessee - Tombigbee Waterway Authority	90	90	-
Tourism			
Tourism and Travel Promotion	1,528	1,498	30
Total Tourism	1,528	1,498	30
Veterans Affairs			
Administration of Veterans Affairs	1,863	1,223	640
Student Financial Aid	-	-	-
Veterans Cemetery	-	-	-
Veterans Homes	-	-	-
Total Veterans Affairs	1,863	1,223	640
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	15	14	1
Total Women's Commission	15	14	1
TOTAL Other	271,593	222,592	49,001
TOTAL EXPENDITURES	\$ 1,691,578	\$ 1,536,985	\$ 154,593
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Child Abuse Board	-	-	-
Historical Commission	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
PACT Program	-	-	-
Public School Fund Endowment	-	-	-
State Department of Education- Science in Motion	-	-	-
State Law Enforcement	-	-	-
Supercomputer Authority	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	16,451	14,022	2,429	16,451	14,022	2,429
-	-	-	16,451	14,022	2,429	16,451	14,022	2,429
-	-	-	-	-	-	11,049	10,135	914
-	-	-	-	-	-	11,049	10,135	914
250	249	1	-	-	-	1,081	1,077	4
250	249	1	-	-	-	1,081	1,077	4
-	-	-	4,212	2,393	1,819	4,212	2,393	1,819
-	-	-	4,212	2,393	1,819	4,212	2,393	1,819
-	-	-	1,066	683	383	1,066	683	383
-	-	-	1,066	683	383	1,066	683	383
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	90	90	-
-	-	-	20,137	18,717	1,420	21,665	20,215	1,450
-	-	-	20,137	18,717	1,420	21,665	20,215	1,450
2,497	2,495	2	5,444	3,208	2,236	9,804	6,926	2,878
95,840	88,088	7,752	-	-	-	95,840	88,088	7,752
-	-	-	476	350	126	476	350	126
-	-	-	79,659	56,934	22,725	79,659	56,934	22,725
98,337	90,583	7,754	85,579	60,492	25,087	185,779	152,298	33,481
-	-	-	643	510	133	643	510	133
-	-	-	643	510	133	643	510	133
-	-	-	18	1	17	33	15	18
-	-	-	18	1	17	33	15	18
336,225	323,496	12,729	1,591,899	1,270,343	321,556	2,199,717	1,816,431	383,286
\$ 6,267,543	\$ 6,251,944	\$ 15,599	\$17,554,244	\$14,957,190	\$ 2,597,054	\$25,513,365	\$22,746,119	\$ 2,767,246
1,077	1,077	-	-	-	-	1,077	1,077	-
900	900	-	-	-	-	900	900	-
31,285	31,285	-	-	-	-	31,285	31,285	-
48,496	48,496	-	-	-	-	48,496	48,496	-
62,783	62,783	-	-	-	-	62,783	62,783	-
533	533	-	-	-	-	533	533	-
1,584	1,584	-	-	-	-	1,584	1,584	-
400	400	-	-	-	-	400	400	-
9,321	9,321	-	-	-	-	9,321	9,321	-
156,379	156,379	-	-	-	-	156,379	156,379	-

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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, 2018

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
General Fund Transfers			
Agricultural and Conservation Development Commission	227	227	-
Alabama Department of Environmental Management-Operations	575	575	-
Child Abuse Board	79	79	-
Crime Victims Compensation Commission	90	90	-
District Attorney	18,791	18,791	-
Emergency Forest Fire Fund	170	170	-
Fair Trial Tax Transfer	59,000	59,000	-
Finance Department	2,313	2,313	-
Forestry Commission	7,646	7,646	-
Governor's Mansion Authority	139	139	-
Historical Commission	1,574	1,574	-
Human Resources	62,516	62,516	-
Local Emergency Management Agency Assistance	420	420	-
Mental Health	109,392	109,392	-
Revenue Department	250	250	-
State Law Enforcement	48,760	48,760	-
Surface Mining Commission	158	158	-
TOTAL General Fund Transfers	312,100	312,100	-
TOTAL TRANSFERS OUT	\$ 312,100	\$ 312,100	\$ -
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 2,003,678	\$ 1,849,085	\$ 154,593

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	227	227	-
-	-	-	-	-	-	575	575	-
-	-	-	-	-	-	79	79	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	18,791	18,791	-
-	-	-	-	-	-	170	170	-
-	-	-	-	-	-	59,000	59,000	-
-	-	-	-	-	-	2,313	2,313	-
-	-	-	-	-	-	7,646	7,646	-
-	-	-	-	-	-	139	139	-
-	-	-	-	-	-	1,574	1,574	-
-	-	-	-	-	-	62,516	62,516	-
-	-	-	-	-	-	420	420	-
-	-	-	-	-	-	109,392	109,392	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	48,760	48,760	-
-	-	-	-	-	-	158	158	-
-	-	-	-	-	-	312,100	312,100	-
\$ 156,379	\$ 156,379	\$ -	\$ -	\$ -	\$ -	\$ 468,479	\$ 468,479	\$ -
\$ 6,423,922	\$ 6,408,323	\$ 15,599	\$17,554,244	\$14,957,190	\$ 2,597,054	\$25,981,844	\$23,214,598	\$ 2,767,246

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, 2018

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	\$ 2,377,633	11.0 %
General Use Tax	439,201	2.0 %
Income Tax (2% to 5% personal income, 6.5% net corporate income)	4,250,755	19.6 %
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	53,254	0.2 %
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	358,484	1.6 %
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	471,467	2.2 %
Utilities Tax (6% telephone, 4% other)	410,346	1.9 %
Insurance Premium Tax (1% to 6%)	370,029	1.7 %
Liquor & Wine Tax (totals 56%, collected by ABC stores)	140,418	0.6 %
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	180,254	0.8 %
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	129,211	0.6 %
State Beer Tax (5¢ per 12 oz.)	54,680	0.3 %
Public Utilities (2.2%)	150,573	0.7 %
Motor Fuel Tax (diesel 17¢ per gallon)	161,330	0.7 %
Tennessee Valley Authority (payments in-lieu of all state taxes)	87,445	0.4 %
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	78,556	0.4 %
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	45,529	0.2 %
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	55,393	0.3 %
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	74,467	0.3 %
Coal Severance Tax (33.5¢ per ton)	4,562	0.0 %
Forestry Severance Tax	5,936	0.0 %
Contractors Gross Receipts Tax (5% of gross receipts)	51,546	0.2 %
Lodgings Tax (4% or 5% of charge)	74,239	0.3 %
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	980	0.0 %
Lubricating Oil Tax (6¢ per gallon)	2,187	0.0 %
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	1,146	0.0 %
Court Cost Taxes	21,847	0.1 %
Medicaid Taxes	374,245	1.7 %
Cellular Telephones (6%)	28,546	0.1 %
Ground Materials Severance Tax	128	0.0 %
Vapor Products	1,396	0.0 %
Miscellaneous Taxes	19,666	0.1 %
TOTAL TAXES	10,475,449	48.0 %

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	29,387	0.1 %
Drivers Licenses and Fees	64,363	0.3 %
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	64,925	0.3 %
Agricultural Licenses and Fees	17,069	0.1 %
Wholesale Oil Company License	8,509	0.0 %
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	183,299	0.9 %
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	113,012	0.5 %
Court Fees	72,767	0.3 %
Alcoholic Beverage Licenses	2,609	0.0 %
Insurance Corporation Licenses and Fees	1,349	0.0 %
Miscellaneous License and Fees	178,466	0.9 %
TOTAL LICENSES AND FEES	735,755	3.4%

FINES AND FORFEITS

Court Fines and Forfeits	19,188	0.1 %
Tobacco Settlement	114,088	0.5 %
Miscellaneous Fines and Forfeits	69,024	0.3 %
TOTAL FINES AND FORFEITS	202,300	0.9%

INVESTMENT INCOME**49,764 0.2%****FEDERAL REVENUES****9,139,126 42.0%****OTHER REVENUES**

Rents and Royalties	85,158	0.4 %
Reimbursements	80,754	0.4 %
Sales of Property or Services	78,166	0.4 %
Contributions	24,825	0.1 %
Intragovernmental Services	278,481	1.3 %
Local Revenues	66,611	0.3 %
Medicaid CPE/IGT Revenues	349,309	1.6 %
Miscellaneous Revenues	215,575	1.0 %
TOTAL OTHER REVENUES	1,178,879	5.5%

TOTAL REVENUES**\$ 21,781,273 100.0%**

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES

Governmental Funds in State Treasury - Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 2,377,633	\$ 77,583	\$ 2,300,050	\$ 56,463	\$ 129,564	\$ —	\$ 1,908,439	\$ —
General Use Tax	439,201	3,986	435,215	500	256,298	—	177,141	—
Income Tax	4,250,755	42,393	4,208,362	—	—	—	4,208,362	—
Property Tax Relief	53,254	—	53,254	7,865	21,793	23,596	—	—
General Property Tax	358,484	5,463	353,021	53,341	136,498	163,182	—	—
Gasoline Taxes	471,467	12,672	458,795	—	—	—	—	—
Utilities Tax	410,346	313	410,033	—	—	—	395,433	—
Insurance Premium Tax	370,029	—	370,029	—	333,665	—	30,993	—
Liquor & Wine Tax	140,418	—	140,418	50,360	70,219	—	—	—
Tobacco & Cigarette Taxes	180,254	441	179,813	2,503	164,579	—	—	—
Corporation Taxes	129,211	—	129,211	—	90,004	—	—	—
State Beer Tax	54,680	—	54,680	10,936	16,404	—	21,872	—
Public Utilities	150,573	—	150,573	—	23,051	—	—	—
Motor Fuel Tax	161,330	1,360	159,970	—	—	—	—	—
Tennessee Valley Authority	87,445	—	87,445	—	—	—	—	—
Leasing/Renting Personal Property	78,556	—	78,556	—	78,556	—	—	—
Production Privilege Tax	45,529	—	45,529	—	34,109	—	—	—
Financial Institutions Excise Tax	55,393	131	55,262	—	30,925	—	—	—
Documentary Filing Taxes	74,467	263	74,204	—	74,204	—	—	—
Coal Severance Tax	4,562	—	4,562	—	—	—	—	—
Forestry Severance Tax	5,936	291	5,645	—	—	—	—	—
Contractors Gross Receipts Tax	51,546	37	51,509	7,716	—	—	—	—
Lodgings Tax	74,239	41	74,198	—	53,633	—	—	—
Hydroelectric Companies	980	—	980	—	—	—	412	—
Lubricating Oil Tax	2,187	13	2,174	—	729	—	—	—
Pari-mutuel Betting	1,146	—	1,146	—	1,146	—	—	—
Court Cost Taxes	21,847	—	21,847	—	6,754	—	—	—
Medicaid Provider Taxes	374,245	224	374,021	—	—	—	—	—
Cellular Telephone Tax	28,546	—	28,546	—	16,305	—	10,403	—
Ground Materials Severance Tax	128	—	128	—	—	—	—	—
Vapor Products	1,396	—	1,396	—	1,396	—	—	—
Miscellaneous Taxes	19,666	322	19,344	2	5,437	6	—	—
TOTAL TAXES	10,475,449	145,533	10,329,916	189,686	1,545,269	186,784	6,753,055	—
LICENSES AND FEES								
Conservation Licenses	29,387	—	29,387	—	—	—	—	—
Drivers Licenses and Fees	64,363	—	64,363	—	32,229	—	—	—
Petroleum Products Inspection Fee	64,925	—	64,925	—	—	—	—	—
Agricultural License and Fees	17,069	—	17,069	—	—	20	—	—
Wholesale Oil Company License	8,509	—	8,509	—	8,509	—	—	—
Motor Vehicle License	183,299	9,963	173,336	—	45,994	—	—	—
Privilege License	113,012	1,323	111,689	—	20,918	—	114	—
Court Fees	72,767	—	72,767	—	41,565	—	—	—
Alcoholic Beverage Licenses	2,609	—	2,609	—	2,609	—	—	—
Insurance Corp Licenses and Fees	1,349	—	1,349	—	617	—	—	—
Miscellaneous License and Fees	178,466	912	177,554	273	10,310	—	28	—
TOTAL LICENSES AND FEES	735,755	12,198	723,557	273	162,751	20	142	—
FINES AND FORFEITS								
Court Fines and Forfeits	19,188	—	19,188	—	12,004	—	—	—
Tobacco Settlement	114,088	—	114,088	—	1	—	—	—
Miscellaneous Fines and Forfeits	69,024	—	69,024	23	1,906	—	—	—
TOTAL FINES AND FORFEITS	202,300	—	202,300	23	13,911	—	—	—
INVESTMENT INCOME	49,764	—	49,764	—	31,656	—	—	(32)
FEDERAL REVENUES	9,139,126	—	9,139,126	1,511,948	15	—	—	—
Medicaid CPE/IGT Revenues	349,309	—	349,309	—	—	—	—	—
Miscellaneous Revenues	829,570	7,152	822,418	1,992	375	1,144	271	47,223
TOTAL REVENUES	\$21,781,273	\$ 164,883	\$21,616,390	\$ 1,703,922	\$1,753,977	\$187,948	\$ 6,753,468	\$ 47,191

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 5,913	\$94,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,996	State Parks
—	—	—	—	—	—	—	1,276	Conservation Dept.
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
203,569	—	—	248,869	—	—	—	6,357	Conservation 3.1M
—	—	—	—	14,600	—	—	—	—
—	—	—	—	4,525	—	—	846	Insurance Dept
—	—	—	—	19,839	—	—	—	—
634	1,950	—	—	7,644	—	—	2,503	State Parks
39,205	—	—	—	—	—	—	2	Secretary of State
5,468	—	—	—	—	—	—	—	—
—	—	—	—	127,522	—	—	—	—
2,863	—	—	157,107	—	—	—	—	—
72,579	—	—	—	—	—	—	14,866	Incentives Fin Auth
—	—	—	—	—	—	—	—	—
11,420	—	—	—	—	—	—	—	—
24,337	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
2,512	—	—	—	—	—	—	2,050	Docks Facilities Fund 1.7M
—	—	—	—	—	—	—	5,645	Forestry
—	—	—	—	43,793	—	—	—	—
2,687	—	—	—	—	—	—	17,878	Tourism
—	—	—	—	568	—	—	—	—
795	—	—	650	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	2,055	—	13,038	Fair Trial Fd 11.2M
—	—	374,021	—	—	—	—	—	—
—	1,838	—	—	—	—	—	—	—
128	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	36	—	—	—	13,863	Labor 3.9M; ADEM 7M
372,110	198,463	374,021	406,662	218,491	2,055	—	83,320	
—	—	—	—	—	—	—	29,387	Conservation 22M; ALEA 6.2M
1,134	—	—	—	—	—	—	31,000	ALEA
14,502	—	—	44,944	—	—	—	5,479	Agriculture
—	—	—	—	54	—	—	16,995	Agriculture
—	—	—	—	—	—	—	—	—
23,428	—	—	99,674	—	—	—	4,240	Corrections 3M
—	—	—	4,330	4,617	892	2,067	78,751	Prof Occ Bds 34M; Insur 19M; Sec Cm 9M; ADEM 5M
—	—	—	—	99	—	—	31,103	AOC 18.8M; DFS 7.6M; ALEA 4.1M
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	732	Insurance Dept
—	—	44	1,591	30,947	—	74	134,287	ADEM 61M; PSC 17; Parole 10M; Bank 14M; Ins 6M
39,064	—	44	150,539	35,717	892	2,141	331,974	
—	—	—	—	66	—	1,218	5,900	DFS 1.2M; DOC 1.7M; Peace Off 1.2M
—	—	—	—	—	—	—	114,087	21st Century Fund 111M; Child First Tr Fd 2.8M
1	—	2,217	—	—	—	—	64,877	AL Econ Settle Auth 50M; Atty Gen 3.5M; ADEM 2.6M
1	—	2,217	—	66	—	1,218	184,864	
—	255	169	868	—	—	471	16,377	FAHFA 7.9M; Sen Svc Trst 1.1M; ETF Bud Stab 1.5M
1,617	9,098	4,613,080	927,019	517,484	976,664	141,168	441,033	DRS 71M; Mil 54M; DOL 54M; ADEM 48M; Cons 34M
—	—	349,309	—	—	—	—	—	—
—	6,402	190,247	275,279	29,476	26,924	4,122	238,963	Cons 77M; Uncl Prop 62M; ALEA 24M; DOC 19M; AOC 16M
\$ 412,792	\$214,218	\$5,529,087	\$ 1,760,367	\$ 801,234	\$ 1,006,535	\$ 149,120	\$1,296,531	



Nonmajor Enterprise Funds

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

State Insurance Fund

Accounts for resources used to provide insurance coverage for State buildings, school buildings, and their contents.

Fire College and Personnel Standards Commission

Develops and delivers training courses and administers the process of fire service certification in the State.

