Report on the

Single Audit of Federal Financial Assistance Programs Performed in Accordance With the Single Audit Act Amendments of 1996 (Public Law 104-156) and U. S. Office of Management and Budget Circular A-133

State of Alabama

October 1, 2007 through September 30, 2008

Filed: July 17, 2009

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

09-390

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Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the Single Audit of Federal Financial Assistance Programs Performed in Accordance with the Single Audit Act Amendments of 1996 (Public law 104-156) and U. S. Office of Management and Budget Circular A-133 for the State of Alabama for the period October 1, 2007 through September 30, 2008.

Respectfully submitted,

Gail Traylor

Gail Traylor, CPA
Examiner of Public Accounts
Director State Audit Division

Sworn to and subscribed before me this
the 6th day of July, 2009.

Sandra E Shirley
Notary Public

rb

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Department of
Examiners of Public Accounts

SUMMARY

Single Audit of Federal Financial Assistance Programs
State of Alabama
October 1, 2007 through September 30, 2008

This report presents the results of an audit of federal financial assistance programs administered by the State of Alabama contained in the Single Audit of the State of Alabama. This audit was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5-14.

Audit of General Purpose Financial Statements

The audit of the State of Alabama General Purpose Financial Statements for the fiscal year ended September 30, 2008, which is a required component of a Single Audit, was issued by the Department of Examiners of Public Accounts as Report Number 09-290 on May 15, 2009. The audited Basic Financial Statements were included in the State of Alabama ***Comprehensive Annual Financial Report*** prepared and published by the Department of Finance. Included with the ***Comprehensive Annual Financial Report*** are the Independent Auditor's Report and a Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With ***Government Auditing Standards***, both of which are required by ***Government Auditing Standards*** for financial audits.

Single Audit

The Single Audit was performed in accordance with the requirements of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget (OMB) Circular A-133. The objective of the Single Audit was to determine whether the State of Alabama has complied with applicable laws and regulations of federal financial assistance programs and the State of Alabama. The audit was performed in accordance with generally accepted auditing standards and ***Government Auditing Standards***, issued by the Comptroller General of the United States.

This report is a statewide Single Audit report that includes federal financial assistance programs administered by state agencies. The Federal programs and administering agencies (component units of the State of Alabama) listed in the table below are not included in the Schedule of Expenditures of Federal Awards and were not included in our audit. These programs were audited in accordance with OMB Circular A-133 by other auditors.

Administering Agency	Federal Program	CFDA Number	Federal Expenditures
Housing Finance Authority	Home Investment Partnerships Program	14.239	$13,011,030
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$15,074,937
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$27,201,421
Educational Television Commission/Alabama Public Television Foundation	E Learning for Educators	84.269A	$ 3,570,621
	Public Telecommunications Facilities Program	11.550	$ 63,980
Alabama Health Insurance Plan	Grants to States for Operation of Qualified High-Risk Pools	93.780	$ 1,442,972
Space Science Exhibit Commission	National Aeronautics and Space Administration	N/A	$ 771,725
	Federal Transit Authority Intermodal Center	20.500	$ 2,466,066
	USSRC Building Bridges From Formal to Informal Education	23.011	$ 55,346

We have also excluded federal financial assistance programs administered by state-supported colleges and universities, which are a part of the financial reporting entity of the State of Alabama and included on the Basic Financial Statements. The Single Audits of the state-supported colleges and universities are performed and issued separately for each institution.

Significant deficiencies and material weaknesses in internal control were found during the audit of the Comprehensive Annual Financial Report (CAFR). Details of these significant deficiencies and material weaknesses are included in Exhibit 2, the ***Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***. The findings are numbered and reported by the fiscal year in which the finding was originally reported.

Significant deficiencies and material weaknesses in internal control, and instances of noncompliance with the requirements of federal grant awards were found during the audit of federal financial assistance programs (Single Audit). These findings are reported in Exhibit 3, the ***Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***. Details of the findings and recommendations are included on the Schedule of Findings and Questioned Costs. The findings are numbered and reported by the fiscal year in which the finding was originally reported

At the completion of the audit, exit conferences were held with directors, chief financial officers and other staff of agencies that administered major programs. An Auditee Response/Corrective Action for each agency with findings is included as Exhibit 6, Section II - Financial Statement Findings, and Exhibit 7, Federal Awards Findings and Questioned Costs.

Other Comments

This report includes the following Single Audit schedules and reports required by OMB Circular A-133:

- Schedule of Expenditures of Federal Awards;
- Notes to the Schedule of Expenditures of Federal Awards;
- Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With ***Government Auditing Standards***;
- Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133;
- Schedule of Findings and Questioned Costs;
- Summary Schedule of Prior Audit Findings; and
- Auditee Responses/Corrective Action Plans.

The State of Alabama expended $6,914,156,641 in federal financial assistance during the 2007-2008 fiscal year. All federal financial assistance received and expended by state agencies is shown on the Schedule of Expenditures of Federal Awards. The federal programs are listed by federal grantor agency. The state agencies administering the programs are shown in a separate column.

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF AGRICULTURE		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	$ 1,430,646
Wildlife Services	10.028	
Conservation Reserve Program	10.069	173,520
Inspection Grading and Standardization	10.162	11,599
State Mediation Grants	10.435	199,785
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,584,624
Food Stamp Cluster		
Food Stamps	10.551	664,738,315
State Administrative Matching Grants for Food Stamp Program	10.561	28,427,005
Total Food Stamp Cluster (M)		693,165,320
Child Nutrition Cluster		
School Breakfast Program	10.553	48,860,731
National School Lunch Program	10.555	188,851,055
Special Milk Program for Children	10.556	47,282
Summer Food Service Program for Children	10.559	3,478,437
Total Child Nutrition Cluster (M)		241,237,504
Special Supplemental Nutrition Program for Women, Infants, and Children (M)	10.557	137,441,596
Child and Adult Care Food Program	10.558	37,683,682
State Administrative Expenses for Child Nutrition	10.560	3,207,593
Emergency Food Cluster		
Emergency Food Assistance Program - Administrative Costs	10.568	793,995
Emergency Food Assistance Program - Food Commodities	10.569	3,574,129
Total Emergency Food Cluster		4,368,124
WIC Farmers' Market Nutrition Program	10.572	387,079
Seniors Farmers Market Nutrition Program	10.576	1,383,669
Forestry Research	10.652	963,754
Cooperative Forestry Assistance	10.664	$ 6,053,208

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 2,032,648		$	Agriculture and Industries/Conservation
42,020			Conservation and Natural Resources
175,479			Conservation and Natural Resources
11,599			Agriculture and Industries
754,013			Agriculture and Industries
1,431,471			Agriculture and Industries
664,735,315			Human Resources
32,802,172			Human Resources
697,537,487			
48,856,013		48,568,861	Education
188,858,590	3A	188,423,777	Education
47,282		47,282	Education
3,479,698	3A	3,341,969	Education
241,241,583		240,381,889	
136,366,397	3B	3,611,296	Public Health
37,804,998		37,321,280	Education
3,157,157			Education
793,995		784,255	Education
3,574,129	3A	3,574,129	Education
4,368,124		4,358,384	
365,956			Farmer's Market Authority
1,468,164			Farmer's Market Authority
963,754			Forestry Commission
$ 6,053,208		$ 160,968	Forestry Commission

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Schools and Roads - Grants to States	10.665	$ 3,121,724
Forest Legacy Program	10.676	1,250,000
Forest Stewardship Program	10.678	172,425
Forest Health Protection	10.680	234,478
Soil Survey	10.903	12,766
Environmental Quality Incentives Program	10.912	60,000
Other Federal Assistance		
Other Cooperative Agreements	10.Unknown	4,095,429
Total Department of Agriculture		1,138,238,524
DEPARTMENT OF COMMERCE		
Economic Development - Support for Planning Organizations	11.302	10,000
Economic Adjustment Assistance	11.307	10,000
Interjurisdictional Fisheries Act of 1986	11.407	48,659
Coastal Zone Management Administration Awards	11.419	3,411,014
Coastal Zone Management Estuarine Research Reserves	11.420	1,042,651
Cooperative Fishery Statistics	11.434	112,018
Southeast Area Monitoring and Assessment Program	11.435	98,958
Unallied Management Projects - Oyster Reef Recovery	11.454	7,307,941
Public Safety Interoperable Communications Grant Program	11.555	271,466
Congressionally Identified Awards and Projects	11.469	330,001
Other Federal Assistance		
Joint Enforcement Agreement (Advancement)	11.Unknown	
Gulf of Mexico Fishery Management Council Liaison	11.Unknown	36,573
Gulf States Marine Fisheries Commission (Pass Through)	11.Unknown	399,767
Department of Commerce - NOAA NA05NOS4001068	11.Unknown	94,018
Department of Commerce - NOAA NA06NOS4000002	11.Unknown	332,032
Department of Commerce - NOAA NA07NOS4000170	11.Unknown	200,000
MRSFF	11.Unknown	
Total Department of Commerce		$ 13,705,097

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 2,974,514		$ 2,451,159	Department of Finance
1,250,000		1,187,079	Forestry Commission
172,425			Forestry Commission
234,478		148,495	Forestry Commission
7,440			Geological Survey
60,000			Forestry Commission
4,095,429			Agriculture and Industries
1,142,568,344		289,620,551	
			Economic and Community Affairs
			Economic and Community Affairs
56,201			Conservation and Natural Resources
2,053,143		532,314	Conservation and Natural Resources
1,302,251			Conservation and Natural Resources
82,655			Conservation and Natural Resources
134,797			Conservation and Natural Resources
7,340,924		3,861,931	Conservation and Natural Resources
271,466			Homeland Security
			Conservation and Natural Resources
740,521			Conservation and Natural Resources
19,282			Conservation and Natural Resources
265,468			Conservation and Natural Resources
90,548			Revenue
413,699			Revenue
200,000			Revenue
159,927			Conservation and Natural Resources
$ 13,130,882		$ 4,394,245	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF DEFENSE		
Aquatic Plant Control	12.100	$ 26,284
Navigation Projects	12.107	317,774
National Guard Military Operations and Maintenance (O&M) Projects (M)	12.401	60,917,204
Other Federal Assistance		
Troops to Teachers	12.Unknown	176,975
Bob Cat Cave Monitoring (USA Aviation and Missile Command)	12.Unknown	61,610
Dauphin Island	12.Unknown	23,392
Total Department of Defense		61,523,239
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Manufactured Home Construction and Safety Standards	14.171	260,436
Community Development Block Grants/State's Program (M)	14.228	45,621,871
Emergency Shelter Grants Program	14.231	1,259,312
Shelter Plus Care	14.238	196,531
Housing Opportunities for Persons with AIDS	14.241	1,637,956
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	264,852
Total Department of Housing and Urban Development		49,240,958
DEPARTMENT OF INTERIOR		
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	1,213,655
Abandoned Mine Land Reclamation (AMLR) Program	15.252	4,065,939
Marine Mineral Activities	15.424	22,001
Fish and Wildlife Cluster		
Sport Fish Restoration	15.605	4,822,471
Wildlife Restoration	15.611	5,547,741
Total Fish and Wildlife Cluster		$ 10,370,212

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 209		$	Conservation and Natural Resources
332,380			Conservation and Natural Resources
57,564,826			Military Department
174,807			Education
63,646			Geological Survey
			Geological Survey
58,135,868			
260,436			Manufactured Housing Commission
45,563,165		44,137,379	Economic and Community Affairs
1,259,246		1,228,643	Economic and Community Affairs
196,532		196,532	Mental Health and Mental Retardation
1,636,030		1,624,044	Economic and Community Affairs
233,959			Historical Commission
49,149,368		47,186,598	
2,420,792			Surface Mining Commission
4,375,834			Industrial Relations
29,870			Geological Survey
5,108,108		334,330	Conservation and Natural Resources
4,813,058		32,569	Conservation and Natural Resources
$ 9,921,166		$ 366,899	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Fish and Wildlife Management Assistance	15.608	$
Endangered Species Conservation	15.612	258,847
Coastal Wetlands Planning, Protection and Restoration Act	15.614	3,618,368
Clean Vessel Act	15.616	785,101
North American Wetlands Conservation Fund	15.623	722,632
Wildlife Conservation and Restoration	15.625	55,867
Conservation Grants Private Stewardship for Imperiled Species	15.632	19,568
Landowner Incentive	15.633	448,924
State Wildlife Grants	15.634	1,339,086
U. S. Geological Survey - Research and Data Collection	15.808	46,970
National Cooperative Geologic Mapping Program	15.810	93,489
Historic Preservation Fund Grants-In-Aid	15.904	1,653,590
Outdoor Recreation - Acquisition, Development and Planning	15.916	1,032,383
American Battlefield Protection	15.926	15,102
Save America's Treasures	15.929	46,837
Other Federal Assistance		
MMS Petroleum Systems (MMS)	15.Unknown	16,779
Underground Mine Map (OSM)	15.Unknown	27,347
Total Department of Interior		25,852,696
DEPARTMENT OF JUSTICE		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	
Juvenile Accountability Incentive Block Grants	16.523	671,876
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	971,851
Part E-Developing, Testing and Demonstrating Promising New Programs	16.541	65,765
Missing Children's Assistance	16.543	$ 566,156

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 12,500		$	Conservation and Natural Resources
301,587		200,713	Conservation and Natural Resources
			Conservation and Natural Resources/Forever Wild Trust Fund
660,971		55,247	Environmental Management
			Forever Wild Trust Fund
56,737		54,790	Conservation and Natural Resources
34,454			Conservation and Natural Resources/Geological Survey
450,192		387,323	Conservation and Natural Resources
1,494,478		901,271	Conservation and Natural Resources
72,356			Economic and Community Affairs/Geological Survey
106,668			Geological Survey
1,637,928		844,036	Historical Commission
1,179,811		1,179,811	Economic and Community Affairs
14,304			Historical Commission
40,821			Historical Commission
			Geological Survey
30,000			Geological Survey
22,840,469		3,990,090	
(7,098)		(7,098)	Economic and Community Affairs
643,925		200,058	Economic and Community Affairs
971,253		806,103	Economic and Community Affairs
53,898			Public Safety
$ 246,538		$	Public Safety

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Title V - Delinquency Prevention Program	16.548	$ 66,076
State Justice Statistics Program for Statistical Analysis Centers	16.550	36,304
National Criminal History Improvement Program (NCHIP)	16.554	164,569
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	1,194,607
Crime Victims Assistance (M)	16.575	5,921,680
Crime Victims Compensation	16.576	1,550,423
Edward Byrne Memorial Formula Grant Program	16.579	23,356
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2,262,827
Crime Victim Assistance/Discretionary Grants	16.582	138,058
Violence Against Women Formula Grants	16.588	2,185,422
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	553,387
Residential Substance Abuse Treatment for State Prisoners	16.593	189,940
State Criminal Alien Assistance Program	16.606	6,943
Community Prosecution and Project Safe Neighborhoods	16.609	79,813
Public Safety Partnership and Community Policing Grants	16.710	5,197,103
Enforcing Underage Drinking Laws Program	16.727	378,767
Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735	280,834
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13,001,719
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	$ 653,302

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 66,088		$ 62,234	Economic and Community Affairs
47,965			Criminal Justice Information
246,191		46,208	Criminal Justice Information
			Economic and Community Affairs/Forensic Science
1,196,327			Public Safety
5,920,795		5,641,838	Economic and Community Affairs
3,923,597			Crime Victims Compensation
23,367		23,367	Economic and Community Affairs
2,261,851		1,486,621	Criminal Justice Information/Public Health
			Attorney General's Office
2,185,983		1,737,690	Economic and Community Affairs
553,387		553,387	Economic and Community Affairs
185,577			Economic and Community Affairs
6,943			Corrections
59,667			Attorney General's Office
3,600,487			Economic and Community Affairs/Public Safety
379,043		243,678	Economic and Community Affairs
280,834			Economic and Community Affairs
14,766,479		8,082,289	Economic and Community Affairs/Forensic Science Public Safety
$ 605,669		$ 49,030	Criminal Justice Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	$ 256,294
Other Federal Assistance		
Drug Enforcement Administration	16.Unknown	2,544,204
Alcohol, Tobacco and Firearms	16.Unknown	7,034
Office of National Drug Control Policy	16.Unknown	694,722
Organized Crime Drug Enforcement Task Force	16.Unknown	44,564
U. S. Marshal Task Force	16.Unknown	3,554
Total Department of Justice		39,711,149
DEPARTMENT OF LABOR		
Labor Force Statistics	17.002	1,218,209
Compensation and Working Conditions	17.005	102,239
Employment Service Cluster		
Employment Service/Wagner-Peyser Funded Activities	17.207	8,865,948
Disabled Veterans' Outreach Program (DVOP)	17.801	950,627
Local Veterans' Employment Representative Program	17.804	1,377,955
Total Employment Service Cluster		11,194,530
Unemployment Insurance	17.225	308,635,166
Senior Community Service Employment Program	17.235	1,804,432
Trade Adjustment Assistance	17.245	11,981,580
Workforce Investment Act Cluster		
Workforce Investment Act Adult Program	17.258	9,546,129
Workforce Investment Act Youth Activities	17.259	12,280,454
Workforce Investment Act Dislocated Workers	17.260	9,810,328
Total Workforce Investment Act Cluster (M)		31,636,910
Workforce Investment Act Pilots, Demonstrations, and Research Projects	17.261	6,280,134
Work Incentive Grants	17.266	569,898
Incentive Grants - WIA Section 503	17.267	(3,266)
Community Based Job Training	17.269	2,427
Consultation Agreements	17.504	50,324
Disability Employment Policy Development	17.720	(2,436)
Total Department of Labor		$ 373,470,146

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 256,294		$	Economic and Community Affairs
1,624,120			Public Safety
4,941			Public Safety
692,649			Public Safety
54,228			Public Safety
927			Public Safety
40,851,925		18,925,406	
1,215,140			Industrial Relations
102,239			Labor
9,658,403			Industrial Relations
911,066			Industrial Relations
1,340,708			Industrial Relations
11,910,177			
351,212,347	3D		Industrial Relations
1,774,529		1,717,762	Senior Services
11,265,606			Industrial Relations
9,832,004		7,634,522	Economic and Community Affairs
12,067,933		10,517,210	Economic and Community Affairs
9,889,398		7,992,566	Economic and Community Affairs
31,789,335		26,144,298	
6,274,390		5,616,412	Economic and Community Affairs
572,807		509,563	Economic and Community Affairs
(3,266)			Economic and Community Affairs
1,872			Economic and Community Affairs
50,324			Labor
(2,436)		(301)	Economic and Community Affairs
$ 416,163,064		$ 33,987,735	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	$ 701,127,963
Appalachian Development Highway System	23.003	61,558,883
Total Highway Planning and Construction Cluster		762,686,846
National Motor Carrier Safety	20.218	4,043,132
Recreational Trails Program	20.219	1,967,820
Commercial Driver License State Programs	20.232	368,381
Safety Data Improvement Program	20.234	36,113
Commercial Vehicle Information Systems and Network	20.237	441,466
Federal Transit Cluster		
Federal Transit - Capital Investments Grants	20.500	337,914
Federal Transit - Formula Grants	20.507	2,536,181
Total Federal Transit Cluster		2,874,095
Federal Transit - Metropolitan Planning Grants	20.505	73,446
Formula Grants for Other Than Urbanized Areas	20.509	10,597,705
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	2,876,510
State Planning and Research	20.515	22,163
Highway Safety Cluster		
State and Community Highway Safety	20.600	3,268,085
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	789,747
Occupant Protection	20.602	327,057
Safety Incentives Grants for Use of Seatbelts	20.604	374
Safety Belt Performance Grants	20.609	1,562,343
State Traffic Safety Information System Improvement Grant	20.610	730,993
Total Highway Safety Cluster		6,678,597
Pipeline Safety	20.700	440,170
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	$ 214,808

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 733,988,292		$ 2,340,257	Transportation
63,081,827			Transportation
797,070,119		2,340,257	
5,621,009		145,832	Criminal Justice Information/Public Safety
1,966,425		1,862,980	Economic and Community Affairs
377,927			Public Safety
36,113		36,113	Criminal Justice Information
441,466		441,466	Criminal Justice Information
337,914		337,914	Transportation
2,536,181		2,536,181	Transportation
2,874,095		2,874,095	
73,446		73,446	Transportation
10,597,705		9,378,785	Transportation
2,876,510		2,876,510	Transportation
22,163		22,163	Transportation
3,301,771		2,809,627	Economic and Community Affairs
789,747		212,267	Economic and Community Affairs
327,057		184,454	Economic and Community Affairs
374			Economic and Community Affairs
1,562,343		735,022	Economic and Community Affairs
704,547			Economic and Community Affairs
6,685,839		3,941,370	
440,170			Public Service Commission
$ 128,458		$ 81,291	Emergency Management Agency

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
National Highway Traffic Safety Administration	20.Unknown	$ 94,412
Federal Motor Carrier Safety Administration IT06101G00000	20.Unknown	521,287
Total Department of Transportation		793,936,950
APPALACHIAN REGIONAL COMMISSION		
Appalachian Regional Development - Distance Learning	23.001	454,984
Appalachian Area Development	23.002	638,352
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	136,407
Total Appalachian Regional Commission		1,229,743
GENERAL SERVICES ADMINISTRATION		
Donation of Federal Surplus Personal Property	39.003	8,045,539
Election Reform Payments	39.011	
Total General Services Administration		8,045,539
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Arts - Partnership Agreements	45.025	635,000
Total National Foundation on the Arts and the Humanities		635,000
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
Grants to States	45.310	2,602,935
National Leadership Grants	45.312	66,068
Total Institute of Museum and Library Services		2,669,003
SMALL BUSINESS ADMINISTRATION		
New Museum of Alabama History	59.Unknown	329,855
Total Small Business Administration		329,855
TENNESSEE VALLEY AUTHORITY		
Other Federal Assistance		
Biological Assessment	62.Unknown	22,779
Other Federal Assistance-TVA	62.Unknown	657,000
Tennessee Valley Authority-Contract TV-62313A	62.Unknown	108,000
Total Tennessee Valley Authority		$ 787,779

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 102,649		$	Public Safety
185,595			Revenue
829,499,689		24,074,308	
174,932		141,295	Education
638,352		563,404	Economic and Community Affairs/Transportation
136,472			Economic and Community Affairs
949,756		704,700	
6,928,252	3E	6,769,230	Economic and Community Affairs
98,067	3I		Secretary of State
7,026,319		6,769,230	
451,955		451,955	Council on the Arts
451,955		451,955	
1,399,761		1,092,903	Public Library Service
66,068			Commission on Higher Education
1,465,829		1,092,903	
329,855			Archives and History
329,855			
			Geological Survey
764,187		430,636	Emergency Management Agency
189,438			Public Health
$ 953,625		$ 430,636	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF VETERANS' AFFAIRS		
Grants to States for Construction of State Home Facilities	64.005	$ 1,475,954
Veterans' State Nursing Home Care	64.015	10,447,899
Total Veterans' Affairs		11,923,853
ENVIRONMENTAL PROTECTION AGENCY		
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities relating to the Clean Air Act	66.034	
State Indoor Radon Grants	66.032	257,577
Congressionally Mandated Projects	66.202	99,932
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative agreements-Section 104(b)(3) of the Clean Water Act	66.436	736,933
Water Quality Management Planning	66.454	220,887
Nonpoint Source Implementation Grants	66.460	3,163,976
Water Quality Cooperative Agreements	66.463	
Beach Monitoring and Notification Program Implementation Grants	66.472	168,341
Water Protection Grants to the States	66.474	55,247
Office of Research and Development Consolidated Research/Training	66.511	29,199
Performance Partnership Grants	66.605	11,869,707
Training and Fellowships for the Environmental Protection Agency	66.607	125,250
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	150,000
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	94,072
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	352,339
Pollution Prevention Grants Program	66.708	6,635
Superfund State, Political Subdivisions, and Indian Tribe Site - Specific Cooperative Agreements	66.802	382,381
State and Tribal Underground Storage Tanks Program	66.804	
Leaking Underground Storage Tank Trust Fund Program	66.805	1,123,958
Solid Waste Management Assistance Grants	66.808	24,488
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	157,871
Brownfield Pilots Cooperative Agreements	66.811	750,000
State and Tribal Response Program Grants	66.817	576,111
Total Environmental Protection Agency		$ 20,344,903

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$		$	Veterans' Affairs
10,447,899			Veterans' Affairs
10,447,899			
801,037			Environmental Management/Public Health
266,345		155,539	Public Health
123,495			Environmental Management
984,789			Environmental Management
106,896			Environmental Management
4,421,869		2,253,140	Environmental Management
871			Environmental Management
216,712			Environmental Management
50,000			Environmental Management
27,049			Environmental Management
9,730,400			Agriculture and Industries/Environmental Management
125,000			Attorney General's Office
150,000			Environmental Management
111,406			Environmental Management
350,985			Public Health
5,181			Environmental Management
465,382			Environmental Management
739,038			Environmental Management
1,298,592			Environmental Management
26,152			Environmental Management
192,699			Environmental Management
750,000			Environmental Management
512,499			Environmental Management
$ 21,456,397		$ 2,408,680	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF ENERGY		
State Energy Program	81.041	$ 780,322
Weatherization Assistance for Low-Income Persons (M)	81.042	2,158,828
Conservation Research and Development	81.086	11,510
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	123,692
State Energy Program Special Projects	81.119	48,619
Other Federal Assistance		
Citronelle	81.Unknown	16,735
Exxon	81.Unknown	35,534
Second Stage	81.Unknown	13,743
Strip Oil	81.Unknown	68,927
Texaco	81.Unknown	200,025
DOE Fracture Modeling	81.Unknown	79,116
Secarb Phase II	81.Unknown	205,648
Total Department of Energy		3,742,697
DEPARTMENT OF EDUCATION		
Adult Education - State Grant Program	84.002	7,605,100
Title I Grants to Local Educational Agencies	84.010	199,055,512
Migrant Education - State Grant Program	84.011	2,311,127
Title I Program for Neglected and Delinquent Children	84.013	1,316,717
Special Education Cluster		
Special Education - Grants to States	84.027	172,522,595
Special Education - Preschool Grants	84.173	5,666,372
Total Special Education Cluster (M)		178,188,967
Federal Family Education Loans	84.032	191,784
Vocational Education - Basic Grants to States (M)	84.048	18,070,374
Grants to States for State Student Incentives	84.069A	$ 647,388