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.

Military Department

Accounts for the Military Department's billeting activity and the canteen funds for the National Guard.

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION

Nonmajor Enterprise Funds

September 30, 2018

(Amounts in Thousands)

	State Insurance Fund	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 5,195	\$ 2,554	\$ 0	\$ 151	\$ 620
Investments, Short-term	25,901	4,231	—	—	—
Due From Other Funds	732	—	—	—	—
Accounts Receivable	2,063	546	—	—	234
Due From Other Governments	331	—	—	—	—
Inventory	—	77	—	—	913
Other Current Assets	11,822	—	—	—	—
Total Current Assets	46,044	7,408	0	151	1,767
Noncurrent Assets					
Investments, Long-term	106,489	—	—	—	—
Due From Other Funds	8,110	—	—	—	—
Due From Component Units	10	—	—	—	—
Other Noncurrent Assets	—	19	—	7	—
Restricted Assets	—	249	—	—	—
Capital Assets, Net of Accumulated Depreciation	—	8,059	—	300	—
Capital Assets Not Depreciated	—	—	—	2,630	—
Total Noncurrent Assets	114,609	8,327	0	2,937	0
TOTAL ASSETS	160,653	15,735	0	3,088	1,767
DEFERRED OUTFLOWS OF RESOURCES	0	1,138	0	4	0
LIABILITIES					
Current Liabilities					
Warrants Payable	713	—	—	—	—
Due To Other Funds	67	—	—	—	751
Due To Component Units	5	—	—	—	—
Accounts Payable	369	530	—	18	204
Due To Other Governments	—	—	—	—	—
Claims Payable	13,081	—	—	—	—
Unearned Revenue	1	214	—	1	—
Compensated Absences	—	8	—	—	—
Total Current Liabilities	14,236	752	0	19	955
Noncurrent Liabilities					
Claims Payable	559	—	—	—	—
Compensated Absences	—	265	—	—	—
Net OPEB Liability	—	2,431	—	100	—
Net Pension Liability	—	4,058	—	—	—
Notes and Capital Leases Payable	—	—	—	1,117	—
Total Noncurrent Liabilities	559	6,754	0	1,217	0
TOTAL LIABILITIES	14,795	7,506	0	1,236	955
DEFERRED INFLOWS OF RESOURCES	0	821	0	44	0
NET POSITION					
Net Investment in Capital Assets	—	8,059	—	1,813	—
Restricted for:					
Education	—	238	—	—	—
Capital Projects	—	249	—	—	—
Unrestricted	145,858	—	—	(1)	812
TOTAL NET POSITION	\$ 145,858	\$ 8,546	\$ 0	\$ 1,812	\$ 812

Military Department		Totals	
\$	2,353	\$	10,873
	—		30,132
	—		732
	5		2,848
	—		331
	141		1,131
	—		11,822
	2,499		57,869
	—		106,489
	—		8,110
	—		10
	—		26
	—		249
	907		9,266
	—		2,630
	907		126,780
	3,406		184,649
	48		1,190
	—		713
	—		818
	—		5
	49		1,170
	2		2
	—		13,081
	—		216
	1		9
	52		16,014
	—		559
	15		280
	559		3,090
	246		4,304
	—		1,117
	820		9,350
	872		25,364
	81		946
	907		10,779
	—		238
	—		249
	1,594		148,263
\$	2,501	\$	159,529

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	State Insurance Fund	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 2,805	\$ 0	\$ 0	\$ 25,725
Premiums and Contributions	49,971	—	—	—	—
Rents and Leases	—	—	—	68	—
Total Revenues	49,971	2,805	0	68	25,725
OPERATING EXPENSES					
Salaries, Wages, and Benefits	—	5,143	—	32	—
Utilities and Communications	—	101	—	—	—
Professional Services	3,714	—	—	4	—
Supplies, Materials, and Operating Expense	22,480	2,342	—	11	15,210
Depreciation	—	638	—	52	—
Claims and Benefits	24,722	—	—	—	—
Other	—	—	—	17	3
Total Operating Expenses	50,916	8,224	0	116	15,213
Operating Income (Loss)	(945)	(5,419)	0	(48)	10,512
NONOPERATING REVENUES (EXPENSES)					
Investment Income	4,625	65	—	—	—
Other Nonoperating Revenues	49	90	—	229	—
Grants	—	1,286	—	—	—
Interest Expense	—	—	—	(62)	—
Other Nonoperating Expenses	(577)	—	—	—	—
Total Nonoperating Revenues (Expenses)	4,097	1,441	0	167	0
Income (Loss) Before Contributions and Transfers	3,152	(3,978)	0	119	10,512
Transfers In	—	4,383	—	—	—
Transfers Out	—	—	(1,051)	—	(10,606)
Increase (Decrease) in Net Position	3,152	405	(1,051)	119	(94)
Total Net Position, October 1, 2017, as Restated	142,706	8,141	1,051	1,693	906
Total Net Position, September 30, 2018	\$ 145,858	\$ 8,546	\$ 0	\$ 1,812	\$ 812

Military Department	Totals
\$ 8,214	\$ 36,744
—	49,971
421	489
8,635	87,204
393	5,568
62	163
15	3,733
8,304	48,347
72	762
—	24,722
3	23
8,849	83,318
(214)	3,886
—	4,690
1	369
—	1,286
—	(62)
—	(577)
1	5,706
(213)	9,592
—	4,383
(20)	(11,677)
(233)	2,298
2,734	157,231
\$ 2,501	\$ 159,529

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	State Insurance Fund	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 70,871	\$ 2,009	\$ 0	\$ 228	\$ 25,696
Receipts from Interfund Services	6,494	—	—	—	—
Receipts from Operating Grants	—	1,325	—	—	—
Receipts from Interfund Reimbursements	—	—	—	—	—
Receipts from Other Operating Activities	102	809	—	68	—
Payments for Goods Held for Resale	—	—	—	—	(14,852)
Payments for Other Goods & Services	(25,586)	(2,712)	—	(16)	(179)
Payments for Employees Services	—	(4,764)	—	(90)	—
Payments for Interfund Services	—	—	—	—	—
Payments for Other Operating Activities	(470)	—	—	(17)	—
Payments for Claims	(56,606)	—	—	—	—
Net Cash Provided by (Used In) Operating Activities	(5,195)	(3,333)	0	173	10,665
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	—	69	—	—	—
Transfers from Other Funds for Noncapital Financing	—	4,383	—	—	—
Transfers to Other Funds for Noncapital Financing	(3,008)	—	(1,051)	—	(10,815)
Transfers to Component Unit	—	—	—	—	—
Transfers to Primary Government	—	—	—	—	—
Net Cash Provided By (Used In) Noncapital Financing Activities	(3,008)	4,452	(1,051)	0	(10,815)
Cash Flows from Capital & Related Financing Activities:					
Payments to Acquire, Construct, & Improve Capital Assets	—	(535)	—	—	—
Principal Paid on Revenue Bonds & Other Capital Debt	—	—	—	(100)	—
Interest Paid on Revenue Bonds & Other Capital Debt	—	—	—	(62)	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	0	(535)	0	(162)	0
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	16,663	4,497	—	—	—
Receipts from Interest & Dividends on Investments & Loans	1,404	65	—	—	—
Purchase of Investments	(17,727)	(4,231)	—	—	—
Net Cash Provided By (Used In) Investing Activities	340	331	0	0	0
Net Increase (Decrease) In Cash and Cash Equivalents	(7,863)	915	(1,051)	11	(150)
Cash Balance as Restated, October 1, 2017	12,345	1,639	1,051	140	770
Cash Balance, September 30, 2018	4,482	2,554	—	151	620
Add: Warrants Payable	713	—	—	—	—
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 5,195	\$ 2,554	\$ 0	\$ 151	\$ 620

Military Department		Totals	
\$	8,635	\$	107,439
	—		6,494
	—		1,325
	—		—
	2		981
	(7,711)		(22,563)
	(594)		(29,087)
	(322)		(5,176)
	(17)		(17)
	(1,691)		(2,178)
	—		(56,606)
	(1,698)		612
	—		69
	—		4,383
	(22)		(14,896)
	—		—
	—		—
	(22)		(10,444)
	—		(535)
	—		(100)
	—		(62)
	0		(697)
	—		21,160
	—		1,469
	—		(21,958)
	0		671
	(1,720)		(9,858)
	4,073		20,018
	2,353		10,160
	—		713
\$	2,353	\$	10,873

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, 2018

(Amounts in Thousands)

	State Insurance Fund	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (945)	\$ (5,419)	\$ 0	\$ (48)	\$ 10,512
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	727	—	—	—	—
Due from Component Units	—	—	—	—	—
Accounts Receivable	(1,625)	(32)	—	—	(29)
Due From Other Governments	—	—	—	—	—
Inventory	—	34	—	—	101
Other Assets	(2,117)	—	—	(7)	—
Deferred Outflows of Resources	—	(411)	—	10	—
Due to Other Funds	2,816	—	—	—	—
Due to Component Units	—	—	—	—	—
Accounts Payable	(7,581)	(76)	—	1	81
Due to Other Governments	—	—	—	—	—
Claims Payable	3,769	—	—	—	—
Unearned Revenue	1	85	—	—	—
Net Pension Liability	—	110	—	(100)	—
Net OPEB Liability	—	(63)	—	(7)	—
Deferred Inflows of Resources	—	515	—	44	—
Depreciation	—	638	—	52	—
Nonoperating Revenues	100	1,286	—	228	—
Nonoperating Expenses	(340)	—	—	—	—
Total Adjustments	(4,250)	2,086	0	221	153
Net Cash Provided (Used) by Operating Activities	\$ (5,195)	\$ (3,333)	\$ 0	\$ 173	\$ 10,665
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Disposals of Capital Assets	—	(304)	—	—	—
Interest Accruals and Other Adjustments	2,621	—	—	—	—
Unrealized Gains (Losses) in Investment Fair Value	1,268	—	—	—	—
Transfers In (Out)	3,008	—	—	—	—

Military Department		Totals	
\$	(214)	\$	3,886
	—		727
	—		—
	—		(1,686)
	—		—
	45		180
	—		(2,124)
	(1)		(402)
	—		2,816
	—		—
	(31)		(7,606)
	(1,639)		(1,639)
	—		3,769
	—		86
	(7)		3
	(4)		(74)
	79		638
	72		762
	2		1,616
	—		(340)
	(1,484)		(3,274)
\$	(1,698)	\$	612

—	(304)
—	2,621
—	1,268
—	3,008



Internal Service Funds

Internal Service Funds account for the operation of State funds which provide goods and services primarily to other State funds 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 Funds

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 employees against work related injuries as well as employment-related liability claims.

State Motor Pool

Accounts for motor pool services provided to State agencies.

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 POSITION

Internal Service Funds

September 30, 2018

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 6,185	\$ 1,439	\$ 8,054	\$ 32,650	\$ 7,446
Investments, Short-term	—	—	—	—	21,013
Due From Other Funds	8,259	1,164	1,244	1,658	334
Due From Component Units	17	10	1	—	—
Accounts Receivable	213	37	—	1	355
Due From Other Governments	—	—	—	—	34
Inventory	—	351	3,267	—	—
Total Current Assets	14,674	3,001	12,566	34,309	29,182
Noncurrent Assets					
Investments, Long-term	—	—	—	—	99,282
Due From Other Funds	—	—	—	—	—
Capital Assets, Net of Accumulated Depreciation	19,629	1,035	1,367	71,994	285
Capital Assets Not Depreciated	—	—	544	717	—
Total Noncurrent Assets	19,629	1,035	1,911	72,711	99,567
TOTAL ASSETS	34,303	4,036	14,477	107,020	128,749
DEFERRED OUTFLOWS OF RESOURCES	2,200	201	648	1,163	891
LIABILITIES					
Current Liabilities					
Warrants Payable	9	—	1	7	86
Due To Other Funds	384	29	41	22	304
Due To Component Units	—	—	—	—	502
Accounts Payable	9,976	825	1,264	1,748	1,172
Due To Other Governments	—	—	6	36	—
Claims Payable	—	—	—	—	4,965
Unearned Revenue	284	—	—	—	—
Compensated Absences	137	6	38	28	30
Notes and Capital Leases Payable	4,360	—	—	—	—
Revenue Bonds Payable	—	—	—	2,030	—
Total Current Liabilities	15,150	860	1,350	3,871	7,059
Noncurrent Liabilities					
Claims Payable	—	—	—	—	69,171
Due To Other Funds	—	—	—	—	—
Compensated Absences	1,475	61	414	306	327
Net OPEB Liability	11,735	2,039	5,235	5,733	5,904
Net Pension Liability	17,034	1,167	4,306	4,066	6,442
Notes and Capital Leases Payable	11,028	—	—	—	—
Revenue Bonds Payable	—	—	—	12,377	—
Total Noncurrent Liabilities	41,272	3,267	9,955	22,482	81,844
TOTAL LIABILITIES	56,422	4,127	11,305	26,353	88,903
DEFERRED INFLOWS OF RESOURCES	2,611	317	914	951	1,151
NET POSITION					
Net Investment in Capital Assets	8,367	1,035	1,911	58,848	285
Unrestricted	(30,897)	(1,242)	995	22,031	39,301
TOTAL NET POSITION	\$ (22,530)	\$ (207)	\$ 2,906	\$ 80,879	\$ 39,586

State Motor Pool	Other Internal Service Funds	Totals
\$ 1,448	\$ 19,779	\$ 77,001
—	—	21,013
394	2,618	15,671
7	5	40
22	8	636
—	—	34
—	—	3,618
1,871	22,410	118,013
—	—	99,282
—	221	221
341	434	95,085
—	742	2,003
341	1,397	196,591
2,212	23,807	314,604
152	2,470	7,725
—	2	105
90	387	1,257
—	—	502
134	1,505	16,624
—	5	47
—	—	4,965
—	—	284
—	170	409
—	—	4,360
—	—	2,030
224	2,069	30,583
—	—	69,171
—	833	833
—	1,829	4,412
1,173	14,507	46,326
1,034	18,586	52,635
—	—	11,028
—	—	12,377
2,207	35,755	196,782
2,431	37,824	227,365
210	3,039	9,193
341	1,176	71,963
(618)	(15,762)	13,808
\$ (277)	\$ (14,586)	\$ 85,771

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Internal Service Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 65,486	\$ 9,089	\$ 11,083	\$ 1,040	\$ 3,299
Premiums and Contributions	—	—	—	—	19,043
Rents and Leases	—	—	3	18,101	—
Total Operating Revenues	65,486	9,089	11,086	19,141	22,342
OPERATING EXPENSES					
Salaries, Wages, and Benefits	14,439	765	3,583	3,119	3,886
Utilities and Communications	12,990	110	793	3,529	58
Professional Services	29,835	214	340	2,349	4,388
Supplies, Materials, and Operating Expense	7,589	7,437	10,582	689	502
Depreciation	2,213	192	172	3,385	41
Claims and Benefits	—	—	—	—	9,975
Other	3,174	254	538	3,098	323
Total Operating Expenses	70,240	8,972	16,008	16,169	19,173
Operating Income (Loss)	(4,754)	117	(4,922)	2,972	3,169
NONOPERATING REVENUES (EXPENSES)					
Investment Income	—	—	—	—	1,753
Other Nonoperating Revenues	26	1	9	8	—
Grants	77	—	—	—	—
Interest Expense	(518)	—	—	(543)	—
Other Nonoperating Expenses	(826)	(570)	—	(1)	(341)
Total Nonoperating Revenues (Expenses)	(1,241)	(569)	9	(536)	1,412
Income (Loss) Before Contributions and Transfers	(5,995)	(452)	(4,913)	2,436	4,581
Capital Contributions	—	—	—	1	—
Transfers In	937	—	4,125	4,027	3,416
Transfers Out	(43)	(8)	(28)	(2,965)	(3,439)
Increase (Decrease) in Net Position	(5,101)	(460)	(816)	3,499	4,558
Total Net Position, October 1, 2017, as Restated	(17,429)	253	3,722	77,380	35,028
Total Net Position, September 30, 2018	\$ (22,530)	\$ (207)	\$ 2,906	\$ 80,879	\$ 39,586

State Motor Pool	Other Internal Service Funds	Totals
\$ 2,402	\$ 14,936	\$ 107,335
—	—	19,043
—	—	18,104
2,402	14,936	144,482
702	15,378	41,872
35	140	17,655
2	11,642	48,770
388	681	27,868
129	62	6,194
—	—	9,975
1,829	1,756	10,972
3,085	29,659	163,306
(683)	(14,723)	(18,824)
—	—	1,753
170	1,425	1,639
—	253	330
—	(32)	(1,093)
—	(949)	(2,687)
170	697	(58)
(513)	(14,026)	(18,882)
—	8	9
201	13,306	26,012
—	(108)	(6,591)
(312)	(820)	548
35	(13,766)	85,223
\$ (277)	\$ (14,586)	\$ 85,771

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended September 30, 2018

(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	\$ 1,232	\$ 7	\$ 955	\$ 25	\$ 343
Receipts from Interfund Services	65,989	10,038	10,042	20,884	18,986
Receipts from Other Operating Activities	75	—	41	—	75
Payments for Goods Held for Resale	(1)	(7,735)	(7,343)	—	—
Payments for Other Goods & Services	(53,321)	(429)	(2,695)	(9,083)	(3,581)
Payments for Employees Services	(11,981)	(944)	(3,537)	(3,190)	(4,584)
Payments for Taxes, Fines, Penalties, & Similar Fees	—	—	(2)	—	—
Payments for Interfund Services	(3,078)	(471)	(464)	(804)	(1,317)
Payments for Other Operating Activities	(53)	(2)	(36)	—	(384)
Payments for Claims	—	—	—	—	(4,112)
Net Cash Provided by (Used In) Operating Activities	(1,138)	464	(3,039)	7,832	5,426
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	937	—	4,136	4,027	6,423
Transfers to Other Funds for Noncapital Financing	(43)	(8)	(28)	(2,965)	(3,437)
Net Cash Provided By (Used In) Noncapital Financing Activities	894	(8)	4,108	1,062	2,986
Cash Flows from Capital & Related Financing Activities:					
Transfers from Other Funds for Capital Financing	—	—	—	—	—
Receipts from Sale of Capital Assets & Insurance Proceeds	10	1	10	5	—
Payments to Acquire, Construct, & Improve Capital Assets	(410)	(5)	(122)	(750)	(136)
Principal Paid on Revenue Bonds & Other Capital Debt	(2,362)	—	—	(1,950)	—
Interest Paid on Revenue Bonds & Other Capital Debt	(521)	—	—	(616)	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,283)	(4)	(112)	(3,311)	(136)
Cash Flows From Investing Activities					
Purchase of Investments	—	—	—	—	(8,500)
Net Cash Provided By (Used In) Investing Activities	0	0	0	0	(8,500)
Net Increase (Decrease) In Cash and Cash Equivalents	(3,527)	452	957	5,583	(224)
Cash Balance as Restated, October 1, 2017	9,703	987	7,096	27,060	7,584
Cash Balance, September 30, 2018	6,176	1,439	8,053	32,643	7,360
Add: Warrants Payable	9	—	1	7	86
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 6,185	\$ 1,439	\$ 8,054	\$ 32,650	\$ 7,446

State Motor Pool	Other Internal Service Funds	Totals
\$ 516	\$ 3,341	\$ 6,419
1,945	14,560	142,444
—	154	345
—	(40)	(15,119)
(1,721)	(8,822)	(79,652)
(729)	(12,955)	(37,920)
(1)	—	(3)
(517)	(5,256)	(11,907)
(1)	(124)	(600)
—	—	(4,112)
(508)	(9,142)	(105)
201	2,120	17,844
—	(108)	(6,589)
201	2,012	11,255
—	8,653	8,653
203	—	229
(86)	(132)	(1,641)
—	—	(4,312)
—	—	(1,137)
117	8,521	1,792
—	—	(8,500)
0	0	(8,500)
(190)	1,391	4,442
1,638	18,386	72,454
1,448	19,777	76,896
—	2	105
\$ 1,448	\$ 19,779	\$ 77,001

Continued on next page...

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)

Internal Service Funds

For the Fiscal Year Ended September 30, 2018

(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)	\$ (4,754)	\$ 117	\$ (4,922)	\$ 2,972	\$ 3,169
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	927	939	(195)	1,465	(3,030)
Accounts Receivable	43	6	1	3	11
Due From Other Governments	—	—	—	—	(11)
Inventory	—	414	1,391	—	—
Deferred Outflows of Resources	238	32	97	93	234
Due to Other Funds	607	(63)	98	120	(71)
Accounts Payable	(2,842)	(483)	335	(23)	122
Claims Payable	—	—	—	—	5,818
Unearned Revenue	284	—	—	—	—
Compensated Absences	9	9	(4)	33	(39)
Net Pension Liability	(336)	(214)	(537)	(551)	(1,316)
Net OPEB Liability	(41)	(313)	(385)	(574)	(674)
Deferred Inflows of Resources	2,450	304	869	908	1,079
Depreciation	2,213	192	172	3,385	41
Nonoperating Revenues	66	—	41	—	74
Nonoperating Expenses	(2)	(476)	—	1	19
Total Adjustments	3,616	347	1,883	4,860	2,257
Net Cash Provided (Used) by Operating Activities	\$ (1,138)	\$ 464	\$ (3,039)	\$ 7,832	\$ 5,426
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Capital Assets Acquired by Capital Contribution	—	—	—	1	—
Capital Assets Acquired by Capital Lease or Other Debt	6,455	—	—	3,812	—
Capital Assets Acquired on Account	66	—	444	—	—
Disposals of Capital Assets	(4,956)	(207)	(318)	(3,822)	(40)
Revenue Bond Amortizations and Other Debt Adjustments	—	—	—	(160)	—
Interest Accruals and Other Adjustments	—	—	—	—	2,558
Unrealized Gains (Losses) in Investment Fair Value	—	—	—	—	(805)
Transfers In (Out)	—	—	—	—	3,008

State Motor Pool	Other Internal Service Funds	Totals
\$ (683)	\$ (14,723)	\$ (18,824)
41	376	523
16	11	91
—	—	(11)
—	—	1,805
25	255	974
68	2,517	3,276
(51)	242	(2,700)
—	—	5,818
—	—	284
—	30	38
(132)	(421)	(3,507)
(120)	(411)	(2,518)
199	2,863	8,672
129	62	6,194
—	58	239
—	(1)	(459)
175	5,581	18,719
<u>\$ (508)</u>	<u>\$ (9,142)</u>	<u>\$ (105)</u>

—	8	9
—	—	10,267
71	36	617
—	(123)	(9,466)
—	—	(160)
—	—	2,558
—	—	(805)
—	(3,547)	(539)



Pension and Other Employee Benefit Trust Funds

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

Employees' Retirement System

Accounts for a pension plan for the benefit of State employees, State police, and employees of other eligible governmental organizations such as cities and counties within the State.

Teachers' Retirement System

Accounts for a pension plan for the benefit of employees of State supported educational institutions.

Judicial Retirement Fund

Accounts for a pension plan for the benefit of judges of the State's Supreme Court, Court of Civil Appeals, Court of Criminal Appeals, and Circuit Court.

Peace Officers Annuity and Benefit

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.

State Port Authority Hourly Defined Contribution

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

Alabama Deferred Compensation Fund

Accounts for resources contributed by State employees for a deferred compensation plan sponsored by the Personnel Board.

RSA Employee Savings Plans

Accounts for resources contributed by public employees for deferred compensation plans and individual retirement accounts sponsored by the Retirement Systems of Alabama.

Retired Education Employees' Health Care Trust

Provides post-employment health insurance benefits for retired employees of State supported educational institutions

Retired State Employees' Health Care Trust

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

Other

Accounts for a flexible employees' benefits plan and a small pension plan for Firefighters.

STATE OF ALABAMA

COMBINING STATEMENT OF PLAN NET POSITION

Pension and Other Employee Benefit Trust Funds

September 30, 2018

(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	\$ 12,547	\$ 34,831	\$ 2,868	\$ 358	\$ 0
Investments					
U.S. Treasury Securities	407,226	833,758	22,818	3,592	4,194
U.S. Agency Securities	78,137	160,389	4,574	—	793
Mortgage Backed Securities	267,878	530,986	14,119	2,419	2,633
Corporate Stocks	7,277,756	14,407,115	168,450	—	2,923
Corporate Bonds	1,244,465	2,519,437	31,201	3,023	6,134
Real Estate	1,171,372	2,415,071	4,107	—	—
Commercial Paper	319,303	921,180	7,002	—	353
International Stocks	1,602,600	3,417,269	44,473	—	—
Guaranteed Investment Contracts	—	—	—	—	—
Mutual and Money Market Funds	229,579	416,490	16,362	17,060	750
Receivables					
Due From Other Funds	—	—	—	9	—
Employer Contributions Receivable	32,457	67,229	602	—	—
Member Contributions Receivable	18,268	40,209	175	—	—
Accounts Receivable	41,859	106,944	979	70	89
Mortgages, Notes, and Loans Receivable	—	—	—	—	—
Securities Lending Collateral	543,229	1,052,082	10,456	—	1,084
Other Assets	—	—	—	—	—
Capital Assets, Net of Accumulated Depreciation	40,843	88,140	—	22	—
Capital Assets not Depreciated	7,264	19,367	—	—	—
TOTAL ASSETS	13,294,783	27,030,497	328,186	26,553	18,953
Deferred Outflows Of Resources	2,806	5,547	51	62	0
LIABILITIES					
Warrants Payable	—	—	—	107	—
Investment Purchases Payable	799	1,475	—	—	—
Due To Other Funds	—	—	—	2	—
Accounts Payable	1,720	3,544	36	47	—
Due To Other Governments	—	—	—	—	—
Claims Payable	—	—	—	—	—
Securities Lending Obligation	543,229	1,052,082	10,456	—	1,084
Unearned Revenue	—	—	—	—	—
Compensated Absences	1,894	3,556	22	104	—
Net OPEB Liability	11,871	16,708	99	301	—
Net Pension Liability	14,468	19,504	275	496	—
Notes and Mortgages Payable	—	—	—	—	—
TOTAL LIABILITIES	573,981	1,096,869	10,888	1,057	1,084
Deferred Inflows Of Resources	3,260	3,740	33	71	—
NET POSITION					
Restricted for Pension and Other Employee Benefits	12,720,348	25,935,435	317,316	25,487	17,869
TOTAL NET POSITION	\$ 12,720,348	\$ 25,935,435	\$ 317,316	\$ 25,487	\$ 17,869

State Port Authority Railway Plan	State Port Authority Hourly Defined Contribution	Alabama Deferred Compensation Plan	RSA Employee Savings Plans	Retired Educ Employees' Health Care Trust	Retired State Employees' Health Care Trust	Other Pension Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 180	\$ 0	\$ 0	\$ 731	\$ 51,515
265	—	—	410,191	130,083	15,745	—	1,827,872
50	—	—	72,542	24,668	3,176	—	344,329
166	—	—	236,929	80,395	10,669	—	1,146,194
185	1,342	—	838,926	759,174	105,141	120	23,561,132
387	188	50,653	486,316	175,207	20,297	60	4,537,368
—	—	—	—	—	—	—	3,590,550
22	—	—	7,005	—	—	—	1,254,865
—	—	35,918	—	184,721	18,212	—	5,303,193
—	—	222,714	—	—	—	—	222,714
47	12,150	311,608	127,895	81,410	10,137	36	1,223,524
—	—	—	—	—	—	—	9
—	—	—	—	—	—	—	100,288
—	—	—	—	—	—	—	58,652
6	—	—	9,656	11,614	57,875	158	229,250
—	—	7,816	—	—	—	—	7,816
68	—	—	124,359	51,392	21,930	—	1,804,600
—	—	—	—	3,462	—	498	3,960
—	—	—	—	—	—	—	129,005
—	—	—	—	—	—	—	26,631
1,196	13,680	628,709	2,313,999	1,502,126	263,182	1,603	45,423,467
0	0	0	0	0	0	0	8,466
—	—	—	—	—	—	—	107
—	—	—	—	—	—	—	2,274
—	—	—	—	—	—	—	2
—	—	—	—	—	79	—	5,426
—	—	—	—	52	—	—	52
—	—	—	—	21,878	53,737	—	75,615
68	—	—	124,359	51,392	21,930	—	1,804,600
—	—	—	—	—	3,258	—	3,258
—	—	—	—	—	—	—	5,576
—	—	—	—	—	—	—	28,979
—	—	—	—	—	—	—	34,743
—	—	—	—	—	—	1,000	1,000
68	0	0	124,359	73,322	79,004	1,000	1,961,632
—	—	—	—	—	—	—	7,104
1,128	13,680	628,709	2,189,640	1,428,804	184,178	603	43,463,197
\$ 1,128	\$ 13,680	\$ 628,709	\$ 2,189,640	\$ 1,428,804	\$ 184,178	\$ 603	\$ 43,463,197

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended September 30, 2018

(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	\$ 241,740	\$ 493,466	\$ 3,867	\$ 694	\$ 0
Employer	426,340	802,598	17,180	4,327	154
Other Contributions	—	24,700	—	—	—
Federal On-Behalf	—	—	—	—	—
Total Contributions	668,080	1,320,764	21,047	5,021	154
Investment Earnings					
Investment Interest and Dividends	323,182	650,293	7,471	522	509
Net Increase (Decrease) in Fair Value of Investments	775,132	1,615,440	20,071	1,940	(146)
Securities Lending Income	10,589	23,246	248	—	23
Total Investment Earnings	1,108,903	2,288,979	27,790	2,462	386
Less:					
Investment Expense	3,608	9,178	—	76	—
Securities Lending Interest and Fees	7,097	15,574	168	—	17
Net Investment Income	1,098,198	2,264,227	27,622	2,386	369
Other Additions					
Interest from Mortgages and Loans Receivable	—	—	—	—	—
Miscellaneous	213	7	—	9	—
Total Other Additions	213	7	0	9	0
Total Additions	1,766,491	3,584,998	48,669	7,416	523
DEDUCTIONS					
Benefit Payments and Refunds	1,147,369	2,267,475	33,549	5,104	154
Administrative Expense	13,764	22,290	326	430	—
Total Deductions	1,161,133	2,289,765	33,875	5,534	154
Change in Net Position	605,358	1,295,233	14,794	1,882	369
Net Position Restricted or Held in Trust for Beneficiaries, October 1, 2017, as Restated	12,114,990	24,640,202	302,522	23,605	17,500
Net Position Restricted or Held in Trust for Beneficiaries, September 30, 2018	\$ 12,720,348	\$ 25,935,435	\$ 317,316	\$ 25,487	\$ 17,869

State Port Authority Railway Plan	State Port Authority Hourly Defined Contribution	Alabama Deferred Compensation Plan	RSA Employee Savings Plans	Retired Educ Employees' Health Care Trust	Retired State Employees' Health Care Trust	Other Pension Funds	Totals
\$ 0	\$ 917	\$ 31,875	\$ 82,690	\$ 137,237	\$ 41,800	\$ 11,832	\$ 1,046,118
1,358	979	—	—	245,545	80,609	—	1,579,090
—	—	—	—	—	—	4,265	28,965
—	—	—	—	1,174	—	—	1,174
1,358	1,896	31,875	82,690	383,956	122,409	16,097	2,655,347
32	846	22,154	59,936	33,763	4,027	3	1,102,738
(8)	—	25,382	57,588	80,278	11,741	14	2,587,432
1	—	—	2,667	1,402	421	—	38,597
25	846	47,536	120,191	115,443	16,189	17	3,728,767
—	—	602	—	—	—	—	13,464
1	—	—	1,959	942	288	—	26,046
24	846	46,934	118,232	114,501	15,901	17	3,689,257
—	—	408	—	—	—	—	408
—	—	—	—	—	—	—	229
0	0	408	0	0	0	0	637
1,382	2,742	79,217	200,922	498,457	138,310	16,114	6,345,241
1,334	499	45,287	136,132	416,065	122,123	13,649	4,188,740
—	2	1,235	—	2,151	287	2,333	42,818
1,334	501	46,522	136,132	418,216	122,410	15,982	4,231,558
48	2,241	32,695	64,790	80,241	15,900	132	2,113,683
1,080	11,439	596,014	2,124,850	1,348,563	168,278	471	41,349,514
<u>\$ 1,128</u>	<u>\$ 13,680</u>	<u>\$ 628,709</u>	<u>\$ 2,189,640</u>	<u>\$ 1,428,804</u>	<u>\$ 184,178</u>	<u>\$ 603</u>	<u>\$ 43,463,197</u>

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 individual 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.