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 780,322		$ 315,476	Economic and Community Affairs
2,228,152		1,983,566	Economic and Community Affairs
7,410		7,410	Economic and Community Affairs
112,128			Emergency Management Agency
48,619		47,719	Economic and Community Affairs
6,676		5,000	Economic and Community Affairs
56,445		56,445	Economic and Community Affairs
			Economic and Community Affairs
161,394		159,894	Economic and Community Affairs
142,615		128,226	Economic and Community Affairs
57,511		15,746	Geological Survey
160,377		39,555	Geological Survey
3,761,649		2,759,038	
7,581,826		7,103,313	Post Secondary Education
198,936,113		196,496,681	Education
2,383,689		1,882,774	Education
1,316,717		828,230	Education
172,522,725		163,524,480	Education
5,666,242		5,482,525	Education
178,188,967		169,007,005	
			Higher Education Loan Corporation
18,082,402		15,535,282	Education
$ 647,388		$	Commission on Higher Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Rehabilitation Services - Vocational Rehabilitation Grants to States (M)	84.126	$ 51,379,956
Rehabilitation Services - Client Assistance Program	84.161	123,803
Independent Living - State Grants	84.169	301,888
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177	425,692
Special Education - Grants For Infants and Families With Disabilities (M)	84.181	5,915,483
Safe and Drug-Free Schools and Communities - National Programs	84.184	(39)
Byrd Honors Scholarships	84.185	207,625
Safe and Drug-Free Schools and Communities - State Grants	84.186	5,205,207
Supported Employment Services for Individuals With Severe Disabilities	84.187	525,435
Education for Homeless Children and Youth	84.196	868,568
Even Start - State Educational Agencies	84.213	1,242,389
Fund for the Improvement of Education	84.215	(1,074)
Assistive Technology	84.224A	316,679
Assistive Technology - Alternative Feeding	84.224C	752,132
Tech-Prep Education	84.243	1,894,574
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	90,358
Ready to Teach	84.286	129,865
Twenty-First Century Community Learning Centers (M)	84.287	15,414,383
State Grants for Innovative Programs	84.298	1,660,469
Education Technology State Grants	84.318	4,374,618
Special Education - State Personnel Development	84.323	1,087,637
Advanced Placement Program	84.330	24,839
Comprehensive School Reform Demonstration	84.332	47,540
Vocational Education-Occupational and Employment Information State Grants	84.346	18,378
Reading First State Grants (M)	84.357	18,080,718
Rural Education	84.358	$ 5,930,090

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 52,682,681	3F	$	Rehabilitation Services
123,657			Rehabilitation Services
301,888			Rehabilitation Services
424,805			Rehabilitation Services
5,917,125		383,689	Rehabilitation Services
22,936		(1)	Education
207,188		207,188	Education
5,207,654		4,893,541	Economic and Community Affairs/Education
525,435			Rehabilitation Services
868,568		858,864	Education
1,231,716		1,190,981	Education
(1,074)			Education
316,679			Rehabilitation Services
752,132			Rehabilitation Services
1,894,107		1,641,466	Education
88,027			Rehabilitation Services
119,434		119,434	Education
15,342,577		14,438,207	Education
1,638,077		1,284,737	Education
4,436,537		4,168,989	Education
1,087,637		117,138	Education
24,839		24,839	Education
47,535		39,172	Education
2,245			Education
18,079,945		17,365,008	Education
$ 5,450,553		$ 5,130,237	Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
English Language Acquisition Grants	84.365	$ 3,210,171
Mathematics and Science Partnership	84.366	3,912,972
Improving Teacher Quality State Grants (M)	84.367	44,427,325
Improving Teacher Quality State Grants	84.367B	1,255,818
Grants for State Assessments and Related Activities	84.369	2,752,295
Special Education Technical Assistance on State Data Collection	84.373	17,663
School Improvement Grant	84.377	1,801
Hurricane Education Recovery - Impact Aid	84.938	94,431
Total Department of Education		579,076,657
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	138,700
Special Programs for the Aging - Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	88,976
Special Programs for the Aging - Title VII, Chapter 2: Long-Term Care Ombudsman Services for Older Individuals	93.042	257,324
Special Programs for the Aging - Title III, Part D: Disease Prevention and Health Promotion Services	93.043	337,935
Aging Cluster		
Special Programs for the Aging - Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	5,516,165
Special Programs for the Aging - Title III, Part C: Nutrition Services	93.045	8,814,260
Nutrition Services Incentive Program	93.053	2,992,385
Total Aging Cluster		17,322,809
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	533,918
National Family Caregiver Support	93.052	2,280,256
Maternal and Child Health Federal Consolidated Programs	93.110	206,630
AIDS Comprehensive Care/Preventative Program-Hemophilia of Georgia	93.110B	$ 28,700

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 3,211,320		$ 3,040,134	Education
3,912,972		3,912,884	Education
44,469,752		43,862,296	Education
1,255,643			Commission on Higher Education
3,271,295			Education
17,663			Education
1,801			Education
94,431		94,431	Education
580,164,882		493,626,519	
144,051			Public Health
90,475		90,475	Senior Services
257,324		257,324	Senior Services
329,292		312,800	Senior Services
5,431,422		5,111,230	Senior Services
8,959,796		8,710,636	Senior Services
2,992,335		2,992,335	Senior Services
17,383,553		16,814,201	
500,372		375,994	Senior Services
2,279,797		2,161,866	Senior Services
213,299		24,000	Public Health
$ 28,724		$	Rehabilitation Services

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	$ 991,195
Emergency Medical Services for Children	93.127	80,501
Cooperative Agreements to States/Territories for the Coordination of Primary Care Offices	93.130	202,800
Injury Prevention and Control Research and State and Community Based Programs	93.136	722,400
Projects for Assistance in Transition from Homelessness (PATH)	93.150	508,365
Family Planning - Services	93.217	5,331,700
Traumatic Brain Injury State Demonstration Grant Program	93.234	124,058
Abstinence Education Program	93.235	913,693
State Capacity Building	93.240	79,874
State Rural Hospital Flexibility Program	93.241	866,200
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	3,883,143
Universal Newborn Hearing Screening	93.251	129,400
Rural Access to Emergency Devices Grant	93.259	(701)
Immunization Grants	93.268	36,672,038
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	24,292,840
Small Rural Hospital Improvement Grant Program	93.301	259,000
Ruminant Feed Ban Support Project	93.449	38,941
Promoting Safe and Stable Families	93.556	8,316,890
Temporary Assistance for Needy Families (TANF) (M)	93.558	94,206,269
Child Support Enforcement (M)	93.563	42,619,831
Low-Income Home Energy Assistance (M)	93.568	22,121,909
Community Services Block Grant	93.569	$ 11,239,850

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 991,183		$ 11,000	Public Health
83,961			Public Health
209,299			Public Health
728,823		446,208	Public Health
508,365		506,152	Mental Health and Mental Retardation
5,337,401		1,151,333	Public Health
122,253			Rehabilitation Services
913,693		538,227	Public Health
79,919			Public Health
870,507		763,522	Public Health
3,902,519		3,306,852	Mental Health and Mental Retardation
131,147		44,125	Public Health
(701)			Public Health
36,803,887	3G	32,961,708	Public Health
24,694,023		2,999,277	Emergency Management Agency/Public Health
259,436		246,442	Public Health
38,941			Agriculture and Industries
8,249,827			Human Resources
91,479,709			Human Resources
38,528,840	3H		Human Resources
22,725,599		21,677,542	Economic and Community Affairs
$ 11,406,071		$ 10,779,334	Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Child Care Development Cluster		
Child Care and Development Block Grant	93.575	$ 52,889,040
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	39,742,382
Total Child Care Development Cluster		92,631,422
Empowerment Zones Program	93.585	137,721
State Court Improvement Program	93.586	652,536
Community-Based Child Abuse Prevention Grants	93.590	402,816
Grants to States for Access and Visitation Programs	93.597	254,344
Chafee Education and Training Vouchers Program (ETV)	93.599	489,211
Head Start	93.600	175,000
Child Support Enforcement Demonstrations and Special Projects	93.601	39,142
Adoption Incentive Payments	93.603	12,143
Mentoring Children of Prisoners	93.616	905,544
Voting Access for Individuals with Disabilities - Grants to States	93.617	240,642
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,424,040
Developmental Disabilities Projects of National Significance	93.631	(1,848)
Children's Justice Grants to States	93.643	171,258
Child Welfare Services - State Grants	93.645	4,861,973
Foster Care - Title IV-E (M)	93.658	37,526,913
Adoption Assistance	93.659	8,738,962
Social Services Block Grant (M)	93.667	40,358,444
Child Abuse and Neglect State Grants	93.669	466,668
Child Abuse and Neglect Discretionary Activities	93.670	265,948
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	$ 1,391,270

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 64,232,156		$	Human Resources
42,004,920		4,459,735	Human Resources
106,237,076		4,459,735	
137,721		137,721	Economic and Community Affairs
652,536			Administrative Office of Courts
402,816		324,930	Child Abuse and Neglect Prevention Board
254,344			Administrative Office of Courts
562,929			Human Resources
153,213		17,958	Children's Affairs
39,142		32,378	Child Abuse and Neglect Prevention Board
52,000			Human Resources
905,544		794,351	Child Abuse and Neglect Prevention
240,642			Secretary of State
1,447,329		702,514	Mental Health and Mental Retardation
1,325		1,325	Mental Health and Mental Retardation
220,374			Human Resources
4,861,973			Human Resources
37,547,284			Human Resources
9,749,396			Human Resources
40,490,102		3,955,118	Human Resources
483,740			Human Resources
363,598			Human Resources
$ 1,391,535		$ 1,318,713	Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Chafee Foster Care Independence Program	93.674	$ 1,397,907
State Children's Insurance Program (M)	93.767	113,314,808
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	194,113
Medicaid Cluster		
State Medicaid Fraud Control Units	93.775	654,613
Hurricane Katrina Relief	93.776	227,874
State Survey and Certification of Health Care Providers and Suppliers	93.777	6,614,664
Medical Assistance Program	93.778	2,953,169,721
Total Medicaid Cluster (M)		2,960,666,871
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	749,409
Together for Quality Transformation Grant	93.793	1,997,606
National Bioterrorism Hospital Preparedness Program (M)	93.889	10,242,481
Grants to States for Operation of Offices of Rural Health	93.913	122,600
HIV Care Formula Grants (M)	93.917	21,002,161
Demonstration Grants to States for Community Scholarships	93.931	9,452
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	214,620
HIV Prevention Activities - Health Department Based	93.940	1,983,360
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	950,200
Assistance Programs for Chronic Disease Prevention and Control	93.945	385,246
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	140,100
Block Grants for Community Mental Health Services (M)	93.958	6,871,731
Olmstead Grant	93.958S	$ 20,000

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 1,808,655		$	Human Resources
113,118,995		38,080	Public Health
164,834			Rehabilitation Services
658,476			Attorney General
227,874		227,874	Alabama Medicaid Agency
7,036,592			Alabama Medicaid Agency/Public Health
2,906,888,734		13,909,129	Alabama Medicaid Agency
2,914,811,676		14,137,003	
758,490		631,732	Senior Services
1,997,606			Alabama Medicaid Agency
9,938,339		2,867,009	Public Health
126,421			Public Health
21,822,681		4,322,328	Public Health
			Public Health
215,042			Education
2,044,231		298,952	Public Health
989,224		72,030	Public Health
400,905		9,606	Public Health
140,096			Public Health
7,054,606		5,724,285	Mental Health and Mental Retardation
$ 10,876		$ 10,876	Mental Health and Mental Retardation

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Block Grants for Prevention and Treatment of Substance Abuse (M)	93.959	$ 25,727,831
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,917,188
Mental Health Disaster Assistance and Emergency Mental Health	93.982	282,191
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	301,800
Preventive Health and Health Services Block Grant	93.991	1,880,344
Maternal and Child Health Services Block Grant to the States (M)	93.994	11,276,048
Other Federal Assistance		
CLIA	93.Unknown	353,800
Mammography Quality Standards-HHS Contract 223-95-4400	93.Unknown	131,787
Food Inspections-Contract 223-96-4036	93.Unknown	113,625
Drug and Alcohol Services Information System	93.Unknown	139,271
State Epidemiological Outcomes Workgroup (SEOW)	93.Unknown	484,964
Building Lead ADU-Center for Disease Control-Purchase Order	93.Unknown	46,010
Tuskegee Project-Centers for Disease Control Contract PH200-1998-00101	93.Unknown	143,700
Total Department of Health and Human Services		3,629,000,819
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
State Commissions	94.003	348,828
Learn and Serve America - School and Community Based Programs	94.004	286,229
AmeriCorps	94.006	1,236,053
Planning and Program Development Grants	94.007	42,928
Training and Technical Assistance	94.009	171,390
Volunteers in Service to America	94.013	21,157
Total Corporation for National and Community Service		2,106,585
SOCIAL SECURITY ADMINISTRATION		
Social Security - Disability Insurance	96.001	40,655,048
Social Security - Work Incentives Planning and Assistance Program	96.008	105,441
Total Social Security Administration		$ 40,760,489

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 25,709,861		$ 24,433,362	Mental Health and Mental Retardation
1,965,765		271,236	Public Health
167,383		166,891	Mental Health and Mental Retardation
310,726			Public Health
1,880,218		75,178	Public Health
11,319,220		971,140	Public Health
353,818			Public Health
114,951			Public Health
111,877			Public Health
139,516			Mental Health and Mental Retardation
132,945			Mental Health and Mental Retardation
15,449			Public Health
143,694		840	Public Health
3,593,254,308		161,243,673	
346,797		145,256	Governor's Office of Faith-Based and Community Initiatives
286,229		221,536	Education
1,236,053		1,236,053	Governor's Office of Faith-Based and Community Initiatives
42,632			Governor's Office of Faith-Based and Community Initiatives
163,697		81,046	Governor's Office of Faith-Based and Community Initiatives
20,410			Governor's Office of Faith-Based and Community Initiatives
2,095,818		1,683,891	
40,662,451			Education
143,627			Rehabilitation Services
$ 40,806,078		$	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF HOMELAND SECURITY		
Homeland Security Cluster		
State Domestic Preparedness Equipment Support Program	97.004	$ 607,889
Homeland Security Grant Program	97.067	17,711,041
Total Homeland Security Cluster		18,318,930
Boating Safety	97.011	2,119,700
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	108,404
Emergency Food and Shelter National Board Program	97.024	44,913
Flood Mitigation Assistance	97.029	5,111
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M)	97.036	14,706,701
Hazard Mitigation Grant (M)	97.039	16,726,038
Chemical Stockpile Emergency Preparedness Program (CSEPP) (M)	97.040	15,555,320
Emergency Management Performance Grants	97.042	4,453,556
Cooperating Technical Partners	97.045	4,480,063
Pre-Disaster Mitigation (PDM)	97.047	1,753,989
Map Modernization Management Support	97.070	217,137
Homeland Security Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	97.077	12,411
Buffer Zone Protection Plan (BZPP)	97.078	319,778
Total Department of Homeland Security		78,822,051
TOTAL FEDERAL AWARDS		$6,875,153,734

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 605,215		$ 116,252	Emergency Management Agency
17,343,739		10,113,820	Homeland Security
17,948,954		10,230,072	
2,119,700			Conservation and Natural Resources
99,592			Economic and Community Affairs
39,937			Human Resources
(2,070)		(2,387)	Emergency Management Agency
14,642,945		13,606,385	Emergency Management Agency
16,873,495		15,981,726	Emergency Management Agency
15,847,329		9,939,821	Emergency Management Agency
4,293,246		3,086,792	Emergency Management Agency
4,487,171			Economic and Community Affairs
1,753,989		1,742,047	Emergency Management Agency
210,029			Economic and Community Affairs
18,567			Public Safety
319,778		319,778	Homeland Security
78,652,662		54,904,234	
$6,914,156,641		$ 1,148,254,391	

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2008

Note 1 – Purpose of the Schedule

Office of Management and Budget (OMB) Circular A-133, ***Audits of States, Local Governments, and Non-profit Organizations***, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program identified in the Catalog of Federal Domestic Assistance (CFDA).

Note 2 – Significant Accounting Policies

A. ***Reporting Entity*** – The accompanying schedule includes federal financial assistance programs administered by the State of Alabama for the fiscal year ended September 30, 2008. State agencies that receive separate audits in accordance with OMB Circular A-133 and federal financial assistance received by state colleges and universities are not included in the schedule.

B. ***Basis of Presentation*** – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

   1. ***Federal Financial Assistance*** – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

   2. ***Major Programs*** – For the State of Alabama, a Type A program is defined as a program or cluster of programs for which total annual expenditures of federal awards exceeds $20,742,470. Major programs consist of eighteen Type A programs and clusters and twelve high-risk Type B programs. Major programs comprise 71.03% of total federal program expenditures.

C. ***Basis of Accounting*** – The information presented in the Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, which is consistent with the other federal grant reports. Under this basis, expenditures are recorded when paid, and revenues are recognized when received. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

D. ***Expenditures and Expenses*** – When monies are received by one state agency and transferred to another state agency either for final expenditure or as a reimbursement for services, the federal financial assistance is reflected in the primary receiving/expending state agency's accounts. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State of Alabama.

Note 3 – Other

A. Commodities included in the National School Lunch CFDA #10.555, Summer Food Service Program for Children CFDA #10.559, and the Temporary Emergency Food Assistance Program CFDA #10.569) are included in the definition of federal financial assistance for the purpose of the accompanying schedule. Commodities, totaling $26,896,387, were reported in accordance with GASB Statement Number 24 in the basic financial statements of the State of Alabama for the fiscal year ended September 30, 2008.

B. During the fiscal year ended September 30, 2008, the Alabama Department of Public Health received $30,025,870 in cash rebates from infant formula manufacturers on sales of formula to participants in the WIC Program (CFDA #10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefits costs. The rebate contracts allowed the Department to serve 36096 more persons during the 2007-2008 fiscal year. This number is based on an average gross food package cost of $69.32.

C. The Community Development Block Grant-Section 108 Loan Guarantee Program (CFDA #14.248) had no new loans during the 2007-2008 fiscal year and an outstanding loan balance of $1,650,000 at September 30, 2008.

D. Total expenditures for the Unemployment Insurance Program (CFDA #17.225) include state and federal amounts of $312,971,735 and $38,240,612, respectively. The state portion of expenditures includes regular unemployment compensation. The federal portion includes administrative costs and unemployment compensation for ex-service members, former federal employees, and extended benefits for eligible individuals who have exhausted their regular unemployment compensation.

E. Donation of Federal Surplus Personal Property (CFDA #39.003) is valued at 23.3% of the acquisition costs in accordance with a directive from the U. S. General Services Administration.

F. Receipts and expenditures reported on the schedule include $1,501,240 and $1,816,298, respectively, of Social Security Administration reimbursements under the Rehabilitation Services – Vocational Rehabilitation Grants to States Program (CFDA #84.126).

G. The amount reported as receipts and expenditures for the Immunization Grants Program (CFDA #93.268) includes the value of immunization vaccines received and distributed in the amount of $32,529,898 during the 2007-2008 fiscal year.

H. Federal receipts for the Child Support Enforcement Program (CFDA #93.563) include the federal share of child support collected on behalf of recipients of assistance payments. Collections were $11,132,926 during the 2007-2008 fiscal year.

I. Interest income of $38,218 was earned on the Help America Vote Act Title I funds (CFDA #39.011), and interest income of $271,938 was earned on Help America Vote Act Title II funds (CFDA #90.401). These amounts are reported as receipts on the schedule.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 31, 2009. Our report was modified to include a reference to other auditors. Below is a list which indicates the financial statements of the agencies and funds audited by other auditors and whether the audits were performed in accordance with ***Government Auditing Standards***.

Agencies/Funds Audited by Other Auditors	Audit Performed in Accordance with ***Government Auditing Standards***	Audit Not Performed in Accordance with ***Government Auditing Standards***
Alabama Educational Television Foundation Authority	X	
Alabama Public Health Care Authority	X	
Alabama Health Insurance Plan	X	
Alabama State Port Authority	X	
State Employees' Insurance Board		X
Public Education Employees' Health Insurance Fund		X
Alabama Housing Finance Authority	X	
Alabama Water Pollution Control Authority	X	
Space Science Exhibit Commission	X	
Alabama Drinking Water Finance Authority	X	
Alabama Higher Education Loan Corporation		X
University of Alabama	X	
Auburn University	X	
University of South Alabama	X	
University of Montevallo	X	
Retirement Systems of Alabama		X
Employees' Savings Plans (PEIRAF and RSA-1)		X
Retired Education Employees' Health Care Trust		X
Retired State Employees' Health Care Trust		X
Prepaid Affordable College Tuition Program	X	
Alabama College Education Savings Plan		X

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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. As indicated above, other auditors audited the financial statements of certain agencies and funds in accordance with ***Government Auditing Standards***. This report does not include the results of those other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Alabama's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The findings that follow related to information technology are being presented in summary form in this report for security reasons. Details of the findings have been communicated to the affected state agencies.

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning.

Several agencies did not have adequate policies and procedures to be followed in the event of a disaster. The following agencies did not have adequate contingency planning and disaster recovery policies and procedures in place:

Department of Human Resources
Department of Education
Department of Mental Health and Mental Retardation
Alcoholic Beverage Control Board

Recommendations

State agencies should develop comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should be tested and should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible.

Finding 01-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide appropriate security for computer data and programs through the proper use of security software features and management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The following agencies did not have adequate policies and procedures in place for access security:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Recommendation

Agencies should use management policies and security software to detect errors or intentional unauthorized acts and also to ensure errors and unauthorized acts are corrected in a timely manner.

Finding 01-01-04 – Application Development and Maintenance

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that only authorized computer application programs are developed or modified and that such programs and modifications function as intended and meet the needs of users. State agencies do not follow formal system development methodologies for new computer applications, modifications to existing applications, or emergency modifications. This increases the risk that unauthorized programs or changes will be made, programs or changes will not be tested, and programs or changes will not function as intended to meet user needs. State agencies do not adequately segregate the duties of personnel to prevent such errors from occurring. The following agencies did not have adequate policies and procedures in place for application development and maintenance:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Recommendations

State agencies should develop formal system development methodologies for new computer programs, modifications to existing programs, and emergency modifications. These methodologies should ensure that only authorized projects are initiated and such projects achieve the desired results. State agencies should adequately segregate the duties of employees to achieve the proper level of control of projects and to ensure that an employee does not perform conflicting duties.

Finding 08-01-01 – Hiring, Training, and Personnel Policies

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that employees hired to work in sensitive areas (i.e., the information technology environment) had the proper education and training necessary to perform the required duties and that such employees indicated no evidence of prior actions that might have a negative impact on the required duties. The Alcoholic Beverage Control Board did not obtain evidence that prospective employees to be hired for sensitive work had not been involved in prior criminal activity that might have a negative impact on the employee's ability to perform the required duties. Background checks were not performed for employees that transferred from other state agencies.

Recommendation

The Alcoholic Beverage Control Board should develop policies and procedures to ensure that employees are not hired that have a history of criminal activity that may have a negative impact on the employee's ability to perform sensitive duties.

Finding 08-01-02 – Alcoholic Beverage Control Board Accounting System

The Alcoholic Beverage Control Board completed its implementation of a new accounting system during the 2007-2008 fiscal year. The Board's specifications for the accounting system required that it include accounting for liquor taxes and revenues collected, and calculating distributions of those taxes and revenues in compliance with applicable state laws. The Invitation to Bid, mandatory bid requirement 3-0308, states that the accounting system will "provide the ability to create an automatic distribution formula to support State Title 28 allocations". The vendor's project documentation acknowledged these requirements; however, the installed accounting system does not provide this critical function. In addition, the vendor did not provide sufficient training for the Board's personnel for the new accounting system. The accounting system does not appear to be set up correctly and there is no evidence that appropriate testing was performed when the system was being installed; as a result, the Board is forced to maintain critical financial information "outside" the new accounting system using other software such as a Microsoft ACCESS database and EXCEL spreadsheets. The accountant made numerous manual adjusting entries to support the taxes and revenues distributed to other funds. Manual calculations and adjusting entries were also required in order for the Board to provide the Department of Finance with financial statements for the Comprehensive Annual Financial Report. Reconciliations of information generated by the accounting system and the related subsystems (point of sale and inventory) were not being performed. One accountant prepares adjusting entries and performs calculations of taxes and revenues distributed. This employee was not sufficiently trained during implementation of the new accounting system. Management does not review the adjusting entries, calculations, or distributions prepared by the accountant. There are no written procedures documenting the accounting system or processes used to prepare financial information or distributions of taxes and revenues. In conclusion, the distribution of taxes and revenues and the preparation of financial statements involves a poorly implemented accounting system that does not support the financial information reported, requiring several manual processes, as well as other problems. These conditions substantially increase the risk that material errors will occur in the financial statements and not be detected in a timely manner.

Recommendations

The Alcoholic Beverage Control Board should develop policies and procedures to ensure that all requirements of software and systems acquisition projects are met and that the final product is tested and performs as intended and as required by the contract. The Board's accounting personnel should be adequately trained and supervised. Duties should be separated to the extent possible and cross-training should be done. Appropriate reconciliations and cross-checking should be performed between the accounting system and sub-systems. The Board should develop written policies and procedures for the accounting system and all financial processes.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the conditions discussed in Finding 08-01-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. We noted certain additional matters that we have reported to management of the State of Alabama and the affected agencies and funds in separate communications.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

This report is intended solely for the information and use of management, the Governor, the Director of Finance, and the State Comptroller, and other state officials, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

March 31, 2009

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the State of Alabama with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended September 30, 2008. The State of Alabama's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of Alabama's management. Our responsibility is to express an opinion on the State of Alabama's compliance based on our audit.

The State of Alabama's basic financial statements include the operations of the Housing Finance Authority, the Water Pollution Control Authority, the Drinking Water Finance Authority, Education Television Commission/Alabama Public Television Foundation, Alabama Health Insurance Plan and Space Science Exhibit Commission. The federal awards expended by these component units are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2008. Our audit, described below, did not include the operations of these component units because other auditors were engaged to perform audits in accordance with OMB Circular A-133. The federal programs administered by these component units and the federal funds expended are as follows:

Component Unit	Federal Program	CFDA Number	Federal Expenditures
Housing Finance Authority	Home Investment Partnerships Program	14.239	$13,011,030
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$15,074,937
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$27,201,421
Educational Television Commission/Alabama Public Television Foundation	E Learning for Educators	84.269A	$ 3,570,621
	Public Telecommunications Facilities Program	11.550	$ 63,980
Alabama Health Insurance Plan	Grants to States for Operation of Qualified High-Risk Pools	93.780	$ 1,442,972
Space Science Exhibit Commission	National Aeronautics and Space Administration	N/A	$ 771,725
	Federal Transit Authority Intermodal Center	20.500	$ 2,466,066
	USSRC Building Bridges From Formal to Informal Education	23.011	$ 55,346

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Alabama's compliance with those requirements.

In our opinion, the State of Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 08-6-4.

Internal Control Over Compliance

The management of the State of Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Alabama's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance listed below and described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

97-9-8	08-2-2	08-6-3
02-1-1	08-3-1	08-6-4
02-2-1	08-4-1	08-6-5
05-6-6	08-4-2	08-6-6
08-1-1	08-6-1	08-8-1
08-2-1	08-6-2	08-15-1

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 08-2-1, 08-2-2, and 08-4-2, to be material weaknesses.