ABLE Trust Fund

Accounts for private funds to support individuals with disabilities.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET POSITION

Private-Purpose Trust Funds

September 30, 2018

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	ABLE Trust Fund	Totals
ASSETS					
Cash and Cash Equivalents	\$ 15,471	\$ 1,335	\$ 0	\$ 167	\$ 16,973
Investments					
U.S. Treasury Securities	17,535	—	1,133	—	18,668
U.S. Agency Securities	7,177	—	164	—	7,341
Mortgage Backed Securities	7,183	—	712	—	7,895
Corporate Stocks	—	—	6,638	—	6,638
Corporate Bonds	30,030	—	1,514	—	31,544
Real Estate	—	—	20	—	20
Commercial Paper	—	—	250	—	250
Mutual and Money Market Funds	21,704	1,733,224	492	291	1,755,711
Accounts Receivable	346	3,033	—	—	3,379
Securities Lending Collateral	—	—	510	—	510
TOTAL ASSETS	99,446	1,737,592	11,433	458	1,848,929
LIABILITIES					
Warrants Payable	205	—	—	—	205
Due To Other Funds	1	—	—	—	1
Accounts Payable	22,686	1,991	2	—	24,679
Securities Lending Obligation	—	—	510	—	510
Amounts Held in Custody for Others	—	1,440	—	—	1,440
Compensated Absences	9	4	—	—	13
TOTAL LIABILITIES	22,901	3,435	512	0	26,848
NET POSITION					
Restricted or Held in Trust for Beneficiaries	76,545	1,734,157	10,921	458	1,822,081
TOTAL NET POSITION	\$ 76,545	\$ 1,734,157	\$ 10,921	\$ 458	\$ 1,822,081

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Private-Purpose Trust Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	ABLE Trust Fund	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 867	\$ 190,531	\$ 0	\$ 423	\$ 191,821
Total Contributions	867	190,531	0	423	191,821
Investment Earnings					
Investment Interest and Dividends	1,658	64,119	202	—	65,979
Net Increase (Decrease) in Fair Value of Investments	(1,101)	44,579	813	11	44,302
Securities Lending Interest and Fees	—	—	23	—	23
Total Investment Earnings	557	108,698	1,038	11	110,304
Less:					
Securities Lending Interest and Fees	—	—	15	—	15
Net Investment Income	557	108,698	1,023	11	110,289
Other Additions					
Miscellaneous	254	—	—	—	254
Transfer In	62,783	—	—	—	62,783
Total Other Additions	63,037	0	0	0	63,037
Total Additions	64,461	299,229	1,023	434	365,147
DEDUCTIONS					
Benefit Payments and Refunds	57,426	133,277	303	169	191,175
Administrative Expense	621	8,163	—	—	8,784
Transfers Out	—	1,949	—	—	1,949
Total Deductions	58,047	143,389	303	169	201,908
Change in Net Position	6,414	155,840	720	265	163,239
Net Position Restricted or Held in Trust for Beneficiaries, October 1, 2017, as Restated	70,131	1,578,317	10,201	193	1,658,842
Net Position Restricted or Held in Trust for Beneficiaries, September 30, 2018	\$ 76,545	\$ 1,734,157	\$ 10,921	\$ 458	\$ 1,822,081



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, 2018

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 188,129	\$ 7,403	\$ 3,238	\$ 123,891	\$ 322,661
Investments	—	—	—	49,533	49,533
Due From Other Funds	—	1	9	182	192
TOTAL ASSETS	\$ 188,129	\$ 7,404	\$ 3,247	\$ 173,606	\$ 372,386
LIABILITIES					
Warrants Payable	\$ 22,563	\$ 267	\$ 2,013	\$ 827	\$ 25,670
Accounts Payable	4	—	852	13	869
Due To Other Governments	4,501	7,137	1	196	11,835
Amounts Held in Custody for Others	161,061	—	381	172,570	334,012
TOTAL LIABILITIES	\$ 188,129	\$ 7,404	\$ 3,247	\$ 173,606	\$ 372,386

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	\$ 185,385	\$ 22,252,251	\$ 22,249,507	\$ 188,129
Due From Other Funds	—	19	19	—
Taxes Receivable	—	611,345	611,345	—
TOTAL ASSETS	\$ 185,385	\$ 22,863,615	\$ 22,860,871	\$ 188,129
LIABILITIES				
Warrants Payable	\$ 14,987	\$ 22,563	\$ 14,987	\$ 22,563
Due To Other Funds	—	14	14	—
Accounts Payable	21	54,709	54,726	4
Due To Other Governments	3,558	13,928	12,985	4,501
Amounts Held Pending Distribution	—	58,030,379	58,030,379	—
Unearned Revenue	—	12,809	12,809	—
Amounts Held in Custody for Others	166,819	2,161,371	2,167,129	161,061
TOTAL LIABILITIES	\$ 185,385	\$ 60,295,773	\$ 60,293,029	\$ 188,129
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	\$ 9,805	\$ 441,727	\$ 444,129	\$ 7,403
Due From Other Funds	—	2	1	1
TOTAL ASSETS	\$ 9,805	\$ 441,729	\$ 444,130	\$ 7,404
LIABILITIES				
Warrants Payable	\$ 188	\$ 267	\$ 188	\$ 267
Accounts Payable	—	12,863	12,863	—
Due to Other Governments	9,617	455,674	458,154	7,137
TOTAL LIABILITIES	\$ 9,805	\$ 468,804	\$ 471,205	\$ 7,404
PAYROLL				
ASSETS				
Cash and Cash Equivalents	\$ 2,423	\$ 2,348,271	\$ 2,347,456	\$ 3,238
Due From Other Funds	—	9	—	9
TOTAL ASSETS	\$ 2,423	\$ 2,348,280	\$ 2,347,456	\$ 3,247
LIABILITIES				
Warrants Payable	\$ 1,042	\$ 2,013	\$ 1,042	\$ 2,013
Due To Other Funds	—	16	16	—
Accounts Payable	931	799,473	799,552	852
Due To Other Governments	2	143,495	143,496	1
Amounts Held Pending Distribution	—	1,426,388	1,426,388	—
Amounts Held in Custody for Others	448	491,464	491,531	381
TOTAL LIABILITIES	\$ 2,423	\$ 2,862,849	\$ 2,862,025	\$ 3,247

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 114,065	\$ 776,964	\$ 767,138	\$ 123,891
Investments	48,487	4,525	3,479	49,533
Due From Other Funds	—	183	1	182
TOTAL ASSETS	\$ 162,552	\$ 781,672	\$ 770,618	\$ 173,606
LIABILITIES				
Warrants Payable	\$ 474	\$ 1,760	\$ 1,407	\$ 827
Due To Other Funds	—	2,198	2,198	—
Accounts Payable	131	22,943	23,061	13
Due To Other Governments	177	1,037	1,018	196
Amounts Held Pending Distribution	—	688	688	—
Amounts Held in Custody for Others	161,770	803,503	792,703	172,570
TOTAL LIABILITIES	\$ 162,552	\$ 832,129	\$ 821,075	\$ 173,606
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 311,678	\$ 25,819,213	\$ 25,808,230	\$ 322,661
Investments	48,487	4,525	3,479	49,533
Due From Other Funds	—	213	21	192
Taxes Receivable	—	611,345	611,345	—
TOTAL ASSETS	\$ 360,165	\$ 26,435,296	\$ 26,423,075	\$ 372,386
LIABILITIES				
Warrants Payable	\$ 16,691	\$ 26,603	\$ 17,624	\$ 25,670
Due To Other Funds	—	2,228	2,228	—
Accounts Payable	1,083	889,988	890,202	869
Due To Other Governments	13,354	614,134	615,653	11,835
Amounts Held Pending Distribution	—	59,457,455	59,457,455	—
Unearned Revenue	—	12,809	12,809	—
Amounts Held in Custody for Others	329,037	3,456,338	3,451,363	334,012
TOTAL LIABILITIES	\$ 360,165	\$ 64,459,555	\$ 64,447,334	\$ 372,386



Nonmajor Component Units

Water Pollution Control Authority

Issues revolving loan bonds and lends the proceeds to eligible municipalities at below market interest rates for the construction of wastewater treatment and collection facilities.

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.

Troy University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Alabama Agricultural and Mechanical 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.

University of Montevallo

Reports the operations and balances of the University.

University of West Alabama

Reports the operations and balances of the University.

Historical Commission

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

State Employees Health Insurance

Manages a health insurance plan for State employees.

Other Nonmajor Component Units

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

COMBINING STATEMENT OF NET POSITION

Nonmajor Component Units

September 30, 2018

(Amounts in Thousands)

	Water Pollution Control Authority	Drinking Water Finance Authority	Troy University	Alabama State University	Alabama Agricultural and Mechanical University
ASSETS					
Cash and Cash Equivalents	\$ 1,428	\$ 7,306	\$ 121,418	\$ 35,511	\$ 41,254
Investments	238,720	131,059	125,233	81,771	53,506
Due From Primary Government	4,702	—	—	—	—
Accounts Receivable	1,560	958	44,607	34,185	20,611
Due From Other Governments	355,736	201,993	—	5,699	—
Mortgages, Notes, and Loans Receivable	—	—	536	—	18,783
Securities Lending Collateral	—	—	—	—	—
Inventory	—	—	32	6	—
Restricted Assets	—	—	—	—	—
Other Assets	2,400	5,609	1,384	21	16,111
Capital Assets, Net of Accumulated Depreciation	76	15	307,612	252,225	142,605
Capital Assets Not Depreciated	—	—	28,375	21,383	14,809
TOTAL ASSETS	604,622	346,940	629,197	430,801	307,679
DEFERRED OUTFLOWS OF RESOURCES	744	1,185	39,536	22,415	8,156
LIABILITIES					
Warrants Payable	—	—	—	—	—
Due To Primary Government	151	—	—	—	—
Accounts Payable	232	168	10,256	16,077	15,685
Due To Other Governments	61,117	41,872	—	—	—
Securities Lending Obligation	—	—	—	—	—
Unearned Revenue	—	—	39,574	17,286	52,332
Amounts Held in Custody for Others	55	—	5,633	—	2,909
Noncurrent Liabilities:					
Due Within One Year	14,435	6,835	7,254	13,143	6,376
Due In More than One Year	34,781	35,467	376,470	313,978	201,579
TOTAL LIABILITIES	110,771	84,342	439,187	360,484	278,881
DEFERRED INFLOWS OF RESOURCES	0	0	33,165	20,122	14,415
NET POSITION					
Net Investment in Capital Assets	76	15	173,516	75,033	71,355
Restricted for:					
Permanent - Expendable	—	—	55,082	1,264	8,005
Permanent - Non-expendable	—	—	23,299	57,749	42,721
Debt Service	494,519	263,768	—	—	—
Capital Projects	—	—	—	—	—
Other Purposes	—	—	690	61,998	767
Unrestricted	—	—	(56,206)	(123,434)	(100,309)
TOTAL NET POSITION	\$ 494,595	\$ 263,783	\$ 196,381	\$ 72,610	\$ 22,539

Jacksonville State University	University of North Alabama	University of Montevallo	University of West Alabama	Historical Commission	State Employees' Health Insurance	Other Nonmajor Component Units	Totals
\$ 73,217	\$ 50,676	\$ 8,748	\$ 16,369	\$ 2,354	\$ 4,019	\$ 62,379	\$ 424,679
47,206	48,262	83,760	5,544	14,449	116,559	37,908	983,977
—	—	—	—	20	690	498	5,910
80,685	6,695	4,076	7,169	76	11,222	13,908	225,752
—	—	—	—	—	568	800	564,796
218	2,163	194	157	—	1,000	242	23,293
—	—	—	—	1,475	8,978	—	10,453
—	14	—	—	283	—	8,165	8,500
—	—	3,098	—	—	—	104	3,202
13,297	10,034	6,623	—	—	165	3,321	58,965
118,893	141,834	56,868	52,851	251	1,171	126,389	1,200,790
61,948	7,255	5,471	2,466	82,423	—	25,245	249,375
395,464	266,933	168,838	84,556	101,331	144,372	278,959	3,759,692
18,587	19,235	14,029	9,565	738	882	21,843	156,915
—	—	—	—	52	3	3	58
5,947	—	—	—	19	257	279	6,653
34,788	11,546	5,710	5,039	415	11,684	10,667	122,267
—	—	289	—	19	—	20	103,317
—	—	—	—	1,475	8,978	—	10,453
37,170	28,426	14,204	10,815	—	79	10,436	210,322
1,392	572	527	126	—	—	464	11,678
4,934	1,851	1,922	1,489	46	9,379	6,475	74,139
248,365	183,398	125,190	101,039	11,184	31,182	219,445	1,882,078
332,596	225,793	147,842	118,508	13,210	61,562	247,789	2,420,965
15,708	12,152	7,973	5,485	1,016	1,896	25,935	137,867
94,983	77,216	25,728	16,588	82,674	1,171	126,834	745,189
33,296	15,113	28,257	—	—	—	—	141,017
12,585	29,813	22,534	423	11,168	—	4,479	204,771
1,173	—	—	—	—	—	—	759,460
—	—	—	—	—	—	28	28
2,591	258	—	—	—	—	9,188	75,492
(78,881)	(74,177)	(49,467)	(46,883)	(5,999)	80,625	(113,451)	(568,182)
\$ 65,747	\$ 48,223	\$ 27,052	\$ (29,872)	\$ 87,843	\$ 81,796	\$ 27,078	\$ 1,357,775

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES

Nonmajor Component Units

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Water Pollution Control Authority	Drinking Water Finance Authority	Troy University	Alabama State University	Alabama Agricultural and Mechanical University
Expenses	\$ 9,449	\$ 6,565	\$ 260,774	\$ 151,469	\$ 157,572
Program Revenues					
Charges for Services	2,527	1,411	154,604	64,083	66,627
Operating Grants and Contributions	14,225	11,467	53,324	37,482	50,885
Capital Grants and Contributions	—	—	864	—	2,215
Total Program Revenues	16,752	12,878	208,792	101,565	119,727
Net (Expense) Revenue	7,303	6,313	(51,982)	(49,904)	(37,845)
General Revenues:					
Payments from State of Alabama	—	—	50,145	43,255	38,629
Unrestricted Investment Earnings	12,032	6,673	11,693	7,659	4,640
Miscellaneous	—	—	2,794	—	—
Contributions to Permanent Funds and Endowments	—	—	—	—	—
Extraordinary Items	—	—	—	—	—
Total General Revenues, Contributions, and Extraordinary Items	12,032	6,673	64,632	50,914	43,269
Change in Net Position	19,335	12,986	12,650	1,010	5,424
Net Position, October 1, 2017, as Restated	475,260	250,797	183,731	71,600	17,115
Net Position, September 30, 2018	\$ 494,595	\$ 263,783	\$ 196,381	\$ 72,610	\$ 22,539

Jacksonville State University	University of North Alabama	University of Montevallo	University of West Alabama	Historical Commission	State Employees' Health Insurance	Other Nonmajor Component Units	Totals
\$ 154,650	\$ 125,888	\$ 75,314	\$ 67,771	\$ 6,984	\$ 297,257	\$ 222,577	\$ 1,536,270
65,943	72,465	42,043	37,829	1,769	328,213	101,439	938,953
24,428	23,551	10,987	11,288	1,052	—	32,185	270,874
—	911	1,186	—	—	—	1,530	6,706
90,371	96,927	54,216	49,117	2,821	328,213	135,154	1,216,533
(64,279)	(28,961)	(21,098)	(18,654)	(4,163)	30,956	(87,423)	(319,737)
38,898	28,186	19,964	16,147	3,416	—	82,535	321,175
4,243	3,244	423	2	936	413	1,295	53,253
—	502	—	266	—	—	3,010	6,572
—	229	—	—	—	—	—	229
91,127	—	—	—	—	—	—	91,127
134,268	32,161	20,387	16,415	4,352	413	86,840	472,356
69,989	3,200	(711)	(2,239)	189	31,369	(583)	152,619
(4,242)	45,023	27,763	(27,633)	87,654	50,427	27,661	1,205,156
\$ 65,747	\$ 48,223	\$ 27,052	\$ (29,872)	\$ 87,843	\$ 81,796	\$ 27,078	\$ 1,357,775

STATE OF ALABAMA

COMBINING STATEMENT OF NET POSITION

Other Nonmajor Component Units

September 30, 2018

(Amounts in Thousands)

	Alabama Institute for the Deaf and Blind	Athens State University	Space Science Exhibit Commission	Marine Environmental Sciences Consortium	Crime Victims Compensation Commission
ASSETS					
Cash and Cash Equivalents	\$ 26,974	\$ 16,254	\$ 3,739	\$ 883	\$ 1,186
Investments	14,737	12,064	117	—	4,149
Due From Primary Government	—	—	—	—	—
Accounts Receivable	6,828	1,957	1,522	2,913	—
Due From Other Governments	—	720	—	—	—
Mortgages, Notes, and Loans Receivable	7	—	—	—	—
Inventory	6,412	17	1,326	156	—
Restricted Assets	—	—	104	—	—
Other Assets	177	2,111	779	—	—
Capital Assets, Net of Accumulated Depreciation	25,011	38,469	38,605	12,133	1,000
Capital Assets Not Depreciated	3,856	3,109	7,464	1,118	—
TOTAL ASSETS	84,002	74,701	53,656	17,203	6,335
DEFERRED OUTFLOWS OF RESOURCES	11,240	5,524	1,601	1,882	403
LIABILITIES					
Warrants Payable	—	—	—	—	3
Due To Primary Government	—	—	—	—	27
Accounts Payable	3,852	1,237	2,730	114	168
Due To Other Governments	—	—	—	—	—
Unearned Revenue	486	6,587	2,051	1,312	—
Amounts Held in Custody for Others	263	—	—	201	—
Noncurrent Liabilities:					
Due Within One Year	1,356	1,526	591	231	2,284
Due in More Than One Year	113,429	52,667	21,331	13,746	5,998
TOTAL LIABILITIES	119,386	62,017	26,703	15,604	8,480
DEFERRED INFLOWS OF RESOURCES	13,755	5,003	3,347	1,405	538
NET POSITION					
Net Investment in Capital Assets	28,014	27,886	37,597	11,907	1,000
Restricted for:					
Permanent - Non-expendable	4,479	—	—	—	—
Capital Projects	—	—	—	28	—
Other Purposes	2,670	5,710	193	615	—
Unrestricted	(73,062)	(20,391)	(12,583)	(10,474)	(3,280)
TOTAL NET POSITION	\$ (37,899)	\$ 13,205	\$ 25,207	\$ 2,076	\$ (2,280)