The State of Alabama's responses to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the State of Alabama's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the State of Alabama as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

This report is intended solely for the information and use of management, the Governor, the Director of Finance, and State Comptroller, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

June 16, 2009 except for the
Schedule of Expenditures of
Federal Awards, as to which
the date is March 31, 2009

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	X No
Significant deficiencies identified that are not considered to be material weakness(es)?	X Yes	_____ None reported
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	X Yes	_____ No
Significant deficiencies identified that are not considered to be material weakness(es)?	X Yes	_____ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X Yes	_____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.551 and 10.561	Food Stamp Cluster
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
12.401	National Guard Military Operations and Maintenance
14.228	Community Development Block Grants/State's Program
16.575	Crime Victims Assistance
17.258, 17.259 and 17.260	Workforce Investment Act Cluster
81.042	Weatherization Assistance for Low Income Persons

Identification of major programs continued:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.181	Special Education - Grants for Infants and Families with Disabilities
84.287	Twenty-First Century Community Learning Centers
84.357	Reading First State Grants
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.775, 93.776, 93.777 and 93.778	Medicaid Cluster
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grants to States
97.036	Public Assistance
97.039	Hazard Mitigation Grant
97.040	Chemical Stockpile Emergency Preparedness Program

Dollar threshold used to distinguish Between Type A and Type B programs: $20,742,470

Auditee qualified as low-risk auditee? _____ Yes __X__ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
01-01-01	Internal Control	**Finding 01-01-01 – Contingency Planning and Disaster Recovery** We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning. Several agencies did not have policies and procedures to be followed in the event of a disaster. The following agencies did not have adequate contingency planning and disaster recovery policies and procedures in place: Department of Human Resources Department of Education Department of Mental Health Alcoholic Beverage Control Board **Recommendation** State agencies should develop comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should be tested and should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible.	
01-01-02	Internal Control	**Finding 01-01-02 – Information Access Security** We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide appropriate security for computer data and programs through the proper use of security software features and management policies.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Finding Continued Computer data and programs are at risk of loss and corruption through error or intentional act. The following agencies did not have adequate policies and procedures in place for access security: Department of Finance – Information Services Division Department of Finance – FRMS Application Development Section **Recommendation** Agencies should use management policies and security software to detect errors or intentional unauthorized acts and also to ensure errors and unauthorized acts are corrected in a timely manner.	
01-01-04	Internal Control	**Finding 01-01-04 – Application Development and Maintenance** We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that only authorized computer application programs are developed or modified and that such programs and modifications function as intended and meet the needs of users. State agencies do not follow formal system development methodologies for new computer applications, modifications to existing applications, or emergency modifications. This increases the risk that unauthorized programs or changes will be made, programs or changes will not be tested, and programs or changes will not function as intended to meet user needs. State agencies do not adequately segregate the duties of personnel to prevent such errors from occurring.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Finding Continued The following agencies did not have adequate policies and procedures in place for application development and maintenance: Department of Finance – Information Services Division Department of Finance – FRMS Application Development Section **Recommendation** State agencies should develop formal system development methodologies for new computer programs, modifications to existing programs, and emergency modifications. These methodologies should ensure that only authorized projects are initiated and such projects achieve the desired results. State agencies should adequately segregate the duties of employees to achieve the proper level of control of projects and to ensure that an employee does not perform conflicting duties.	
08-01-01	Internal Control	**Finding 08-01-01 – Hiring, Training, and Personnel Policies** We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that employees hired to work in sensitive areas (i.e., the information technology environment) had the proper education and training necessary to perform the required duties and that such employees indicated no evidence of prior actions that might have a negative impact on the required duties. The Alcoholic Beverage Control Board did not obtain evidence that prospective employees to be hired for sensitive work had not been involved in prior criminal activity that might have a negative impact on the employee's ability to perform the required duties. Background check were not performed for employees that transferred from other state agencies.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Recommendation The Alcoholic Beverage Control Board should develop policies and procedures to ensure that employees are not hired that have a history of criminal activity that may have a negative impact on the employee's ability to perform sensitive duties.	
08-01-02	Internal Control	**Finding 08-01-02 – Alcoholic Beverage Control Board Accounting System** The Alcoholic Beverage Control Board completed its implementation of a new accounting system during the 2007-2008 fiscal year. The Board's specifications for the accounting system required that it include accounting for liquor taxes and revenues collected, and calculating distributions of those taxes and revenues in compliance with applicable state laws. The Invitation to Bid, mandatory bid requirement 3-0308, states that the accounting system will "provide the ability to create an automatic distribution formula to support State Title 28 allocations". The vendor's project documentation acknowledged these requirements; however, the installed accounting system does not provide this critical function. In addition, the vendor did not provide sufficient training for the Board's personnel for the new accounting system. The accounting system does not appear to be set up correctly and there is no evidence that appropriate testing was performed when the system was being installed; as a result, the Board is forced to maintain critical financial information "outside" the new accounting system using other software such as a Microsoft ACCESS database and EXCEL spreadsheets. The accountant made numerous manual adjusting entries to support the taxes and revenues distributed to other funds. Manual calculations and adjusting entries were also required in order for the Board to provide the Department of Finance with financial statements for the Comprehensive Annual Financial Report.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Finding Continued Reconciliations of information generated by the accounting system and the related subsystems (point of sale and inventory) were not being performed. One accountant prepares adjusting entries and performs calculations of taxes and revenues distributed. This employee was not sufficiently trained during implementation of the new accounting system. Management does not review the adjusting entries, calculations, or distributions prepared by the accountant. There are no written procedures documenting the accounting system or processes used to prepare financial information or distributions of taxes and revenues. In conclusion, the distribution of taxes and revenues and the preparation of financial statements involves a poorly implemented accounting system that does not support the financial information reported, requiring several manual processes, as well as other problems. These conditions substantially increase the risk that material errors will occur in the financial statements and not be detected in a timely manner. **Recommendations** The Alcoholic Beverage Control Board should develop policies and procedures to ensure that all requirements of software and systems acquisition projects are met and that the final product is tested and performs as intended and as required by the contract. The Board's accounting personnel should be adequately trained and supervised. Duties should be separated to the extent possible and cross-training should be done. Appropriate reconciliations and cross-checking should be performed between the accounting system and sub-systems. The Board should develop written policies and procedures for the accounting system and all financial processes.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
02-1-1	N/A	Statewide Cost Allocation Plan	**Finding** OMB Circular A-87, Appendix C, Subsection G.2, provides that an internal service fund may establish and maintain a reasonable level of working capital reserve in addition to the full recovery of costs. A working capital reserve as part of retained earnings of up to sixty days cash expenses for normal operating purposes is considered reasonable. During our testing of the State of Alabama Statewide Cost Allocation Plan, Section II-Direct Billed Costs, it was determined that some Internal Service Funds continue to have working capital reserves in excess of a sixty-day reserve. Our analysis was made using financial statements for the fiscal year ended September 30, 2008. This is considered noncompliance with OMB Circular A-87, Appendix C, Subsection G.2. The following internal service funds had reserves exceeding the sixty-day reserve: the Telecommunications Fund and the Service Division Fund (Mail and Supply Room), both of which are administered by the Department of Finance. **Recommendation** The Department of Finance should implement corrective action to ensure that billing rates used to charge other departments for services rendered through internal service funds provide for the full recovery of costs and a reasonable level of working capital reserve in accordance with OMB Circular A-87, Appendix C, Subsection G.2.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-1-1	N/A	Statewide Cost Allocation Plan	**Finding** An adequate system of internal control over statewide central service cost allocation plans prepared in accordance with OMB Circular A-87, Appendix C, would ensure that costs are allocated correctly. Testing of allocated costs was performed for three central service departments included in the State of Alabama Statewide Cost Allocation Plan's Schedule of Fixed Costs. Errors were noted with the allocation units for each central service department tested, which resulted in the overallocation and underallocation of central service costs. The costs overallocated and underallocated were ultimately reflected on the Schedule of Fixed Costs. The Schedule of Fixed Costs shows for each state agency the total amount of central service costs that can be charged as indirect costs to federal programs. Some of the allocation unit errors were the result of inaccurate source documentation being used when preparing the cost allocation plan and other errors were the result of the correct information on the source documentation not being used when preparing the plan. Additionally, errors independent of the allocation unit errors were noted on the calculation of fixed costs worksheet and these errors led to misstatements on the Schedule of Fixed Costs.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued The errors were the result of the correct amounts from a prior year's cost allocation plan not being used on the calculation of fixed costs worksheet. This is a significant deficiency in internal control. **Recommendation** The Department of Finance should ensure that the statewide central service cost allocation plan for the State of Alabama correctly allocates central service costs. The source documentation used to prepare the plan should be reviewed to determine that the data on it is reasonable. This review can be accomplished by comparing current year supporting documentation to prior year supporting documentation and investigating significant differences. Other errors can be prevented by having someone who did not prepare the plan review it for accuracy.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Disclosure of the Risk Management Purchase of Series 1995-B Bonds from the Alabama Incentives Financing Authority In August 1995, the Alabama Incentives Financing Authority (AIFA) issued $30,000,000 of Series 1995-B Capital Appreciation bonds. Proceeds from the sale of the bonds were used to assist new businesses locating in the State. The Division of Risk Management, Fund 0544, is the sole holder of the bonds, which were not publicly sold. The purchase of the bonds was recorded and accounted for as an investment in prior CAFRs. In the 2003-2004 fiscal year, the State of Alabama Department of Finance determined that the transaction would be more appropriately classified as an interfund loan. We concurred with this reclassification.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
02-2-1	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** The U. S. Department of Health and Human Services, Centers for Medicare and Medicaid Services notified the Alabama Medicaid Agency that approval of the State's Medicaid Waiver under Section 1915(b)(1) and (4) of the Social Security Act known as the Partnership Hospital Plan (PHP) would expire April 29, 2002. Thereafter, Alabama Medicaid operated the PHP program under the Alabama Medicaid Agency State Plan. Both the Waiver and State Plan provided for a capitation rate that was paid monthly for each Medicaid eligible, instead of payments to hospitals when services were received. Section AL-95-14 of the State Plan pertaining to the operation of the Partnership Hospital Plan provides for a specific methodology to calculate the capitation rates. It appears that the capitation rates paid after the Waiver ended were not computed in accordance with provisions of the State Plan, Section AL-95-14. **Recommendation** Capitation rates paid under the Partnership Hospital Plan program should be computed in accordance the Alabama Medicaid Agency State Plan, Section AL-95-14.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-2-1	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** An adequate system of internal controls is essential to ensure that data recorded in the accounting records are accurate and complete. Medicaid maintains a cashbook to manually record all federal and state receipts and disbursements of the agency Medicaid also has an Accounts Payable Accounting System that electronically tracks their receipts and disbursements. The Accounts Payable System transmits data to the Central Accounting System of the State of Alabama. Medicaid reconciles the Accounts Payable System to the Central Accounting System; however, they do not reconcile their cashbook to the Accounts Payable System to ensure that data transmitted to the Central Accounting System is accurate. Errors in the cashbook have been noted in the past causing the inaccurate forecasting of cash needs and drawing of federal funds. This is a material weakness in internal controls. **Recommendation** The Alabama Medicaid Agency should reconcile their cashbook to the Account Payable System on a monthly basis.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-2-2	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** As indicated in our Finding Number 02-02-1, Alabama Medicaid pays each of eight district Partnership Hospital Plans (PHPs) a capitation rate instead of using the method specified in its State Plan to calculate capitation payments. Essentially, this amount is equal to the number of Medicaid eligibles residing in the PHP's geographical area multiplied by a negotiated capitation rate. These negotiated rates are included in contracts between Medicaid and the PHPs. Medicaid negotiated rates with all eight PHPs during fiscal year 2008, but used an amount less than the contracted amount for fiscal year 2008 to make their November 2007 payments. This is a material weakness in internal control and noncompliance with the contracts and the State Plan. There are no questioned costs surrounding these payments since the rate used to make the payments was less than the contract rate. **Recommendation** Medicaid should ensure that payments made are in accordance with their approved State Plan and contracts.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Comment** During the prior audit period, Medicaid was in an ongoing dispute with the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), regarding some points of a 14-point list of areas where the federal agency had questions about Alabama Medicaid's operations including funding practices used by Alabama and other states to draw federal Medicaid matching funds. CMS and/or their auditor's OIG (Office of Inspector General) questioned excessive payments to public health facilities, circumvention of statutory ceilings for state Medicaid payments, called the "upper payment limit" (UPL), maximization of disproportionate-share hospital (DSH) payments, and pharmacy taxes. In February 2005, a compromise was reached between the two parties. Progress has been made and some issues have been resolved, however, Medicaid is continuing to work with CMS on implementing changes to resolve the remaining issues.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-3-1	14.228	U. S. Department of Housing and Urban Development; Community Development Block Grants/State's Program (CDBG)	**Finding** The OMB Circular A-133 Compliance Supplement states, for grants over $200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons. During our testing of 40 HUD 60002 forms, we noted 7 instances where a key line item (Total number of Section 2 businesses receiving construction contracts) were left blank. The HUD 60002 forms for 4 prime recipients were missing. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Alabama Department of Economic and Community Affairs should implement procedures to ensure that all prime recipients that are required to submit a Form HUD 60002 do so and that the forms submitted contain all required information.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-4-1	10.559	U. S. Department of Agriculture; Summer Food Service Program for Children (Child Nutrition Cluster)	**Finding** An adequate system of internal controls over reporting ensures that data used to compile reports is accurate. During testing of the FNS-418 Report of the Summer Food Service Program for Children, it was noted that the underlying supporting documentation contained errors and was not accurate. The count of lunches and snacks served were also included in the total count for breakfasts which resulted in an overpayment to 2 sites of one sponsor. The errors occurred at the state office. The amount of the errors was $3,445.00 with a projection of $9,749.00. As a result, the FNS-418 Report of the Summer Food Service Program for Children appears to be inaccurate. This is a significant deficiency in internal control. **Recommendation** The State Department of Education should implement procedures and controls to ensure that accurate information is included in the FNS-418 Report of Summer Food Service Program for Children and supporting documentation is complete and accurate.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-4-2	84.287	U. S. Department of Education; Twenty First Century Community Learning Centers	**Finding** According to OMB Circular A-133 Compliance Supplement, the Department is responsible for monitoring subrecipients of federal awards to provide reasonable assurance that the subrecipient administered federal awards in compliance with laws and regulations.	
	84.367	U. S. Department of Education; Title II, Part A - Improving Teacher Quality State Grants	The staff of the Compliance Assistance Program is responsible for performing on-site reviews of local educational agencies to ensure compliance with program requirements. Local educational agencies are reviewed on a three-year cycle which includes an on-site visit once in every three years resulting in the Department of Education performing approximately 40 site reviews each year. In July 2007, the Department of Education revised their monitoring process and ceased performing on-site reviews until September 2008. Our review found that the Department only performed six on-site reviews for the 2007-2008 fiscal year. This is a significant deficiency and a material weakness in internal control. **Recommendation** The Department of Education should adequately monitor local educational agencies through on-site reviews to ensure that local educational agencies are complying with all applicable program requirements.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
05-6-6	10.551 10.561	U. S. Department of Agriculture; Food Stamp Cluster	**Finding** To ensure that the State operates its Food Stamp Program in compliance with the law, program regulations, and the State agency's plan of operation, the State is required to have a system for monitoring and improving the administration of the program (7CFR275.1) particularly the accuracy of eligibility determinations. Accuracy involves not only the correct determinations of eligibility and benefit amounts, but also, maintaining accurate information on those who apply for benefits. We tested 60 food stamp case files for compliance with federal program requirements relating to the Food Stamp Program. During our testing, we noted four cases that had discrepancies related to recipients personal information. The discrepancies were noted between the computer system used to maintain and determine eligibility and the actual case files. The errors appear to be clerical errors and did not result in an overpayment. The following discrepancies were noted during our testing. During our testing of the food stamp files, we noted one instance at the Baldwin County Department of Human Resources and three instances at the Mobile County Department of Human Resources where the date of birth for a dependent was incorrect.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. **Recommendation** The Department of Human Resources should ensure that the information entered into the system is accurate.	
08-6-1	10.551 10.561	U. S. Department of Agriculture; Food Stamp Cluster	**Finding** The Department of Human Resources has implemented policies and procedures that are to be followed when EBT cards and PINs are received by the county offices. The Department's ***EBT Manual*** Section 8.3.7(A) requires that when the county office receives a card or PIN in the office, the EBT coordinator will record each item separately on the county EBT card and PIN log. The coordinator will enter the client's name, enter the date the item is received, and initial the entry in the space provided to acknowledge the receipt into inventory. Also, Section 8.3.7(C) requires that when the client comes to the office to pick up his/her card and PIN, the EBT coordinator should review some form of identification to validate the identity of the client before releasing the items. The coordinator should enter the date of issuance, check off that identification was seen, and have the client sign the log to acknowledge receipt. The EBT coordinator will also initial the space provided to confirm the card and/or PIN was issued.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued We reviewed the EBT card and Pin log at five counties. During our review, we noted the Department did not appear to be complying with policies and procedures relating to the EBT card and PIN log. During our testing at the Baldwin County Department of Human Resources, we noted that in March 2008, the Baldwin County Department of Human Resources received a PIN and card. The log did indicate that the PIN and card was received but the coordinator did not initial the log as required upon receipt into inventory. In January 2008, the Morgan County Department of Human Resources received an EBT card and PIN for two clients. When the clients picked their cards and PIN up, the EBT coordinator did not initial the log or indicate that identification was seen for either client. This is considered noncompliance with the Department of Human Resources policies and procedures as set forth in the ***EBT Manual*** and a significant deficiency in internal controls. **Recommendation** The Department of Human Resources should ensure that the EBT card and PIN log is completed as required by its internal policies and procedures.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-6-2	93.558	U. S. Department of Health and Human Services; Temporary Assistance for Needy Families	**Finding** To be eligible for TANF "assistance" as defined in 45 CFR Section 260.31 (a) or any MOE-funded benefits, services, or "assistance," a family must include a minor child who lives with a parent or other adult caretaker relative. According to DHR's TANF guidelines as recorded in the ***Assistance Payments Manual***, Section 2410, a temporary absence from the home for such occasions as children attending schools, visiting with friends and so forth is allowable. If a parent or child is expected to be absent from the home for a period of 30 consecutive days, they are not eligible for assistance unless the absence meets the guidelines of a temporary absence. We tested 60 foster care files for compliance with federal program requirements for the Foster Care program. As part of our testing, we determine whether or not the children in foster care were also receiving TANF assistance payments. During our testing, we noted that there were two children in foster care custody that were also in the budget for a grantee relative and receiving TANF assistance. One of the children entered foster care in March 2004 and was discharged due to adoption placement in June 2008. The other child entered foster care in February 2007 and was still there in April 2009. These two children had been removed from the custody of the grantee relative claiming them in their TANF budgets.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued This resulted in the grantee relative being allotted more program benefits than they were entitled to receive. This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. **Recommendation** DHR should have policies and procedures in place to ensure that TANF cases only include those children that live in the home of the parent or adult caretaker relative.	
08-6-3	93.558	U. S. Department of Health and Human Services; Temporary Assistance for Needy Families	**Finding** 45CFR265.7 requires each State's quarterly TANF Data Report (ACF-199) be complete and accurate. This means that the reported data accurately reflect the information available to the State in the case records, financial records, and automated data systems. The data should be free from computational errors and are internally consistent. The State should report data on all required elements for all families. These reports are used to determine if the State has met or exceeded their annual work participation rate standards. Failure to do so could mean a penalty of up to 21% of the grant funds. We compared the data included in the ACF-199 Report to the client files for the key lines items as stated in the March 2008 Compliance Supplement for this report.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued In order to test the completeness and accuracy of the ACF-199 Report, we traced the information from the ACF-199 Report to the case files that are maintained at the county level. During our testing of the ACF-199 Report, we noted the following errors. We noted 27 instances, where the ACF-199 Report indicated a different number of months counting towards the federal benefit time limit (a key line item) than what the Department of Human Resources case file or automated data system actually indicated. In the instances noted, it appears that the ACF-199 Report reflected an extra month of benefits had been received by the client. Also, we noted 9 instances where the work participation status (a key line item) was coded incorrectly. The clients were coded as being required to participate, but not participating with JOBS. However, it appears that the clients were not required to participate with JOBS. This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. **Recommendation** The Department of Human Resources should ensure that only complete and accurate information is reported on the ACF-199 Report.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-6-4	93.558	U. S. Department of Health and Human Services; Temporary Assistance for Needy Families	**Finding** Federal Regulations require that benefits paid to or on behalf of the individuals be calculated correctly and in compliance with the requirements of the program. Additionally, chapter three, Section 3200, of the Department's ***Assistance Payments Manual*** states that currently available gross income is taken into consideration in determining eligibility and the amount of the assistance payments for the TANF Program. Also, chapter three, Section 3210, of the Manual states that earned income will be reported timely and accurately within 10 days of new or increased earnings. While testing the payments made to 60 recipients for March 2008, we noted one case, in Jefferson County, where the client failed to report self employment earnings in a timely manner. Also, it appears that Jefferson County did not respond to the report of earnings timely. Based on our review of the case, it appears that the client began working in January 2008, but she did not report her earnings to the Department until late February 2008. Then in early April 2008, the TANF case worker followed up on the earnings and determined they were not reported timely. As a result of the earnings not being reported timely and acted upon promptly, the client received more monthly benefits than they were entitled to receive. This error resulted in a known questioned cost of $72.00 for the test month, and a likely (projected) questioned cost of $20,554.15 for the test month.	$656.00

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued In addition, there was $584.00 in questioned cost for the preceding and subsequent months related to the tested case file. This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. Total questioned cost is $656.00. **Recommendation** The Department of Human Resources should ensure that information that is received is processed timely so that the benefit calculations are correct.	
08-6-5	93.558 93.563	U. S. Department of Health and Human Services; Temporary Assistance for Needy Families U. S. Department of Health and Human Services; Child Support Enforcement	**Finding** According to Federal regulations, if a recipient does not cooperate with child support enforcement activities then the state must (1) deduct an amount equal to, but not less than 50 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. Chapter One, Section 1001 G., of the Department's ***Assistance Payments Manual*** states, "The grantee relative must cooperate with the Department in child support enforcement activities unless good cause for not cooperating is determined. This includes turning over all child support payments to the State." Chapter 2, Section 2610 of the Manual states that if the relative with whom the child is living fails to comply with the requirements, the relative will be sanctioned accordingly.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued We tested 60 cases that received payments for the month of March 2008 for compliance with federal program requirements relating to the TANF program. During our testing, we found five cases that we considered to be in error in relation to the above stated requirements. During our testing of the TANF case files at the Jefferson County Department of Human Resources, we noted five instances of noncompliance. In each of the five instances noted, there was at least one child, with at least one absent parent, included in the TANF budget for a family and the child support case was not opened timely for the applicable children. Of the five instances noted, we were informed that two of the cases were not processed timely because the computer system used to track TANF cases did not interface properly with the computer system used to track child support cases. Also, the three remaining cases did interface properly; however, they were not processed in a timely manner by child support personnel. This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. **Recommendation** The Department should implement policies and procedures that would ensure that child support cases are opened and processed in timely manner.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-6-6	93.563	U. S. Department of Health and Human Services; Child Support Enforcement	**Finding** An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. While verifying the OCSE 34A Quarterly Report of Collections for the Child Support Enforcement program to applicable supporting documentation, we noted that the amount reported as the Federal Share of IV-A Collections for Former IV-A Assistance was incorrect. The amount was overstated by $37,094. This overstatement also had an effect on the OCSE 396A Quarterly Expenditure Report for the Child Support Enforcement Program. The amount reported as the Federal Share of IV-A collections was overstated by $37,094. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Department of Human Resources should strengthen their internal controls to ensure that accurate information is included in its federal reports.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-8-1	93.958 93.959	Department of Health and Human Services: Block Grants for Community Mental Health Services Block Grants for Prevention and Treatment of Substance Abuse	**Finding** OMB Circular A-133, Section __.320 provides that audits of non-federal entities that expend $500,000 or more are due within one month of issuance of an audit report and no later than nine months after the end of the entity's fiscal year. The DMH/MR Audit Guidelines Manual states that, non-federal entities that expend less than $500,000 in Federal awards but expend $300,000 or more of any combination of funds (including Medicaid funding) obtained through DMH/MR during a fiscal year shall have an audit for that year that is in accordance with Government Auditing Standards ("Yellow Book"). These audits are also due within one month of issuance and no later than nine months after the end of the entity's fiscal year. During the review of required A-133 audit reports and Yellow Book Audits for subrecipients receiving Substance Abuse Prevention and Treatment Block Grant and Community Mental Health Services Block Grant funds, the following were noted: ♦ One of the subrecipients included in our prior year finding because they failed to timely submit their fiscal year 2006 audit report was also found to have failed to submit their fiscal year 2007 audit report by the due date. The Department of Mental Health and Mental Retardation (DMH/MR) did send several reminders to the subrecipient but failed to take further actions such as imposing sanctions.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued ♦ Two subrecipients submitted their audit reports 8 days after the nine month due date. DMH//MR did not attempt to notify these subrecipients of its noncompliance by sending a reminder letter. ♦ The DMH/MR also failed to meet their six month deadline for reviewing the audit report of one of the previously mentioned subrecipients. These are considered significant deficiencies in internal controls. **Recommendation** The State Department of Mental Health and Mental Retardation should ensure required audits are completed and received within the earlier of thirty days after the receipt of the audit report by the subrecipient, or nine months after the end of the audit period. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the DMH/MR should take further actions such as applying sanctions. This is in part a repeat finding.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
97-9-8	10.557 93.994	U. S. Department of Agriculture; Special Supplemental Nutrition Program for Women, Infants, and Children Department of Health and Human Services; Maternal and Child Health Services Block Grant to the States	**Finding** We reviewed the internal control policies and procedures affecting the ability of the Alabama Department of Public Health to be able to continue operations in the event the information technology resources of the Department were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning. Applications essential for accounting for federal programs reside on the State of Alabama Finance Department Information Systems Division (ISD) mainframe computer. The Department did not have adequate contingency planning and disaster recovery policies and procedures in place to be followed in the event of a disaster. Specifically, the Department does not have a contingency plan implemented for mainframe applications in case the ISD mainframe becomes unavailable. This remains a significant deficiency in internal controls. **Recommendation** The Alabama Department of Public Health should develop comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should be tested and should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
08-15-1	12.401	Department of Defense; National Guard Military Operations and Maintenance Projects	**Finding** OMB Circular A-87, Attachment B, Selected Items of Cost, requires that personnel activity reports (time sheets) reflect an after-the-fact distribution of the actual activity of each employee. We reviewed semi-monthly time sheets for employees serving in a firefighting role at Dannelly Field. We compared the information on the time sheets to daily attendance logs, an annual time card that reflects leave balances and hours worked each day, and leave records as appropriate. We noted numerous discrepancies during our review: ♦ The attendance logs documented instances where employees were off duty, while leave was not charged on the time sheets, time cards, and leave records for that time when the employee was not working. ♦ Time cards for certain employees were missing and not available for our review. ♦ Instances were noted where the time logs documented that employees were off duty and the employees' leave records correctly reflected this leave. However, the time sheets recorded this time as time worked.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued ♦ Compensatory leave hours were accrued on an employee's time card that did not appear to be supported by the other records reviewed. Also, the time logs documented that some employees worked on normal off-days and the other time records did not clearly document whether compensatory time was accrued for that time worked. Based on the tests performed, it does not appear that adequate controls were in place to prevent the noted discrepancies. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Military Department should implement procedures to ensure that time sheets accurately account for the total activity for which each firefighter is compensated and that the time sheets are supported by attendance records. Additionally, the Military Department should reduce the leave balances for the employees we noted where leave was not charged for off-duty time.	