Supercomputer Authority	U.S.S		Red		Miscellaneous	
	Alabama Battleship Commission	Historic Ironworks Commission	Mountain Recreation Commission	Component Units	Totals	
\$ 7,051	\$ 3,228	\$ 235	\$ 210	\$ 2,619	\$ 62,379	
—	5,668	—	—	1,173	37,908	
248	—	—	—	250	498	
—	27	—	661	—	13,908	
—	—	—	—	80	800	
—	—	—	—	235	242	
—	227	27	—	—	8,165	
—	—	—	—	—	104	
—	76	—	91	87	3,321	
1,690	5,735	1,966	1,562	218	126,389	
—	847	1,035	7,655	161	25,245	
8,989	15,808	3,263	10,179	4,823	278,959	
220	396	129	371	77	21,843	
—	—	—	—	—	3	
2	—	—	—	250	279	
2,198	232	51	66	19	10,667	
16	—	—	—	4	20	
—	—	—	—	—	10,436	
—	—	—	—	—	464	
13	—	438	35	1	6,475	
3,007	3,822	1,793	2,453	1,199	219,445	
5,236	4,054	2,282	2,554	1,473	247,789	
260	743	371	222	291	25,935	
1,690	6,582	2,563	9,217	378	126,834	
—	—	—	—	—	4,479	
—	—	—	—	—	28	
—	—	—	—	—	9,188	
2,023	4,825	(1,824)	(1,443)	2,758	(113,451)	
\$ 3,713	\$ 11,407	\$ 739	\$ 7,774	\$ 3,136	\$ 27,078	

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES

Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Alabama Institute for the Deaf and Blind	Athens State University	Space Science Exhibit Commission	Marine Environmental Sciences Consortium	Crime Victims Compensation Commission
Expenses	\$ 100,058	\$ 36,038	\$ 37,893	\$ 16,617	\$ 7,646
Program Revenues					
Charges for Services	29,208	15,966	37,696	2,952	2,862
Operating Grants and Contributions	11,986	9,177	—	8,959	1,076
Capital Grants and Contributions	1,307	—	222	—	—
Total Program Revenues	42,501	25,143	37,918	11,911	3,938
Net (Expense) Revenue	(57,557)	(10,895)	25	(4,706)	(3,708)
General Revenues:					
Payments from State of Alabama	53,754	13,203	1,438	4,429	90
Unrestricted Investment Earnings	519	475	1	1	248
Miscellaneous	3,007	—	—	—	—
Total General Revenues	57,280	13,678	1,439	4,430	338
Change in Net Position	(277)	2,783	1,464	(276)	(3,370)
Net Position, October 1, 2017, as Restated	(37,622)	10,422	23,743	2,352	1,090
Net Position, September 30, 2018	\$ (37,899)	\$ 13,205	\$ 25,207	\$ 2,076	\$ (2,280)

Supercomputer Authority	U.S.S Alabama Battleship Commission	Historic Ironworks Commission	Red Mountain Recreation Commission	Miscellaneous Component Units	Totals
\$ 13,747	\$ 5,240	\$ 2,157	\$ 1,730	\$ 1,451	\$ 222,577
3,976	5,490	2,126	374	789	101,439
—	25	134	612	216	32,185
—	—	—	—	1	1,530
3,976	5,515	2,260	986	1,006	135,154
(9,771)	275	103	(744)	(445)	(87,423)
9,321	—	—	—	300	82,535
—	—	—	6	45	1,295
—	—	—	—	3	3,010
9,321	—	—	6	348	86,840
(450)	275	103	(738)	(97)	(583)
4,163	11,132	636	8,512	3,233	27,661
\$ 3,713	\$ 11,407	\$ 739	\$ 7,774	\$ 3,136	\$ 27,078



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, Excluding Amounts Received Directly by Higher Education

For the Fiscal Year Ended September 30, 2018

(Amounts in Thousands)

	Amount
Administrative Office Of Courts	\$ 823
Agriculture and Industries	7,476
Alabama Community College System (administrative unit only)	8,286
Archives and History	58
Attorney General	1,015
Child Abuse and Neglect Prevention Board	322
Commerce	29,769
Commission on Higher Education	246
Conservation and Natural Resources	34,137
Corrections	4
Council on the Arts	765
Crime Victims Compensation Commission	1,076
Drinking Water Finance Authority	11,467
Early Childhood Education	27,403
Economic and Community Affairs	144,180
Education	1,000,718
Emergency Management Agency	32,165
Environmental Management	18,998
Finance-Special Funds	1,617
Forensic Sciences	1,235
Forestry Commission	2,556
Geological Survey	470
Governor	143
Governor's Office of Volunteer Services	1,572
High School of Math and Science	344
Historical Commission	931
Housing Finance Authority	27,754
Human Resources	1,508,904
Labor	55,301
Land Recycling Finance Authority	67
Law Enforcement Agency	15,763
Manufactured Housing Commission	285
Medicaid Agency	4,641,810
Mental Health	48,725
Military	54,283
Office of Information Technology	77
Office of Prosecution Services	320
Pardons and Paroles	77
Public Health	525,940
Public Library Services	2,491
Public School and College Authority	9,098
Public Service Commission	512
Rehabilitation Services	71,147
School of Fine Arts	65
Secretary of State	6,160
Senior Services	25,483
Soil and Water Conservation Commission	389
Surface Mining Commission	1,065
Transportation	934,743
Veterans Affairs	33,555
Water Pollution Control Authority	14,225
Total Federal Revenues	\$ 9,306,015

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 299

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

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity

Page 309

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 317

These schedules present information that helps 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 325

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 329

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 POSITION BY COMPONENT

Last Ten Fiscal Years

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Governmental Activities					
Net Investment in Capital Assets	\$ 20,564,785	\$20,544,621	\$20,408,863	\$ 20,285,148	\$20,119,589
Restricted	8,286,342	8,584,834	7,358,609	7,192,832	6,790,238
Unrestricted	(9,597,426)	(10,447,520)	(7,707,397)	(7,855,192)	(7,386,155)
Total Governmental Activities Net Position	\$ 19,253,701	\$18,681,935	\$20,060,075	\$ 19,622,788	\$19,523,672
Business-type Activities					
Net Investment in Capital Assets	\$ 306,317	\$ 309,115	\$ 297,816	\$ 301,107	\$ 298,811
Restricted	675,693	605,930	567,493	489,942	312,426
Unrestricted	(19,800)	(30,399)	15,409	(83,220)	(12,158)
Total Business-type Activities Net Position	\$ 962,210	\$ 884,646	\$ 880,718	\$ 707,829	\$ 599,079
Primary government					
Net Investment in Capital Assets	\$ 20,871,102	\$20,853,736	\$20,706,679	\$ 20,586,255	\$20,418,400
Restricted	8,962,035	9,190,764	7,926,102	7,682,774	7,102,664
Unrestricted	(9,617,226)	(10,477,919)	(7,691,988)	(7,938,412)	(7,398,313)
Total Primary Government Net Position	\$ 20,215,911	\$19,566,581	\$20,940,793	\$ 20,330,617	\$20,122,751

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012. GASB 68 and GASB 73 added pension liabilities in 2015 and 2017, respectively. Only 2014 and 2016 fund balance/net position was restated for GASB 68 and GASB 73, respectively, because it was not practical to restate prior years. Only 2017 fund balance/net position was restated for GASB 75 Net OPEB liability because it was not practical to restate years prior to 2017.

2013	2012	2011	2010	2009
\$ 20,041,968	\$ 19,633,646	\$ 19,091,325	\$ 18,552,943	\$ 18,176,534
6,936,902	6,046,381	5,387,811	4,801,716	4,454,757
(4,818,396)	(4,473,936)	(1,513,001)	(764,963)	(649,340)
\$ 22,160,474	\$ 21,206,091	\$ 22,966,135	\$ 22,589,696	\$ 21,981,950

\$ 251,394	\$ 235,360	\$ 175,650	\$ 249,695	\$ 290,477
298,238	163,285	415,535	46,739	40,040
71,753	72,020	(305,674)	(71,628)	53,507
\$ 621,385	\$ 470,665	\$ 285,511	\$ 224,806	\$ 384,025

\$ 20,293,362	\$ 19,869,006	\$ 19,266,975	\$ 18,802,638	\$ 18,467,011
7,235,140	6,209,666	5,803,346	4,848,455	4,494,797
(4,746,643)	(4,401,916)	(1,818,675)	(836,591)	(595,833)
\$ 22,781,859	\$ 21,676,756	\$ 23,251,646	\$ 22,814,502	\$ 22,365,975

STATE OF ALABAMA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Expenses					
Governmental Activities					
Economic Development and Regulation	\$ 139,139	\$ 155,796	\$ 159,378	\$ 148,267	\$ 117,497
Education and Cultural Resources	7,462,779	7,168,714	7,122,455	6,947,994	6,787,731
Natural Resources and Recreation	142,306	151,843	158,738	136,059	158,043
Health	7,446,780	7,419,732	6,969,940	6,814,031	6,543,218
Social Services	2,213,061	2,403,668	2,255,358	2,425,046	2,398,743
Protection of Persons and Property	1,076,783	1,233,440	1,297,498	1,208,686	1,165,601
Transportation	1,818,880	1,532,866	1,566,123	1,475,669	1,454,028
General Government	1,215,056	1,048,882	835,119	896,334	895,891
Debt Service - Principal Retirement	—	—	—	—	—
Debt Service - Interest and Other Charges	184,975	182,655	159,894	155,722	161,479
Appropriation Transfers	—	—	—	—	—
Total Governmental Activities Expenses	21,699,759	21,297,596	20,524,503	20,207,808	19,682,231
Business-type Activities					
Unemployment Compensation	158,959	174,746	195,664	210,464	291,417
State Port Authority	133,083	131,405	133,920	141,087	142,757
Alcoholic Beverage Control Board	323,013	328,276	312,783	298,212	289,347
Nonmajor Proprietary Funds	83,957	70,093	68,955	71,213	84,418
Total Business-type Activities Expenses	699,012	704,520	711,322	720,976	807,939
Total Primary Governmental Expenses	22,398,771	22,002,116	21,235,825	20,928,784	20,490,170
Program Revenues					
Governmental Activities					
Charges for Services:					
Economic Development and Regulation	95,566	153,247	114,363	137,912	131,404
Education and Cultural Resources	43,920	50,197	48,229	49,272	50,499
Natural Resources and Recreation	92,521	79,727	121,507	72,720	84,298
Health	532,333	496,447	428,927	405,979	355,442
Social Services	25,546	65,738	65,509	67,290	65,950
Protection of Persons and Property	394,248	303,477	279,372	287,174	276,993
Transportation	204,839	187,680	184,158	185,774	180,079
General Government	195,604	266,178	281,405	181,043	247,088
Operating Grants and Contributions	8,782,457	8,755,280	8,510,671	8,358,800	8,060,720
Capital Grants and Contributions	1,024,637	924,667	941,948	1,021,107	966,966
Total Governmental Activities Program Revenues	11,391,671	11,282,638	10,976,089	10,767,071	10,419,439
Business-type Activities					
Charges for Services:					
Unemployment Compensation	237,593	248,199	278,534	325,561	359,914
State Port Authority	136,306	128,542	120,079	144,391	162,617
Alcoholic Beverage Control Board	351,262	336,351	327,189	304,658	296,337
Nonmajor Proprietary Funds	92,172	100,679	96,224	89,475	95,218
Operating Grants and Contributions	2,567	11,142	5,029	4,053	34,226
Capital Grants and Contributions	—	125	7,894	4,196	13,462
Total Business-type Activities Program Revenues	819,900	825,038	834,949	872,334	961,774
Total Primary Governmental Program Revenues	\$ 12,211,571	\$ 12,107,676	\$ 11,811,038	\$ 11,639,405	\$ 11,381,213

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012. GASB 68 and GASB 73 added pension liabilities in 2015 and 2017, respectively. Only 2014 and 2016 fund balance/net position was restated for GASB 68 and GASB 73, respectively, because it was not practical to restate prior years. Only 2017 fund balance/net position was restated for GASB 75 Net OPEB liability because it was not practical to restate years prior to 2017.

2013	2012	2011	2010	2009
\$ 121,933	\$ 99,743	\$ 193,900	\$ 228,957	\$ 306,533
6,615,815	6,490,503	7,082,931	6,783,528	6,775,083
124,387	143,111	134,591	148,043	113,621
6,427,303	6,407,799	6,085,907	6,143,061	5,555,138
2,448,759	2,441,385	2,580,186	2,369,709	1,977,390
1,079,644	1,146,584	1,075,191	1,146,961	1,112,213
1,319,431	1,197,030	1,186,100	1,248,882	1,120,902
966,042	916,235	1,008,763	1,037,936	949,830
—	—	—	—	—
175,715	154,425	48,631	47,829	51,184
—	—	—	—	—
19,279,029	18,996,815	19,396,200	19,154,906	17,961,894
458,063	701,971	1,007,325	1,323,058	1,005,780
136,904	133,570	128,100	133,534	150,073
282,840	274,718	266,472	254,001	253,312
122,838	91,107	94,015	73,380	79,297
1,000,645	1,201,366	1,495,912	1,783,973	1,488,462
20,279,674	20,198,181	20,892,112	20,938,879	19,450,356
174,341	181,360	35,782	44,888	50,219
59,110	35,220	41,947	41,837	44,637
74,903	74,790	86,968	80,956	86,470
313,897	388,944	349,863	305,624	353,893
49,591	51,379	48,210	47,401	46,275
225,468	233,979	232,056	229,268	256,596
172,753	180,278	174,375	196,398	196,137
175,903	208,513	218,001	221,410	273,259
8,047,460	8,202,653	8,973,049	9,136,047	7,601,181
976,217	864,113	936,928	927,443	812,481
10,269,643	10,421,229	11,097,179	11,231,272	9,721,148
434,928	474,633	546,618	411,147	230,729
149,275	143,644	120,248	119,414	105,174
280,295	276,879	265,184	252,647	251,199
102,916	99,350	85,437	81,939	82,318
164,329	362,020	584,226	785,452	371,405
1,644	1,262	(5,685)	5,598	19,364
1,133,387	1,357,788	1,596,028	1,656,197	1,060,189
\$ 11,403,030	\$ 11,779,017	\$ 12,693,207	\$ 12,887,469	\$ 10,781,337

Continued on next page...

STATE OF ALABAMA

CHANGES IN NET POSITION (Continued from previous page)

Last Ten Fiscal Years

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Net (Expense)/Revenue					
Governmental Activities	\$(10,308,088)	\$(10,014,958)	\$ (9,548,414)	\$ (9,440,737)	\$ (9,262,792)
Business Activities	120,888	120,518	123,627	151,358	153,835
Total Primary Government					
Net (Expense) Revenue	(10,187,200)	(9,894,440)	(9,424,787)	(9,289,379)	(9,108,957)

General Revenues and Other Changes in Net Position**Governmental Activities**

Sales and Use Taxes	2,818,868	2,679,492	2,663,197	2,489,460	2,398,362
Income Taxes	4,269,203	4,021,968	3,803,755	3,859,889	3,637,582
Motor Fuels Taxes	585,054	581,428	581,415	559,890	545,976
Utility Taxes	603,358	598,233	595,498	631,305	640,104
Insurance Premium Tax	387,040	334,479	320,046	313,316	306,359
Property Tax	371,291	359,826	353,137	349,450	334,275
Liquor Taxes	195,675	190,854	181,229	179,278	171,297
Tobacco and Cigarette Taxes	183,774	185,276	193,992	129,702	126,103
Grants and Contributions Not Restricted to Specific Programs	3,071	5,037	3,419	4,159	9,096
Unrestricted Investment Earnings	251,189	348,038	258,207	22,235	208,608
Miscellaneous	1,151,539	1,120,197	1,112,012	1,107,396	1,119,266
Transfers	59,792	50,983	55,350	39,421	42,487
Total Governmental Activities	10,879,854	10,475,811	10,121,257	9,685,501	9,539,515

Business-type Activities

Liquor Taxes	14,694	13,317	11,453	13,996	11,823
Miscellaneous	1,774	364	81	460	2,902
Contributions to Permanent Funds and Endowments	—	—	—	—	—
Special Items	—	—	—	—	—
Transfers	(59,792)	(50,983)	(55,350)	(39,421)	(42,487)
Total Business-type Activities	(43,324)	(37,302)	(43,816)	(24,965)	(27,762)

Total Primary Government

General Revenues and Other Changes	10,836,530	10,438,509	10,077,441	9,660,536	9,511,753
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Change in Net Position

Governmental Activities	571,766	460,853	572,843	244,764	276,723
Business-type Activities	77,564	83,216	79,811	126,393	126,073
Total Primary Government Change in Net Position	\$ 649,330	\$ 544,069	\$ 652,654	\$ 371,157	\$ 402,796

GASB Statement 61 redefined the reporting entity in 2013, 2012 was restated but it was not practical to restate years prior to 2012. GASB 68 and GASB 73 added pension liabilities in 2015 and 2017, respectively. Only 2014 fund balance/net position was restated for GASB 68. Only 2016 fund balance/net position was restated for GASB 73.