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Summary Schedule of Prior Audit Findings
Department of Finance
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Department of Finance has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
02-1-1	With regard to the Information Services Fund, the Finance Department has negotiated directly with and paid to the Department of Health and Human Services (DHHS) the overcharges for fiscal years through 2003. With the negotiations completed for those fiscal years, working capital balances accumulated to that point are not contested by DHHS and should not be included in the calculation of working capital beginning with the 2004 fiscal year. The Department is working with DHHS to resolve overcharges by fiscal year for 2004 and forward. The Department continues to analyze and adjust rates, with the intent of reducing working capital reserves, and as a result less being paid to DHHS for each subsequent fiscal year. With regard to the Motor Pool Fund, the Finance Department experienced an increase in operating expenses with the continual escalation of the cost of gasoline and petroleum products. Working capital has also been expended in fiscal year 2008 as the Motor Pool continued to purchase new vehicles to update their fleet. Some of these vehicles are alternative fuel vehicles; the Motor Pool has made capital investments to provide for the proper maintenance of these environmentally friendly vehicles. As a result of these measures, the working capital balance for the Motor Pool as of the end of the 2008 fiscal year did not exceed the sixty day reserve for compliance with OMB Circular A-87, Appendix C, Subsection G.2. With regard to the Central Mail and Supply Fund, the Finance Department has purchased additional equipment to upgrade its mail processing and to comply with postal regulations. The impact of these additional expenditures has been a reduction in the working capital balance.

Summary Schedule of Prior Audit Findings
Alabama Medicaid Agency
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Medicaid Agency has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
02-2-1	Corrective action planned: State plan amendment 05-009 is submitted and is pending approval from CMS. This amendment incorporates the current methodology and eliminates the Partnership Hospital Program effective December 31, 2008.
07-2-1	Corrective action planned: Alabama Medicaid pays PHPs a "per member, per month" capitation rate in accordance with approved contracts.
07-2-2	Corrective action planned: Alabama Medicaid has strengthened internal controls to ensure correct beginning balances are used and are capable of being traced back to supporting documents.
07-2-3	Corrective action planned: Alabama Medicaid has disbursed all funds allocated by the Hurricane Katrina Provider Stabilization Grant and the final Financial Status and Progress Report (SF-269) has been submitted to CMS.

Summary Schedule of Prior Audit Findings
Department of Economic and Community Affairs
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Department of Economic and Community Affairs has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
06-3-1	Corrective action has been taken.
07-3-1	Corrective action has been taken.
07-3-2	Corrective action has been taken.

Summary Schedule of Prior Audit Findings
Department of Education
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Department of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
07-4-1	Corrective Action was taken.
07-4-2	Corrective Action was taken.

Summary Schedule of Prior Audit Findings
Emergency Management Agency
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Emergency Management Agency has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
07-5-1	Corrective action was taken to increase awareness in the agency of the Davis-Bacon Act including making copies of the Act available to management and discussing in staff meetings. As stated in the Corrective Action Plan, as future construction projects arise, AEMA will strive to work with the Alabama Building Commission, federal grantors, and others as applicable, to consider the requirements of the Davis-Bacon Act at the beginning of the project.

Summary Schedule of Prior Audit Findings
Department of Human Resources
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Department of Human Resources has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
01-01-01	Contact person(s): Nitin Rastogi DHR has learned that Finance ISD has received a mainframe identical to the one used for current operations. Finance ISD is considering the placement of this new mainframe in the Statehouse Building. However, no timeframe has been established for the same. Once the new mainframe is operational, DHR will work with Finance ISD to develop the disaster recovery solution for DHR's IT systems using the new mainframe as the alternate processing site.
05-06-03	Contact person(s): Melody Armstrong/Avis Hunter Item 2: Completed December 14, 2007. Item 3: Completed December 20, 2007.
05-06-06	Contact persons(s): Patricia Huffman Mobile County conducted the training on averaging medical expenses on June 26, 2008 attended by certification staff. The county monitored the effectiveness of the training through supervisory case reviews. According to the Management Review conducted in Mobile County on August 18-22, 2008, four corrective actions were required, one for medical deductions in the area of verification. Since there were no findings regarding the averaging of medical expenses, we consider the corrective action successful.
07-06-01	Contact persons(s): Steve Burden Corrective action was completed December 9, 2008. The Department expects to meet the June 30 deadline for applicable audit reports due next year. We will send a memo to all affected contractors informing them that it is mandatory that they submit audit reports by June 30 each year.

Summary Schedule of Prior Audit Findings
Department of Mental Health and Mental Retardation
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Department of Mental Health and Mental Retardation has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
07-8-1	Corrective action has been taken.

Summary Schedule of Prior Audit Findings
Department of Public Health
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(b), the Alabama Department of Public Health has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2008.

Finding Ref. No.	**Status of Prior Audit Finding**
97-9-8	As stated before, the Department of Public Health has neither the authority nor ability to contract for an alternate processing facility. That ability rests solely with the Department of Finance Information Services Division (ISD). ISD, in cooperation with the Alabama Department of Transportation, has established and tested an alternate processing facility located in Huntsville, Alabama at the Alabama Supercomputer Authority (ASA) installation. Additionally, the ISD is establishing a primary recovery facility in Montgomery. We are working with ISD to identify items needed on both disaster Recovery sites. ISD and Finance who maintain the financial systems are backing up that data needed for recovery processing. We are currently implementing back-ups of our data to new FAT carts to ensure all programs and data are available for disaster recovery. The expected date when we will have completed the disaster recovery testing and implementation is May 2009.
07-9-1	Corrective action was taken.
07-9-2	Corrective action was taken.

Auditee Responses/Corrective Action Plans
Section II – Financial Statement Findings (GAGAS)
Department of Finance
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Finance has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 01-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide appropriate security for computer data and programs through the proper use of security software features and management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The following agencies did not have adequate policies and procedures in place for access security:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Contact Person (s): Art Bess, Assistant Director
Office of Planning, Standards, and Compliance
Information Services Division
64 N. Union St., Suite 200
(334) 242-3118
art.bess@isd.alabama.gov

Steve Brown, Director
SMART Business Systems
100 North Union Street, Suite 680
(334) 353-5413
steve.brown@finance.alabama.gov

Corrective action taken: Online access security is handled by the owner of the data supported by the corresponding financial software application. Currently, online application capabilities limit some security functions and these limitations cannot be improved until the applications have been replaced. However, files are secured by RACF and various tools are used to monitor invalid access attempts.

Password security has been improved appropriately. A user ID and secure password are required for CICS access, IMS users of agencies that rely upon terminal control, and IMS users of agencies that require a system user sign-on before progressing to IMS.

RACF policies, procedures, administration, and practices have been updated and are in place for access security. Strategic RACF data management security features are projected to be implemented September 2009.

Anticipated completion date: September 2009

Finding 01-01-04 – Application Development and Maintenance

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that only authorized computer application programs are developed or modified and that such programs and modifications function as intended and meet the needs of users. State agencies do not follow formal system development methodologies for new computer applications, modifications to existing applications, or emergency modifications. This increases the risk that unauthorized programs or changes will be made, programs or changes will not be tested, and programs or changes will not function as intended to meet user needs. State agencies do not adequately segregate the duties of personnel to prevent such errors from occurring. The following agencies did not have adequate policies and procedures in place for application development and maintenance:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Contact Person (s): Julie Robertson, Assistant Director
Applications Development and Support
Information Services Division
Folsom Administration Building, Suite 758
(334) 424-3052
julie.robertson@isd.alabama.gov

Steve Brown, Director
SMART Business Systems
100 North Union Street, Suite 680
(334) 353-5413
steve.brown@finance.alabama.gov

Corrective action taken: ISD Applications Development and Support has prepared a Policies and Procedures document that describes the processes and procedures for system development, change management and applications security for all sections of the Office: FRMS, Mainframe and Client Server Applications, and Web Services. These procedures provide standardization for all ISD development and maintenance, ensure that applications are developed using the accepted methodologies and define change control processes for integrity and security of software and data. ISD personnel have been directed to follow these procedures.

Completion date: January 23, 2009

Auditee Responses/Corrective Action Plans
Section II – Financial Statement Findings (GAGAS)
Alcoholic Beverage Control Board
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Alcoholic Beverage Control Board (ABC) has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning.

The Alcoholic Beverage Control Board did not have policies and procedures to be followed in the event of a disaster.

Contact Person(s): Captain Vance Patton, ABC Enforcement Division

Corrective action planned: As of April 20, 2009, the ABC Board has an operational Disaster Recovery Plan in place. The alternate site is located within the offices of ABC Enforcement Division District 10 located at Monticello Drive, Montgomery, Alabama.

The written Disaster Recovery Plan continues to be modified and amended, and is designed to evolve in reaction to new developments. We anticipate publication by end of 1st Quarter of fiscal year 2010 as shown in our fiscal year 2010 Information Technology Strategic Plan.

Anticipated completion date: December 31, 2009

Finding 08-01-01 – Hiring, Training, and Personnel Policies

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that employees hired to work in sensitive areas (i.e., the information technology environment) had the proper education and training necessary to perform the required duties and that such employees indicated no evidence of prior actions that might have a negative impact on the required duties. The Alcoholic Beverage Control Board did not obtain evidence that prospective employees to be hired for sensitive work had not been involved in prior criminal activity that might have a negative impact on the employee's ability to perform the required duties. Background checks were not performed for employees that transferred from other state agencies.

Contact Person(s): Stan Goolsby, Director ABC Personnel

Corrective action planned: ABC Board Personnel Policies and Procedures (Chapter ABC-4-4-.03 Selection) require background checks to be completed on employees hired through the ordinary appointment process. On May 8, 2009, a memorandum was distributed to all Division Heads requiring that background checks be conducted for any new employee regardless of the method in which they are being appointed (e.g., original, reemployment, transfer, promotion, demotion, temporary, emergency, exceptional, provisional, or conditional).

Anticipated completion date: Completed

Finding 08-01-02 – Alcoholic Beverage Control Board Accounting System

The Alcoholic Beverage Control Board completed its implementation of a new accounting system during the 2007-2008 fiscal year. The Board's specifications for the accounting system required that it include accounting for liquor taxes and revenues collected, and calculating distributions of those taxes and revenues in compliance with applicable state laws. The Invitation to Bid, mandatory bid requirement 3-0308, states that the accounting system will "provide the ability to create an automatic distribution formula to support State Title 28 allocations". The vendor's project documentation acknowledged these requirements; however, the installed accounting system does not provide this critical function. In addition, the vendor did not provide sufficient training for the Board's personnel for the new accounting system.

The accounting system does not appear to be set up correctly and there is no evidence that appropriate testing was performed when the system was being installed; as a result, the Board is forced to maintain critical financial information "outside" the new accounting system using other software such as a Microsoft ACCESS database and EXCEL spreadsheets. The accountant made numerous manual adjusting entries to support the taxes and revenues distributed to other funds. Manual calculations and adjusting entries were also required in order for the Board to provide the Department of Finance with financial statements for the Comprehensive Annual Financial Report. Reconciliations of information generated by the accounting system and the related subsystems (point of sale and inventory) were not being performed. One accountant prepares adjusting entries and performs calculations of taxes and revenues distributed. This employee was not sufficiently trained during implementation of the new accounting system. Management does not review the adjusting entries, calculations, or distributions prepared by the accountant. There are no written procedures documenting the accounting system or processes used to prepare financial information or distributions of taxes and revenues.

In conclusion, the distribution of taxes and revenues and the preparation of financial statements involves a poorly implemented accounting system that does not support the financial information reported, requiring several manual processes, as well as other problems. These conditions substantially increase the risk that material errors will occur in the financial statements and not be detected in a timely manner.

Contact Person(s): Phillip Calvert, ABC Accounting Director

Corrective action planned: The Lawson software package has been purchased and implemented. It performs all functions as outlined in the bid specifications. Upon implementation it was determined that there were better ways to accomplish the calculations and manipulation of data needed to generate statutorily required reports and to perform certain calculations. This determination included the development of Access database and spreadsheet files to pull data from Lawson and manipulate it into the proper format. The overall package as implemented accomplishes all tasks needed in the format that has been established.

ABC Accounting is currently in the process of cross-training employees to do multiple jobs. Tasks and workload are such that it will be impossible to train everyone to perform every task; but, when cross-training is completed, at least two people will have been trained to accomplish each task. In addition, the new Accounting Director and his assistant will be trained in all procedures utilized within the division.

Calculations and reports are reconciled and cross checked between processes to insure that reports, documentation, and distributions are completed properly. The assembly of a central compilation of procedures for all required tasks is in process, and will be assembled after all employee cross-training has been completed.

Manual entries are made to check for accuracy, and/or to insure accuracy within the parameters of reports required by Title 28 -- rather than reliance on automated numbers calculated by the software system without adequate substantiation of accuracy.

Numerous procedures currently exist to serve a variety of mandated functions. However, the establishment of standardized procedures for the use of the automated system is still under development.

The ABC system, as established under Title 28, requires regular generation of numerous reports for a variety of purposes. When completed, the automated accounting system will generate reports that satisfy all informational requests. As soon as the compilation of written procedures has been completed, reports in conformity with the Public Examiners' request will be readily generated.

Anticipated completion date: December 31, 2009

Auditee Responses/Corrective Action Plans
Section II – Financial Statement Findings (GAGAS)
Department of Education
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning. The Department of Education did not have policies and procedures to be followed in the event of a disaster.