2013	2012	2011	2010	2009
\$ (9,009,386)	\$ (8,575,586)	\$ (8,299,021)	\$ (7,923,634)	\$ (8,240,747)
132,742	156,422	100,116	(127,777)	(428,273)
(8,876,644)	(8,419,164)	(8,198,905)	(8,051,411)	(8,669,020)
2,343,322	2,280,723	2,187,852	2,108,834	2,079,718
3,515,081	3,331,987	3,138,756	3,025,877	3,108,459
541,603	540,666	547,720	551,210	542,887
621,684	598,533	671,347	684,437	697,141
297,072	278,196	263,428	263,243	267,726
326,255	324,751	315,389	315,321	320,603
163,026	161,447	156,689	156,098	155,592
128,714	132,567	136,702	136,311	140,016
10,421	9,140	9,093	40,323	785
213,988	292,612	114,227	283,425	205,111
1,097,907	1,105,950	1,021,002	932,347	754,620
29,798	31,445	62,355	86,711	29,303
9,288,871	9,088,017	8,624,560	8,584,137	8,301,961
11,864	11,832	11,065	10,558	9,930
10,858	7,066	6,066	4,519	5,100
—	—	—	—	—
—	—	—	(9,147)	—
(29,798)	(31,445)	(62,355)	(86,711)	(29,303)
(7,076)	(12,547)	(45,224)	(80,781)	(14,273)
9,281,795	9,075,470	8,579,336	8,503,356	8,287,688
279,485	512,431	325,539	660,503	61,214
125,666	143,875	54,892	(208,558)	(442,546)
\$ 405,151	\$ 656,306	\$ 380,431	\$ 451,945	\$ (381,332)

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 2,795	\$ 4,196	\$ 3,642	\$ 4,142	\$ 3,118
Assigned	2,937	2,203	3,522	921	1,894
Unassigned	596,957	431,095	181,040	104,166	116,092
Reserved	—	—	—	—	—
Unreserved	—	—	—	—	—
Total General Fund	\$ 602,689	\$ 437,494	\$ 188,204	\$ 109,229	\$ 121,104
All Other Governmental Funds					
Nonspendable	\$ 129,481	\$ 123,057	\$ 119,622	\$ 111,810	\$ 109,648
Restricted	7,338,783	7,595,158	6,413,184	6,196,422	6,021,377
Assigned	43,676	89,689	439,510	49,035	41,799
Unassigned	(54,614)	(154,985)	(467,738)	(117,424)	(98,990)
Reserved	—	—	—	—	—
Unreserved, Designated for Capital Projects	—	—	—	—	—
Unreserved, Designated for Debt Service	—	—	—	—	—
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	—	—	—	—	—
Permanent Funds	—	—	—	—	—
Total All Other Governmental Funds	\$ 7,457,326	\$ 7,652,919	\$ 6,504,578	\$ 6,239,843	\$ 6,073,834

Accounting principles for reporting fund balances changed in 2011 with the implementation of GASB Statement 54. Prior years are not required to be reclassified. GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012. GASB 68 and GASB 73 added pension liabilities in 2015 and 2017, respectively. Only 2014 and 2016 fund balance/net position was restated for GASB 68 and GASB 73, respectively, because it was not practical to restate prior years. Only 2017 fund balance/net position was restated for GASB 75 Net OPEB liability because it was not practical to restate years prior to 2017.

2013	2012	2011	2010	2009
\$ 2,971	\$ 0	\$ 3,269	\$ 0	\$ 0
3,641	1,885	1,377	—	—
84,432	3,908	(24,796)	—	—
—	—	—	5,474	5,519
—	—	—	79,184	216,623
\$ 91,044	\$ 5,793	\$ (20,150)	\$ 84,658	\$ 222,142

\$ 102,851	\$ 100,216	\$ 74,617	\$ 0	\$ 0
6,088,341	5,863,103	5,282,838	—	—
47,801	86,576	36,953	—	—
(207,356)	(455,521)	(326,458)	—	—
—	—	—	3,460,936	3,172,872
—	—	—	153,318	83,481
—	—	—	689	968
—	—	—	—	—
—	—	—	1,424,837	1,195,221
—	—	—	24,374	30,201
\$ 6,031,637	\$ 5,594,374	\$ 5,067,950	\$ 5,064,154	\$ 4,482,743

CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Revenues					
Taxes	\$10,434,236	\$ 9,937,261	\$ 9,688,071	\$ 9,495,075	\$ 9,179,181
Licenses, Permits, and Fees	913,122	957,711	838,784	815,183	777,804
Fines, Forfeits, and Court Settlements	205,654	199,515	214,692	141,522	148,436
Investment Income	300,875	411,961	321,849	31,052	251,790
Federal Grants and Reimbursements	9,239,012	9,149,105	8,845,712	8,650,652	8,444,987
Other Revenues	1,165,726	1,085,239	1,194,666	1,276,617	1,150,942
Total Revenues	22,258,625	21,740,792	21,103,774	20,410,101	19,953,140
Expenditures					
Economic Development and Regulation	137,168	141,781	132,869	139,059	115,103
Education and Cultural Resources	7,416,955	7,269,649	6,999,242	6,945,844	6,791,198
Natural Resources and Recreation	222,563	219,683	169,372	163,571	149,825
Health	7,456,630	7,348,838	6,983,426	6,785,507	6,507,467
Social Services	2,208,341	2,288,852	2,292,200	2,394,865	2,365,849
Protection of Persons and Property	1,171,961	1,146,759	1,131,237	1,145,092	1,107,139
Transportation	2,097,543	1,795,101	1,790,045	1,747,040	1,680,024
General Government	975,807	938,677	940,680	887,354	893,627
Capital Outlay	26,360	46,047	48,824	36,337	49,834
Debt Service - Principal Retirement	359,976	304,997	288,565	271,906	270,795
Debt - Interest and Other Charges	228,942	219,655	194,992	193,120	198,700
Debt Service - Current Refunding to Bondholders	—	—	—	—	—
Total Expenditures	22,302,246	21,720,039	20,971,452	20,709,695	20,129,561
Other Financing Sources (Uses)					
Transfers In	3,311,528	3,410,241	2,933,652	3,068,106	2,809,995
Bonds Issued	18,455	1,281,755	155,115	610,960	128,985
Refunding Bonds Issued	—	245,115	21,660	106,090	814,000
Other Debt Refunding Proceeds	—	—	—	—	—
Capital Leases	5,880	7,150	19,836	7,709	6,834
Other Debt Issued	—	—	3,163	—	—
Debt Issuance Premiums	1,421	166,365	21,114	95,175	165,400
Debt Issuance Discounts	—	(2,587)	—	—	—
Insurance Recovery Proceeds	3,646	3,912	2,567	5,208	3,849
Transfers Out	(3,331,991)	(3,439,907)	(2,942,444)	(3,076,997)	(2,808,115)
Payments to Refunded Bond Escrow Agent	—	(299,211)	(21,885)	(124,437)	(966,941)
Other Debt Refunding Uses	—	—	—	—	—
Total Other Financing Sources (Uses)	8,939	1,372,833	192,778	691,814	154,007
Net Increase (Decrease) for the Year	\$ (34,682)	\$ 1,393,586	\$ 325,100	\$ 392,220	\$ (22,414)
Debt Service as a Percentage of Noncapital Expenditures	2.69%	2.47%	2.34%	2.29%	2.38%

GASB Statement 61 redefined the reporting entity in 2013. 2012 was restated but it was not practical to restate years prior to 2012. GASB 68 and GASB 73 added pension liabilities in 2015 and 2017, respectively. Only 2014 and 2016 fund balance/net position was restated for GASB 68 and GASB 73, respectively, because it was not practical to restate prior years. Only 2017 fund balance/net position was restated for GASB 75 Net OPEB liability because it was not practical to restate years prior to 2017.

2013	2012	2011	2010	2009
\$ 8,943,677	\$ 8,661,089	\$ 8,333,168	\$ 8,125,015	\$ 8,008,871
683,527	679,106	663,102	666,421	657,655
202,968	255,117	162,156	150,216	254,074
237,875	327,787	133,247	314,215	244,594
8,468,687	8,433,252	9,279,853	9,294,122	7,597,805
1,064,451	1,149,715	1,115,733	1,198,630	1,244,595
19,601,185	19,506,066	19,687,259	19,748,619	18,007,594
116,286	82,604	186,281	204,464	226,554
6,640,507	6,665,647	7,058,644	6,777,455	6,770,076
153,860	151,359	149,952	183,387	164,682
6,351,112	6,372,507	6,077,718	6,129,642	5,535,484
2,423,399	2,459,795	2,578,242	2,350,328	1,969,621
1,027,538	1,104,876	1,158,878	1,114,794	1,085,493
1,685,764	1,557,750	1,501,744	1,560,242	1,577,388
982,857	931,145	1,034,418	1,054,431	959,748
55,876	80,479	52,646	42,525	92,995
244,736	357,677	54,892	50,493	56,388
189,960	187,763	51,874	52,672	47,655
82,802	—	—	52,610	—
19,954,697	19,951,602	19,905,289	19,573,043	18,486,084
2,733,138	2,869,361	1,409,958	1,247,478	1,391,457
690,870	15,700	—	110,000	—
131,160	257,585	91,195	112,030	—
—	—	—	—	—
538	45,551	5,989	2,322	9,504
—	—	24,262	62,136	—
115,957	40,085	8,491	20,746	—
—	—	—	—	—
9,834	5,368	5,059	3,465	2,395
(2,715,345)	(2,849,560)	(1,323,632)	(1,231,279)	(1,371,022)
(66,681)	(102,030)	(96,755)	(74,415)	—
—	—	—	—	—
899,471	282,060	124,567	252,483	32,334
\$ 545,959	\$ (163,476)	\$ (93,463)	\$ 428,059	\$ (446,156)
2.66%	2.81%	0.55%	0.81%	0.58%

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2018	2017	2016	2015	2014
Mining	\$ 445,033	\$ 535,440	\$ 518,899	\$ 712,929	\$ 836,749
Utilities	1,935,727	1,945,042	2,039,722	1,856,345	1,765,859
Construction	7,805,245	7,685,109	7,577,708	7,079,691	7,623,717
Manufacturing	18,615,117	18,270,835	18,300,971	17,526,602	17,431,297
Wholesale Trade	5,923,967	5,992,007	5,888,990	5,779,052	5,663,330
Retail Trade	8,361,143	8,413,777	8,278,332	7,982,234	8,303,459
Transportation and warehousing	4,472,880	4,070,788	3,931,663	3,834,795	4,535,965
Finance and insurance	6,985,914	6,668,703	6,616,655	6,506,117	6,459,942
Professional and technical services	11,177,780	10,749,865	10,433,125	9,925,369	9,569,802
Government and government enterprises	27,036,529	26,871,446	25,955,072	25,345,573	24,716,794
All other	102,111,891	103,668,214	99,620,837	98,236,210	95,001,853
Total Personal Income	\$ 198,916,400	\$ 194,871,226	\$ 189,161,974	\$ 184,784,917	\$ 181,908,767
State Income Taxes	3,912,800	3,624,543	3,378,720	3,378,720	3,310,531
Average Effective Rate*	1.97%	1.86%	1.89%	1.83%	1.82%

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

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

2013	2012	2011	2010	2009
\$ 840,915	\$ 880,657	\$ 855,675	\$ 743,147	\$ 677,671
1,728,519	1,659,193	1,726,128	1,560,235	1,547,726
7,119,022	7,205,484	6,835,481	6,986,512	6,938,577
16,351,293	15,849,614	15,120,512	14,613,248	14,516,966
5,403,492	5,258,399	5,210,209	5,016,542	5,022,683
8,017,218	7,865,974	7,752,956	7,554,415	7,450,385
4,239,256	4,016,668	3,671,504	383,582	3,262,369
6,015,057	5,775,195	5,593,404	5,180,225	5,322,747
9,334,439	9,246,641	9,125,930	8,811,166	9,025,490
24,216,729	24,762,578	25,275,484	25,023,391	24,130,691
91,610,634	91,081,026	87,863,116	84,194,438	79,246,130
\$ 174,876.574	\$ 173,601.429	\$ 169,030.399	\$ 160,066.901	\$ 157,141.435
3,206,838	2,979,877	2,816,245	2,582,590	2,726,100
1.83%	1.72%	1.67%	1.58%	1.73%

STATE OF ALABAMA

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status	2008-2018
Taxable Net Income Level	Rate
Single	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	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	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	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%
	2008-2018
Corporate Income Tax Rates	6.5%

Source: Alabama Department of Revenue



STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Individual Income Tax Filers and Liability

Last Ten Years

For Tax Year 2017

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	476,613	25%	\$ 27,745	1%
12,001- 24,000	381,252	20%	158,252	5%
24,001- 39,000	320,278	16%	304,811	10%
39,001- 60,000	269,930	14%	415,002	13%
60,001- 80,000	153,946	8%	341,044	11%
OVER 80,000	343,046	18%	1,886,949	60%
TOTAL	1,945,065	101%	\$ 3,133,803	100%

For Tax Year 2016

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	479,395	25%	\$ 27,245	1%
12,001- 24,000	380,286	20%	155,519	5%
24,001- 39,000	315,870	16%	298,319	10%
39,001- 60,000	264,269	14%	403,442	13%
60,001- 80,000	150,948	8%	332,486	11%
OVER 80,000	328,986	17%	1,797,290	60%
TOTAL	1,919,754	100%	\$ 3,014,301	100%

For Tax Year 2015

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	468,533	25%	\$ 26,941	1%
12,001- 24,000	378,789	20%	153,715	5%
24,001- 39,000	312,421	16%	294,605	10%
39,001- 60,000	261,297	14%	397,933	14%
60,001- 80,000	150,287	8%	331,181	11%
OVER 80,000	321,801	17%	1,729,039	59%
TOTAL	1,893,128	100%	\$ 2,933,414	100%

For Tax Year 2014

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	477,726	25%	\$ 27,155	1%
12,001- 24,000	382,163	20%	153,345	5%
24,001- 39,000	310,875	16%	291,717	10%
39,001- 60,000	261,042	14%	396,613	14%
60,001- 80,000	150,587	8%	331,784	11%
OVER 80,000	318,977	17%	1,747,553	59%
TOTAL	1,901,370	100%	\$ 2,948,167	100%

For Tax Year 2013

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	477,298	26%	\$ 26,620	1%
12,001- 24,000	383,349	20%	150,738	6%
24,001- 39,000	307,355	16%	284,139	10%
39,001- 60,000	255,616	14%	383,903	14%
60,001- 80,000	149,247	8%	326,314	12%
OVER 80,000	299,707	16%	1,545,771	57%
TOTAL	1,872,572	100%	\$ 2,717,485	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 2017 is the most recent data available.

For Tax Year 2012

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	495,994	26%	\$ 28,657	1%
12,001- 24,000	388,751	21%	150,991	5%
24,001- 39,000	304,155	16%	282,810	10%
39,001- 60,000	253,402	13%	385,291	13%
60,001- 80,000	147,366	8%	327,971	11%
OVER 80,000	295,562	16%	1,745,714	60%
TOTAL	1,885,230	100%	\$ 2,921,434	100%

For Tax Year 2011

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	508,015	27%	\$ 25,527	1%
12,001- 24,000	391,371	21%	148,582	6%
24,001- 39,000	301,431	16%	275,551	10%
39,001- 60,000	251,925	13%	377,668	14%
60,001- 80,000	145,089	8%	318,738	12%
OVER 80,000	280,952	15%	1,509,678	57%
TOTAL	1,878,783	100%	\$ 2,655,744	100%

For Tax Year 2010

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	491,334	27%	\$ 18,570	1%
12,001- 24,000	379,344	21%	135,460	6%
24,001- 39,000	299,181	15%	268,620	11%
39,001- 60,000	248,925	14%	361,130	15%
60,001- 80,000	144,736	8%	305,220	12%
OVER 80,000	270,012	15%	1,338,410	55%
TOTAL	1,833,532	100%	\$ 2,427,410	100%

For Tax Year 2009

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	533,337	28%	\$ 24,573	1%
12,001- 24,000	397,273	21%	150,509	6%
24,001- 39,000	309,742	16%	278,400	11%
39,001- 60,000	256,580	13%	376,757	16%
60,001- 80,000	144,920	8%	311,292	13%
OVER 80,000	262,361	14%	1,292,084	53%
TOTAL	1,904,213	100%	\$ 2,433,615	100%

For Tax Year 2008

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	514,586	28%	\$ 22,000	1%
12,001- 24,000	377,749	20%	161,000	6%
24,001- 39,000	301,812	16%	269,000	11%
39,001- 60,000	253,458	14%	359,000	15%
60,001- 80,000	146,330	8%	300,000	12%
OVER 80,000	265,237	14%	1,344,000	55%
TOTAL	1,859,172	100%	\$ 2,455,000	100%

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Corporate Income Tax Filers and Liability

Last Nine Years

For Tax Year 2016

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	8,055	63%	\$ 6,266	1%
50,001- 100,000	1,319	10%	6,094	1%
100,001- 500,000	1,924	15%	28,905	6%
500,001- 1,000,000	532	4%	24,087	5%
1,000,001- and higher	927	7%	450,021	87%
TOTAL	12,757	100%	\$ 515,373	100%

For Tax Year 2015

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	7,986	64%	\$ 6,143	1%
50,001- 100,000	1,265	10%	5,851	1%
100,001- 500,000	1,836	15%	27,060	6%
500,001- 1,000,000	497	4%	22,880	5%
1,000,001- and higher	907	7%	420,765	87%
TOTAL	12,491	100%	\$ 482,699	100%

For Tax Year 2014

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	7,734	65%	\$ 5,884	1%
50,001- 100,000	1,200	10%	5,347	1%
100,001- 500,000	1,684	14%	23,184	5%
500,001- 1,000,000	474	4%	19,948	5%
1,000,001- and higher	839	7%	369,388	88%
TOTAL	11,931	100%	\$ 423,751	100%

For Tax Year 2013

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,897	82%	\$ 5,655	1%
50,001- 100,000	1,152	5%	5,234	1%
100,001- 500,000	1,660	7%	23,928	5%
500,001- 1,000,000	437	2%	18,766	4%
1,000,001- and higher	810	4%	400,521	89%
TOTAL	22,956	100%	\$ 454,104	100%

For Tax Year 2012

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	19,466	82%	\$ 5,635	1%
50,001- 100,000	1,137	5%	5,277	1%
100,001- 500,000	1,726	7%	25,689	6%
500,001- 1,000,000	432	2%	19,911	5%
1,000,001- and higher	835	4%	385,641	87%
TOTAL	23,596	100%	\$ 442,153	100%

For Tax Year 2011

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,652	83%	\$ 5,579	1%
50,001- 100,000	1,112	5%	5,140	1%
100,001- 500,000	1,594	7%	23,728	6%
500,001- 1,000,000	434	2%	20,141	5%
1,000,001- and higher	729	3%	371,488	87%
TOTAL	22,521	100%	\$ 426,076	100%

For Tax Year 2010

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,989	85%	\$ 5,448	1%
50,001- 100,000	1,023	5%	4,703	1%
100,001- 500,000	1,398	6%	20,888	5%
500,001- 1,000,000	348	1%	16,250	4%
1,000,001- and higher	689	3%	360,704	89%
TOTAL	22,447	100%	\$ 407,993	100%

For Tax Year 2009

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,232	84%	\$ 5,295	2%
50,001- 100,000	989	5%	4,498	1%
100,001- 500,000	1,392	6%	19,764	6%
500,001- 1,000,000	377	2%	16,337	5%
1,000,001- and higher	653	3%	279,096	86%
TOTAL	21,643	100%	\$ 324,990	100%

For Tax Year 2008

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	19,535	83%	\$ 6,316	1%
50,001- 100,000	1,217	5%	5,570	1%
100,001- 500,000	1,624	7%	23,328	5%
500,001- 1,000,000	423	2%	17,709	4%
1,000,001- and higher	783	3%	419,016	89%
TOTAL	23,582	100%	\$ 471,939	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 2016 is the most recent data available.

STATE OF ALABAMA

DEBT CAPACITY

Ratios of Outstanding Debt

Last Ten Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	2018	2017	2016	2015	2014
Primary Government					
Governmental Activities:					
General Obligation Bonds	\$ 609,633	\$ 673,634	\$ 722,383	\$ 631,497	\$ 680,476
Revenue Bonds	4,429,103	4,753,950	3,667,728	3,942,889	3,517,971
Capital Leases/Notes/Mortgages	188,709	192,297	191,200	180,902	184,946
Total Governmental Activities	5,227,445	5,619,881	4,581,311	4,755,288	4,383,393
Business-type Activities:					
Revenue Bonds	367,169	327,401	344,610	354,408	363,695
Capital Leases/Notes/Mortgages	1,117	1,217	4,518	4,607	5,848
Total Business-Type Activities	368,286	328,618	349,128	359,015	369,543
Total Primary Government	\$ 5,595,731	\$ 5,948,499	\$ 4,930,439	\$ 5,114,303	\$ 4,752,936
Debt as a percentage of Personal Income †	2.81%	3.05%	2.61%	2.77%	2.61%
Amount of Debt per Capita †	\$ 1,125	\$ 1,220	\$ 1,023	1078	\$ 980

Notes: Details regarding the State's outstanding debt can be found in Note 5 of the financial statements.

Fiscal year 2018 personal income and population data are estimated.

All years presented with revised population and personal income data.

† See the Schedule of Demographic and Economic Information on page 326 for personal income and population data.

2013	2012	2011	2010	2009
\$ 705,367	\$ 713,718	\$ 748,183	\$ 775,893	\$ 687,336
3,580,726	3,044,393	3,176,226	3,163,629	2,889,186
173,661	181,117	144,811	117,115	43,549
4,459,754	3,939,228	4,069,220	4,056,637	3,620,071
365,556	373,101	380,313	363,854	355,350
5,442	6,840	8,871	11,688	14,275
370,998	379,941	389,184	375,542	369,625
\$ 4,830,752	\$ 4,319,169	\$ 4,458,404	\$ 4,432,179	\$ 3,989,696

2.76%	2.49%	2.64%	2.72%	2.54%
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\$ 999	\$ 897	\$ 929	\$ 929	\$ 839
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DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Fiscal Year	General Obligation Bonds Payable	Revenue Bonds	Total Debt Outstanding	Amounts Available in Debt Service	Net Bonded Debt	Percentage of of Personal Income †	Per Capita †
2018	\$609,633	\$4,429,103	\$ 5,038,736	\$ 209,181	\$ 4,829,555	2.43%	971
2017	673,634	4,753,950	5,427,584	175,120	5,252,464	2.70%	1,077
2016	722,383	3,667,728	4,390,111	156,430	4,233,681	2.24%	878
2015	631,497	3,942,889	4,574,386	138,428	4,435,958	2.40%	935
2014	680,476	3,517,971	4,198,447	136,111	4,062,336	2.23%	838
2013	705,367	3,580,726	4,286,093	120,716	4,165,377	2.38%	862
2012	713,718	3,044,393	3,758,111	172,030	3,586,081	2.07%	744
2011	748,183	3,176,226	3,924,409	152,556	3,771,853	2.23%	786
2010	775,893	3,163,629	3,939,522	156,883	3,782,639	2.32%	790
2009	687,336	2,889,186	3,576,522	87,100	3,489,422	2.22%	733

Note: Details regarding the State's outstanding debt can be found in Note 5 of the financial statements.

† See the Schedule of Demographic and Economic Information on page 326 for personal income and population data.

Fiscal year 2018 personal income and population data are estimated.

All years presented with revised population and personal income data.

DEBT CAPACITY

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. General Obligation bonds are issued only by voter ratified amendments to the *Constitution of Alabama of 1901*.

STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage - Primary Government Revenue Bonds

Last Ten Fiscal Year

(Amounts in Thousands)

	2018		2017		2016		2015		2014	
State Port Authority										
Revenue-Charges for facilities usage	\$	134,936	\$	125,872	\$	119,691	\$	144,886	\$	162,318
Debt Service										
Principal		9,115		10,295		9,755		9,245		8,770
Interest		13,994		15,904		16,732		16,955		17,063
Coverage ¹		5.84		4.80		4.52		5.53		6.28
Federal Aid Highway Finance Authority										
Revenue-Federal Revenue	\$	945,506	\$	831,961	\$	879,343	\$	900,906	\$	941,952
Debt Service										
Principal		45,110		31,080		29,830		23,740		22,675
Interest		68,728		47,920		39,188		30,063		18,562
Coverage ¹		8.31		10.53		12.74		16.74		22.84
Alabama Incentives Financing Authority										
Tennessee Valley Exhibit Commission										
Revenue-Tennessee Valley Electric Payment	\$	14,866	\$	14,910	\$	16,152	\$	17,513	\$	18,118
Debt Service										
Principal		6,290		6,015		5,770		5,550		5,360
Interest		11,653		11,925		12,170		12,384		12,573
Coverage ¹		0.83		0.83		0.90		0.98		1.01
Alabama Economic Settlement Authority										
Revenue-BP Settlement	\$	50,000	\$	—	\$	—	\$	—	\$	—
Debt Service										
Principal		26,755		—		—		—		—
Interest		23,665		17,749		—		—		—
Coverage ¹		0.99		—		—		—		—

Details regarding the State's outstanding bonds can be found in Note 5 of the financial statements.

¹ Coverage equals revenue divided by debt service.

2013		2012		2011		2010		2009	
\$	147,508	\$	144,686	\$	121,533	\$	106,460	\$	103,420
	8,290		7,895		7,525		7,165		6,830
	17,350		17,983		16,775		12,361		14,656
	5.75		5.59		5.00		5.45		4.81
\$	913,307	\$	823,507	\$	923,363	\$	979,460	\$	726,063
	14,540		13,930		13,605		13,010		12,450
	14,440		3,412		5,259		5,890		6,527
	31.52		47.49		48.95		51.82		38.26
\$	19,055	\$	20,642	\$	19,903	\$	20,851	\$	20,813
	6,025		5,045		4,935		140		1,760
	11,919		6,977		7,088		6,638		5,982
	1.06		1.72		1.66		3.08		2.69
\$	—	\$	—	\$	—	\$	—	\$	—
	—		—		—		—		—
	—		—		—		—		—
	—		—		—		—		—

Continued on next page

STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage - Primary Government Revenue Bonds

(Continued from previous page)

Last Ten Fiscal Year

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Public School and College Authority					
Revenue-General Sales Tax, Utility Tax, Use Tax	\$ 2,656,156	\$ 2,554,547	\$ 2,524,359	\$ 2,441,906	\$ 2,459,428
Debt Service					
Principal	190,995	192,160	180,905	168,460	178,200
Interest	81,021	89,823	97,566	101,762	115,995
Coverage ¹	9.76	9.06	9.07	9.04	8.36
Mental Health Financing Authority					
Revenue-Cigarette Tax	\$ 7,989	\$ 8,361	\$ 8,483	\$ 5,477	\$ 5,510
Debt Service					
Principal	1,850	1,805	1,760	1,700	1,650
Interest	250	288	326	383	437
Coverage ¹	3.80	3.99	4.07	2.63	2.64
Alabama Revolving Fund Authority					
Revenue-Mobile Telecommunications Tax	\$ 28,545	\$ 45,051	\$ 50,447	\$ 57,320	\$ 70,117
Debt Service					
Principal	1,030	990	960	930	905
Interest	808	849	886	916	940
Coverage ¹	15.53	24.50	27.33	31.05	38.00
Alabama Twenty-first Century Authority					
Revenue-Tobacco Settlement	\$ 16,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000
Debt Service					
Principal	13,085	9,585	9,160	8,820	8,525
Interest	2,827	3,306	3,673	4,025	4,281
Coverage ¹	1.01	1.01	1.01	1.01	1.02
Alabama Highway Finance Corporation					
Revenue-0.07 Gasoline Tax, 0.13 diesel fuel tax, 0.06 diesel fuel tax, motor carrier tax, inspection fees, identification marker fees	\$ 391,086	\$ 365,276	\$ 346,376	\$ 354,209	\$ —
Debt Service					
Principal	3,565	3,510	3,450	3,410	—
Interest	249	308	368	405	—
Coverage ¹	102.54	95.67	90.72	92.85	—

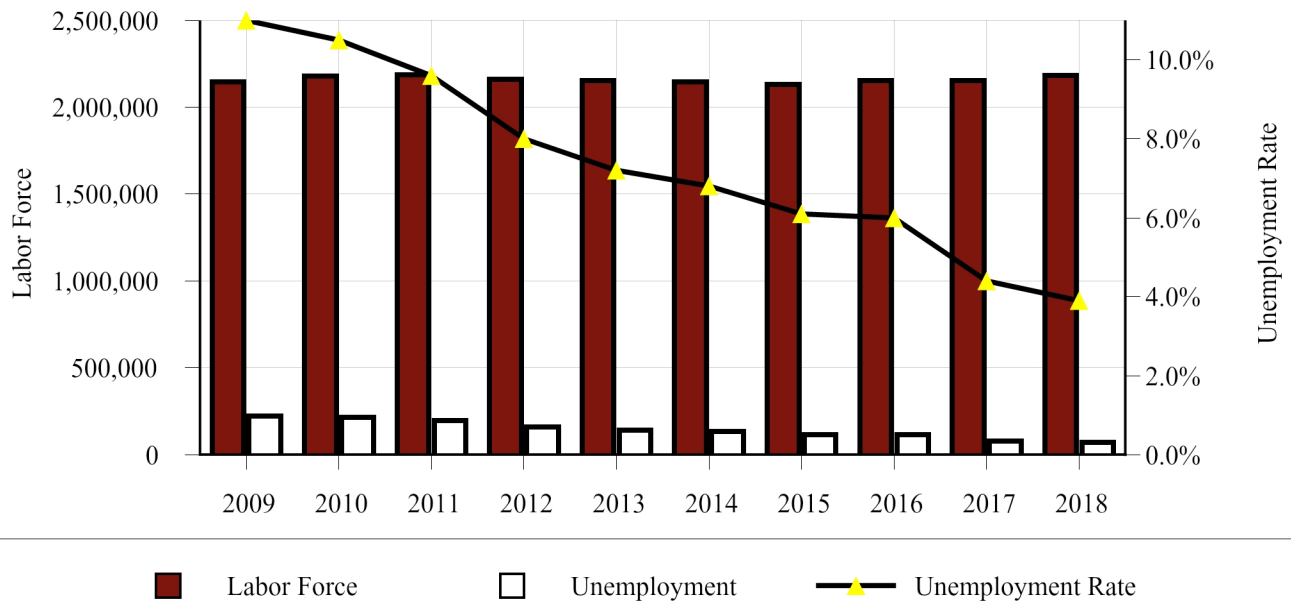
Details regarding the State's outstanding bonds can be found in Note 5 of the financial statements.

¹ Coverage equals revenue divided by debt service.

2013	2012	2011	2010	2009
\$ 2,353,497	\$ 2,441,387	\$ 2,370,684	\$ 2,328,626	\$ 2,307,959
163,325	101,770	69,180	71,235	130,720
108,860	123,123	114,892	132,698	116,126
8.65	10.86	12.88	11.42	9.35
\$ 5,652	\$ 5,930	\$ 6,121	\$ 6,205	\$ 6,364
1,400	1,325	1,255	1,190	4,710
448	195	234	270	505
3.06	3.90	4.11	4.25	1.22
\$ 80,511	\$ 82,404	\$ 94,790	\$ 105,919	\$ 108,781
885	865	—	515	475
962	984	746	702	743
43.59	44.57	127.06	87.03	89.31
\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000
180	6,530	6,205	5,910	5,625
4,287	7,110	6,339	6,659	6,958
2.91	0.95	1.04	1.03	1.03
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—

Year	Labor Force	Employment	Unemployment	Unemployment Rate
2009	2,162,999	1,924,747	238,252	11.0%
2010	2,196,042	1,964,559	231,483	10.5%
2011	2,202,670	1,990,413	212,257	9.6%
2012	2,174,972	2,001,849	173,123	8.0%
2013	2,167,238	2,010,431	156,807	7.2%
2014	2,161,313	2,014,284	147,029	6.8%
2015	2,146,157	2,015,189	130,968	6.1%
2016	2,168,608	2,038,775	129,833	6.0%
2017	2,168,444	2,073,106	95,338	4.4%
2018	2,198,837	2,112,347	86,490	3.9%

Civilian Labor Force Trend with Unemployment Rates



Note: Averages for calendar year and not seasonally adjusted.

2010-2017 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

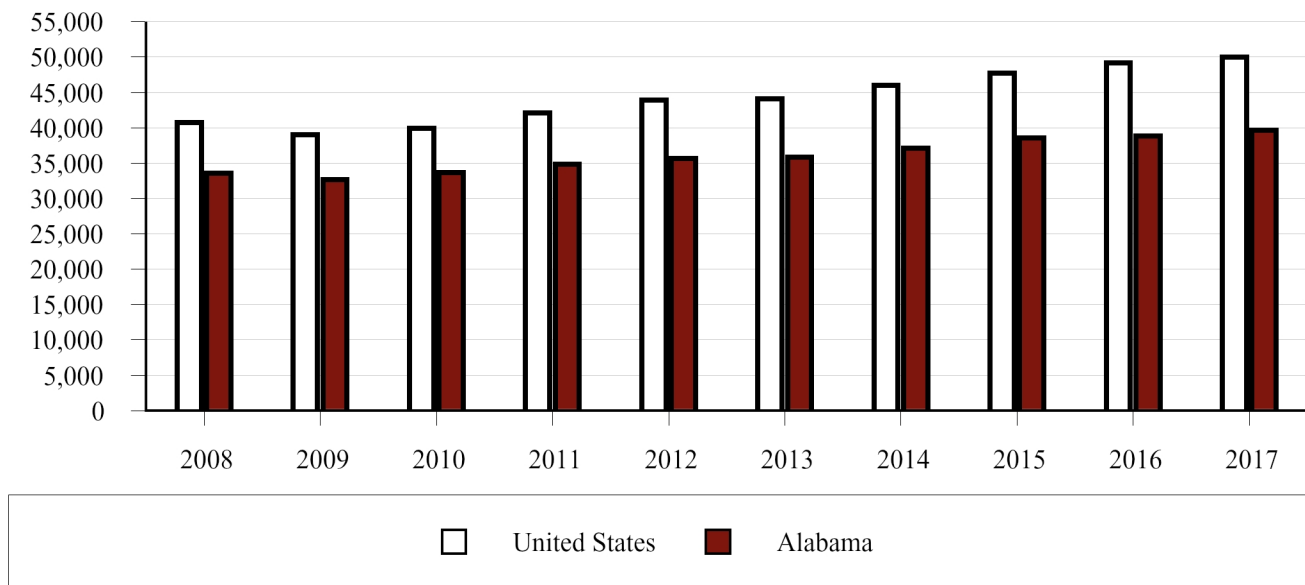
DEMOGRAPHIC AND ECONOMIC INFORMATION

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
2008	304,093,966	4,718,206	\$41,082	\$33,910	\$12,492,705,000	\$159,993,535
2009	306,771,529	4,757,938	39,376	33,027	12,079,444,000	157,141,435
2010	309,346,863	4,785,822	40,277	34,073	12,459,613,000	163,066,901
2011	311,718,857	4,801,695	42,453	35,202	13,233,436,000	163,030,399
2012	314,102,623	4,817,484	44,267	36,036	13,904,485,000	173,601,429
2013	316,427,395	4,833,996	44,462	36,176	14,068,960,000	174,876,574
2014	318,907,401	4,849,377	46,414	37,512	14,801,624,000	181,908,767
2015	321,418,820	4,859,672	48,112	38,965	15,463,981,000	184,784,917
2016	323,127,513	4,863,300	49,571	39,231	16,017,781,445	189,161,974
2017	325,719,178	4,874,747	50,392	39,976	16,413,550,863	194,871,226

Per Capita Income
Alabama Compared to United States



Note: Year 2017 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	2018			2017		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.80%	30,000-39,999	1	1.82%
Army	20,000-29,999	2	1.28%	20,000-29,999	2	1.30%
University Of Alabama-Birmingham	5,000-9,999	3	0.38%	5,000-9,999	4	0.39%
U S Postal Service	5,000-9,999	4	0.38%	5,000-9,999	3	0.39%
Publix Alabama LLC	5,000-9,999	5	0.38%	5,000-9,999	7	0.39%
Huntsville Hospital	5,000-9,999	6	0.38%	5,000-9,999	8	0.39%
Regions Bank	5,000-9,999	7	0.38%	5,000-9,999	5	0.39%
Mobile Education Board	5,000-9,999	8	0.38%	5,000-9,999	6	0.39%
Alabama Power Co Electric	5,000-9,999	9	0.38%	5,000-9,999	9	0.39%
The University of Alabama	5,000-9,999	10	0.38%	5,000-9,999	10	0.39%
Totals	90,000-149,990		6.12%	90,000-149,990		6.24%

Employer	2016			2015		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.84%	30,000-39,999	1	1.87%
Army	20,000-29,999	2	1.31%	20,000-29,999	2	1.33%
University Of Alabama-Birmingham	5,000-9,999	3	0.39%	5,000-9,999	5	0.40%
Regions Bank	5,000-9,999	4	0.39%	5,000-9,999	3	0.40%
U S Postal Service	5,000-9,999	5	0.39%	5,000-9,999	4	0.40%
Mobile Education Board	5,000-9,999	6	0.39%	5,000-9,999	6	0.40%
Publix Alabama LLC	5,000-9,999	7	0.39%	5,000-9,999	8	0.40%
Huntsville Hospital	5,000-9,999	8	0.39%	5,000-9,999	9	0.40%
Alabama Power Co Electric	5,000-9,999	9	0.39%	5,000-9,999	7	0.40%
The University of Alabama	5,000-9,999	10	0.39%	—	—	—
Auburn University	—	—	—	5,000-9,999	10	0.40%
Totals	90,000-149,990		6.27%	90,000-149,990		6.40%

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

Source: Alabama Department of Labor - Labor Market Information Division

Employer	2014			2013			2012		
	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	1.89%	30,000-39,999	1	1.96%	30,000-39,999	1	1.93%
Army	20,000-29,999	2	1.35%	20,000-29,999	2	1.39%	20,000-29,999	2	1.38%
Regions Bank	5,000-9,999	3	0.41%	5,000-9,999	7	0.41%	5,000-9,999	8	0.41%
U S Postal Service	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%	5,000-9,999	4	0.41%
University of Alabama-Birmingham	5,000-9,999	4	0.41%	5,000-9,999	4	0.41%	5,000-9,999	5	0.41%
Mobile Education Board	5,000-9,999	6	0.41%	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
Alabama Power Co Electric	5,000-9,999	7	0.41%	5,000-9,999	6	0.41%	5,000-9,999	6	0.41%
Publix Alabama LLC	5,000-9,999	8	0.41%	5,000-9,999	9	0.41%	—	—	—%
Huntsville Hospital	5,000-9,999	9	0.41%	5,000-9,999	8	0.41%	5,000-9,999	9	0.41
Ascension Health Ministry	5,000-9,999	10	0.41%	—	—	—%	—	—	—
Auburn University	—	—	—	5,000-9,999	10	0.41%	—	—	—%
University of Alabama	—	—	—	—	—	—	5,000-9,999	10	0.41%
U. Of Ala in Bham Medical Center	—	—	—%	—	—	—%	5,000-9,999	7	0.41%
Totals	90,000-149,990		6.52%	90,000-149,990		6.63%	90,000-149,990		6.59%

Employer	2011			2010			2009		
	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	1.93%	30,000-39,999	1	1.94%	30,000-39,999	1	1.90%
Army	20,000-29,999	2	1.38%	20,000-29,999	2	1.39%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	4	0.42%	5,000-9,999	4	0.38%
U S Postal Service	5,000-9,999	4	0.41%	5,000-9,999	3	0.42%	5,000-9,999	3	0.41%
University of Alabama - Birmingham	5,000-9,999	5	0.41%	5,000-9,999	6	0.42%	5,000-9,999	6	0.41
Alabama Power Co Electric	5,000-9,999	6	0.41%	5,000-9,999	7	0.42%	5,000-9,999	7	0.41%
Regions Bank	5,000-9,999	7	0.41%	5,000-9,999	5	0.42%	5,000-9,999	9	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	8	0.41%	5,000-9,999	8	0.42%	5,000-9,999	8	0.41%
Huntsville Hospital	5,000-9,999	9	0.41%	5,000-9,999	10	0.42%	—	—	—%
University of Alabama	5,000-9,999	10	0.41%	—	—	—	—	—	—%
Pilgrims Pride Corporation	—	—	—	5,000-9,999	9	0.42%	5,000-9,999	10	0.41%
Winn Dixie	—	—	—	—	—	—%	5,000-9,999	5	0.41%
Totals	90,000-149,990		6.59%	90,000-149,990		6.69%	90,000-149,990		6.51%

STATE OF ALABAMA

OPERATING INFORMATION

State Government Employment by Function

Last Ten Years

	2018	2017	2016	2015	2014
Primary Government					
Governmental Activities:					
Economic Development and Regulation	696	698	696	673	664
Education and Cultural Resources	1,019	1,010	1,027	998	973
Natural Resources and Recreation	1,325	1,340	1,325	1,410	1,460
Health	5,312	5,225	5,312	5,231	5,441
Social Services	6,050	5,989	6,050	6,133	6,162
Protection of Person and Property	7,531	7,461	7,531	7,883	7,750
Transportation	4,310	4,320	4,310	4,375	4,320
General Government	3,794	3,868	3,802	5,312	4,469
Total Governmental Activities	30,037	29,911	30,053	32,015	31,239
Business-type Activities:					
Alcoholic Beverage Control Board	864	840	818	794	879
State Port Authority	161	167	176	188	187
Total Business-Type Activities	1,025	1,007	994	982	1,066
Total Primary Government	31,062	30,918	31,047	32,997	32,305

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

Sources: Alabama Personnel Department

Alabama Commission on Higher Education

Alabama Administrative Office of the Courts

Alabama House of Representatives

Alabama Senate

2013	2012	2011	2010	2009
684	704	731	734	844
856	832	851	888	977
1,448	1,461	1,471	1,471	1,457
5,077	6,017	5,406	5,406	5,519
5,997	6,089	6,267	6,217	6,269
8,255	8,394	8,220	8,233	8,467
4,271	4,355	4,613	4,613	4,746
4,048	4,031	4,464	4,587	4,686
30,636	31,883	32,023	32,149	32,965
896	899	906	902	901
187	188	181	185	193
1,083	1,087	1,087	1,087	1,094
31,719	32,970	33,110	33,236	34,059

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Economic Development and Regulation					
Forestry Commission					
Number of fires	967	3,371	1,637	2,377	1,485
Average acres burned	12	14	12	13	16
Agriculture and Industries					
Pounds of meat processed under inspection	94,404,561	84,200,561	85,033,628	86,648,858	83,532,371
Educational and Cultural Resources					
Education Department					
Teachers	46,715	45,991	46,349	46,480	46,232
Number of local schools supported	1,342	1,338	1,467	1,480	1,491
Number of children served	726,924	730,175	730,563	740,567	740,567
Natural Resources and Recreation					
Conservation and Natural Resources					
Number of guests to outdoor recreational sites	3,601,331	3,725,131	3,777,838	3,613,957	3,524,785
Acres of land managed	468,479	461,659	447,886	441,351	436,445
Number of registered boats	262,529	264,910	265,133	262,332	263,893
Health - Physical and Mental					
Public Health					
Vital records issued	692,900	672,086	643,434	617,154	572,855
Medicaid					
Average number of monthly recipients	436,343	435,349	434,201	436,796	422,142
Average Number of claims processed monthly	1,913,874	1,774,599	1,766,065	1,769,199	1,697,512
Social Services					
Industrial Relations					
Employment Security claims	141,635	150,606	156,175	198,482	217,804
Human Resources					
Number of visits to licensed child care centers	4,816	4,464	4,953	2,263	2,508
Child support caseload	218,318	219,994	221,810	227,360	232,252
Households receiving food assistance	360,067	375,919	399,728	417,943	419,552
Number of child abuse/neglect assessments	28,075	27,891	27,077	24,505	22,151
Protection of Persons and Property					
Department of Corrections					
Number of inmates	20,090	21,213	23,328	24,191	24,816
Public Safety					
Arrest tickets issued	263,729	248,675	297,568	267,182	236,958
Accidents investigated	31,950	31,914	32,109	30,850	28,423
Pardons and Paroles					
Number of board decisions	8,963	8,556	7,362	7,239	7,967
Number of offenders supervised	68,793	66,667	54,695	66,736	64,534
Forensic Sciences					
Number of death cases investigated	4,370	2,889	2,717	2,433	2,631
Transportation					
Transportation Department					
Roadway miles	10,888	10,889	10,873	10,874	10,871
Bridges	5,406	5,395	5,431	5,390	5,401
General Government					
Administrative Office of Courts					
Caseload	1,604,366	1,646,259	1,628,320	1,630,981	1,682,245
Revenue Department					
Number of payments received	3,359,377	3,283,117	3,222,830	3,162,976	3,104,588

2013	2012	2011	2010	2009
1,682 13	1,421 12	3,665 19	2,314 11	2,094 11
104,532,371	87,148,545	92,168,293	111,056,537	97,868,453
46,089 1,501 739,295	46,073 1,496 743,130	47,573 1,523 749,084	48,165 1,520 739,198	49,364 1,376 739,197
4,231,342 424,621 266,697	3,992,768 318,535 266,003	3,899,694 293,559 250,402	3,758,217 210,834 248,514	3,366,161 198,802 271,206
552,565	471,065	440,327	432,547	479,904
422,448 1,830,587	416,558 1,799,182	411,062 1,785,966	397,583 1,726,496	375,542 1,631,021
256,490	284,253	346,020	359,287	506,603
2,420 236,273 421,302 20,456	2,581 236,000 411,710 19,884	3,203 234,000 387,214 19,538	3,254 229,000 344,788 17,221	3,435 229,635 280,625 n/a
25,340	25,376	25,651	25,390	25,854
289,757 29,150	411,086 31,544	436,802 30,227	533,220 30,520	568,505 30,904
9,450 64,525	11,946 67,339	11,097 75,132	10,284 71,578	12,954 67,579
2,464	2,394	2,476	2,403	2,512
10,871 5,393	10,870 5,390	10,849 5,395	10,876 5,374	10,877 5,368
1,814,366	2,039,383	2,248,910	2,589,067	2,611,460
2,925,412	3,460,511	4,368,358	3,318,271	3,296,454

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Economic Development and Regulation					
Forestry Commission					
Buildings	3	3	3	3	159
Vehicles	360	360	362	431	400
Heavy Equipment	346	345	358	362	613
Natural Resources and Recreation					
Conservation and Natural Resources					
Buildings	87	87	85	85	680
Vehicles	707	696	633	637	743
Heavy Equipment	198	197	169	164	219
Health					
Environmental Management					
Vehicles	185	174	168	176	161
Mental Health					
Buildings	20	20	20	20	85
Vehicles	43	37	37	65	79
Social Services					
Human Resources					
Buildings	40	39	39	37	37
Protection of Persons and Property					
Agriculture and Industries					
Vehicles	138	131	121	102	158
Corrections					
Buildings	149	148	141	137	405
Vehicles	596	552	487	491	560
Military					
Buildings	189	187	185	185	646
Alabama Law Enforcement Agency					
Vehicles	1,159	1,223	1,189	1,136	1,131
Youth Services					
Buildings	31	31	32	32	112
Vehicles	44	44	40	35	89
Pardons and Paroles					
Vehicles	319	303	188	197	324
Transportation					
Transportation					
Buildings	108	101	87	87	583
Vehicles	2,268	2,237	2,277	2,150	2,062
Heavy Equipment	1,145	1,172	1,136	1,193	1,047
General Government					
Administrative Office of Courts					
Vehicles	10	10	9	9	14
Revenue Department					
Vehicles	35	33	12	15	21

* Capitalization thresholds for capital assets were revised upward in 2015 resulting in a decrease in the number of items capitalized.

It was not practical to restate years prior to 2015.

2013	2012	2011	2010	2009
159	159	159	160	159
307	303	360	379	380
569	547	569	654	657
678	671	677	678	668
761	739	740	760	778
223	218	222	214	211
185	173	177	183	163
189	190	190	190	251
80	91	134	132	132
36	36	34	31	30
163	154	165	246	249
399	391	385	370	370
535	503	504	446	421
641	647	657	665	669
1,184	1,089	1,372	1,353	1,275
112	113	114	115	118
86	85	114	106	103
319	312	329	321	322
583	562	526	510	510
2,193	2,099	2,276	2,039	2,062
1,096	1,032	1,092	1,093	1,061
14	14	22	23	22
28	29	34	29	26