Contact Person(s): Craig Pouncey

Corrective Action Planned: The State Department of Education (SDE) has instituted daily backups of all mainframe files and datasets to be used in the event of a disaster. SDE uses mainframe hardware resources at the Department of Finance, Information Services Division (ISD). SDE relies on ISD to provide alternative mainframe hardware resources in the event of a disaster at ISD.

SDE is implementing a Web-based connection to the mainframe which allows remote access in the event of a disaster at SDE. Additionally, SDE is formulating specific staffing plans for working remotely in the event of a disaster at the Gordon Persons Building.

SDE is updating its Contingency Plan to reflect current operations, policies, and procedures to be followed in the event of a disaster.

Anticipated Completion Date: February 2010

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Human Resources has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning.

The Department of Human Resources did not have policies and procedures to be followed in the event of a disaster.

Contact Person(s): Jeff Porter

Corrective action planned: Since our last Corrective Action Plan update, a decision was made by Finance ISD to locate the secondary mainframe in the State House Data Center. Finance ISD expects the secondary mainframe to be operational in the first quarter of fiscal year 2010. Once the new mainframe is operational in the State House Data Center, DHR ISD will work with Finance ISD to develop the Disaster Recovery Solution for our systems, using the secondary mainframe as the alternate processing site.

Anticipated completion date: We anticipate completion of the planned corrective action by the third quarter of fiscal year 2010.

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Mental Health and Mental Retardation has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning.

The Department of Mental Health did not have policies and procedures to be followed in the event of a disaster.

Contact Person(s): Dan Evans

Corrective action planned: The DMH/MR plans to continue working with ISD and move as quickly as practical to take advantage of disaster recovery services as they become available.

Anticipated completion date: To be determined by the availability of the disaster recovery services from ISD.

The Alabama Department of Mental Health (ADMH) has a client information/billing system for its Intellectual Disabilities state and federally funded community services and its Substance Abuse services funded by the Substance Abuse Block Grant, Medicaid, and state funds. ADMH participates in an Advanced Disaster Recovery Services Plan for this client information/billing system. The primary service site for this service is in Andover, Massachusetts. A completely replicated environment is in a remote data center located in California. ADMH also maintains a Technology Escrow account for both systems with Iron Mountain Intellectual Property Management, Inc. in Norcross, Georgia. Disaster recovery solutions will be delivered within 4 business hours of notification of failure.

Auditee Responses/Corrective Action Plans
Section III – Federal Awards Findings and Questioned Costs
Department of Finance
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Finance has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 02-1-1

OMB Circular A-87, Appendix C, Subsection G.2, provides that an internal service fund may establish and maintain a reasonable level of working capital reserve in addition to the full recovery of costs. A working capital reserve as part of retained earnings of up to sixty days cash expenses for normal operating purposes is considered reasonable.

During our testing of the State of Alabama Statewide Cost Allocation Plan, Section II-Direct Billed Costs, it was determined that some Internal Service Funds continue to have working capital reserves in excess of a sixty-day reserve. Our analysis was made using financial statements for the fiscal year ended September 30, 2008. This is considered noncompliance with OMB Circular A-87, Appendix C, Subsection G.2.

The following internal service funds had reserves exceeding the sixty-day reserve: the Telecommunications Fund and the Service Division Fund (Mail and Supply Room), both of which are administered by the Department of Finance.

Contact Person(s): Marilyn Dozier
Jackie McCall

Corrective action planned: For the Telecommunications Funds (Information Services Division Fund), the Department of Finance has negotiated directly with the Department of Health and Human Services (DHHS). The Department continues to work with DHHS to resolve any overcharges that may be determined for fiscal year 2004 and forward. The Statewide Cost Allocation Plan has been submitted to DHHS for fiscal year ended September 30, 2006. The Department continues to analyze rates to reduce the amount which may be due to DHHS for each subsequent fiscal year.

For the Mail and Supply Room Fund, the Finance Department continues to upgrade its operation by modernizing mailroom equipment and streamlining mailroom processes. Working capital is being reduced by covering these upgrades.

Anticipated completion date: September 30, 2011

Finding 08-1-1

An adequate system of internal control over statewide central service cost allocation plans prepared in accordance with OMB Circular A-87, Appendix C, would ensure that costs are allocated correctly. Testing of allocated costs was performed for three central service departments included in the State of Alabama Statewide Cost Allocation Plan's Schedule of Fixed Costs.

Errors were noted with the allocation units for each central service department tested, which resulted in the overallocation and underallocation of central service costs. The costs overallocated and underallocated were ultimately reflected on the Schedule of Fixed Costs. The Schedule of Fixed Costs shows for each state agency the total amount of central service costs that can be charged as indirect costs to federal programs. Some of the allocation unit errors were the result of inaccurate source documentation being used when preparing the cost allocation plan and other errors were the result of the correct information on the source documentation not being used when preparing the plan.

Additionally, errors independent of the allocation unit errors were noted on the calculation of fixed costs worksheet and these errors led to misstatements on the Schedule of Fixed Costs. The errors were the result of the correct amounts from a prior year's cost allocation plan not being used on the calculation of fixed costs worksheet.

This is a significant deficiency in internal control.

Contact Person(s): Marilyn Dozier
Jackie McCall

Corrective action planned: The Statewide Cost Allocation Plan is prepared by consultants specializing in Cost Allocation Plans and we rely on their expertise. Errors identified on the 2006 SWCAP that were made as a result of using incorrect source data will be reviewed more closely in the future to make every attempt to determine that accurate reporting is being used to develop the plan. It is our opinion that the agency supplying the source data to the Department of Finance or its consultants should have a responsibility as to the integrity of the information being provided.

Anticipated completion date: March 31, 2010

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Alabama Medicaid Agency has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 02-2-1

The U. S. Department of Health and Human Services, Centers for Medicare and Medicaid Services notified the Alabama Medicaid Agency that approval of the State's Medicaid Waiver under Section 1915(b)(1) and (4) of the Social Security Act known as the Partnership Hospital Plan (PHP) would expire April 29, 2002. Thereafter, Alabama Medicaid operated the PHP program under the Alabama Medicaid Agency State Plan. Both the Waiver and State Plan provided for a capitation rate that was paid monthly for each Medicaid eligible, instead of payments to hospitals when services were received. Section AL-95-14 of the State Plan pertaining to the operation of the Partnership Hospital Plan provides for a specific methodology to calculate the capitation rates. It appears that the capitation rates paid after the Waiver ended were not computed in accordance with provisions of the State Plan, Section AL-95-14.

Contact Person(s): Terry G. Bryant, CFO/Deputy Commissioner Financial Management

Corrective action planned: State Plan Amendment 05-009 is still pending with the Centers for Medicare and Medicaid Services that eliminates the PHP plan. Also, Act 2009-549 of the Alabama Legislature prescribes a new reimbursement methodology for inpatient and outpatient services for hospitals participating in the Alabama Medicaid Program.

Anticipated completion date: October 1, 2009

Finding 08-2-1

An adequate system of internal controls is essential to ensure that data recorded in the accounting records are accurate and complete. Medicaid maintains a cashbook to manually record all federal and state receipts and disbursements of the agency. Medicaid also has an Accounts Payable Accounting System that electronically tracks their receipts and disbursements. The Accounts Payable System transmits data to the Central Accounting System of the State of Alabama. Medicaid reconciles the Accounts Payable System to the Central Accounting System; however, they do not reconcile their cashbook to the Accounts Payable System to ensure the data transmitted to the Central Accounting System is accurate. Errors in the cashbook have been noted in the past causing the inaccurate forecasting of cash needs and drawing of federal funds. This is a material weakness in internal controls.

Contact Person(s): Gladys Gray, Director Financial Operations

Corrective action planned: Effective February 2009, Alabama Medicaid started reconciling the Accounts Payable System (APS) to both the Central Accounting System **and** the cashbook on a monthly basis. Reconciliation of the cashbook to the APS ensures the proper split between Federal and State expenditures and receipts. This provides assurance that cash needs will be accurately forecasted and that the correct dollar amount of federal funds will be drawn.

Anticipated completion date: Corrective action has already been taken.

Finding 08-2-2

As indicated in our Finding Number 02-02-1, Alabama Medicaid pays each of eight district Partnership Hospital Plans (PHPs) a capitation rate instead of using the method specified in its State Plan to calculate capitation payments. Essentially, this amount is equal to the number of Medicaid eligibles residing in the PHP's geographical area multiplied by a negotiated capitation rate. These negotiated rates are included in contracts between Medicaid and the PHPs. Medicaid negotiated rates with all eight PHPs during fiscal year 2008, but used an amount less than the contracted amount for fiscal year 2008 to make their November 2007 payments. This is a material weakness in internal control and noncompliance with the contracts and the State Plan. There are no questioned costs surrounding these payments since the rate used to make the payments was less than the contract rate.

Contact Person(s): Terry G. Bryant, CFO/Deputy Commissioner Financial Management

Corrective action planned: Double check monthly calculations to eliminate mistakes.

Anticipated completion date: Corrective action has already been taken.

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Economic and Community Affairs has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 08-3-1

The OMB Circular A-133 Compliance Supplement states, for grants over $200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons.

During our testing of 40 HUD 60002 forms, we noted 7 instances where a key line item (Total number of Section 2 businesses receiving construction contracts) were left blank. The HUD 60002 forms for 4 prime recipients were missing. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.

Contact Person(s): Shabbir Olia

Corrective action planned: For the 2008 HUD 60002 forms, my staff has reconciled 2007 forms contained in the suspense file to the information provided in the 2008 CAPER by reviewing the information in the suspense file, contacting CDBG grantees, and updating the 60002 forms from the grant files. Information that was already reported in 2007 was removed to prevent duplication. The CAPER submitted to HUD on June 29, 2009, contains the updated Section 3 information for 2008 and prior years.

Beginning with the 2009 program year, ADECA CDBG staff will ensure that all HUD 60002 forms are received and completed in an accurate and timely manner. ADECA will institute a policy to collect Section 3 information during the early stage of project start-up. Currently, ADECA requires grantees to provide the Notice of Start of Construction upon the full execution of the prime construction contract. No payment request for construction is processed prior to the receipt of this notice. Since at this stage most, if not all projects have obligated the full budgeted amounts, ADECA will expand the scope of the Notice of Start of Construction to include Form 60002. Also, ADECA will require grant administrators to update Form 60002 at the project close-out if there is a change in the contract amount or Section 3 activity from that submitted at the start-up stage. The grant administrators will be encouraged to collect as much Section 3 information as possible from the contractor during the pre-construction conference. The Section 3 information will be reviewed by the ADECA program supervisors. The CDBG Request for Payment Checklist will also be revised to incorporate the Section 3 submission.

This approach will ensure the information is collected and reviewed at the appropriate stage during the grant cycle and will eliminate instances of missing forms and inconsistent data since the grantees will be required to provide information prior to ADECA's disbursement of grant funds.

Anticipated completion date: Ongoing

Auditee Responses/Corrective Action Plans
Section III – Federal Awards Findings and Questioned Costs
Department of Education
For the Year Ended September 30, 2008

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 08-4-1

An adequate system of internal controls over reporting ensures that data used to compile reports is accurate. During testing of the FNS-418 Report of the Summer Food Service Program for Children, it was noted that the underlying supporting documentation contained errors and was not accurate.

As a result, the FNS-418 Report of the Summer Food Service Program for Children appears to be inaccurate. This is a significant deficiency and a material weakness in internal control.

Contact Person(s): Vera Guettler

Corrective action planned: Summer Food Service Program site-based claims have been manually entered and edited by SDE Accounting staff. The basic automated edit in the old program had been disabled; ISS programmers had been assigned to concentrate on new Summer Feeding programming and edits. The short program duration and sheer volume of claim data contributed to the incorrect entry and overpayment. The error was corrected immediately upon discovery. A refund was requested, received, and processed within 3 days of notification.

The basic automated edit in the old program was enabled and all fiscal year 2008 claims were reedited. The new automated claims program is complete and has been tested and will be used for fiscal year 2009 and future Summer Feeding claims.

Anticipated completion date: Completed

Finding 08-4-2

According to OMB Circular A-133 Compliance Supplement, the Department is responsible for monitoring subrecipients of federal awards to provide reasonable assurance that the subrecipient administered federal awards in compliance with laws and regulations. The staff of the Compliance Assistance Program is responsible for performing on-site reviews of local educational agencies to ensure compliance with program requirements. Local educational agencies are reviewed on a three year cycle which includes an on-site visit once in every three years resulting in the Department of Education performing approximately 40 site reviews each year. In July 2007, the Department of Education revised their monitoring process and ceased performing on-site reviews until September 2008. Our review found that the Department only performed six on-site reviews for the 2007-2008 fiscal year. This is a significant deficiency and a material weakness in internal control.

Contact Person(s): Craig Pouncey

Corrective action planned: The State Department of Education (SDE) has developed and implemented a revised monitoring effort known as Compliance Assistance. During the development period, 6 months was used to finish up all open citations from the previous process, another six months was used to develop a Risk-based review process. Onsite monitoring under this new monitoring effort was reinstated September 2008, this included 40 LEA on-site reviews. Additionally, the SDE will conduct desk audits and follow ups to ensure all OMB Circular A-133 monitoring requirements are met.

Anticipated completion date: Completed

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Human Resources has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 05-6-6

To ensure that the State operates its Food Stamp Program in compliance with the law, program regulations, and the State agency's plan of operation, the State is required to have a system for monitoring and improving the administration of the program (7CFR275.1) particularly the accuracy of eligibility determinations. Accuracy involves not only the correct determinations of eligibility and benefit amounts, but also, maintaining accurate information on those who apply for benefits.

We tested 60 food stamp case files for compliance with federal program requirements relating to the Food Stamp Program. During our testing, we noted four cases that had discrepancies related to recipients personal information. The discrepancies were noted between the computer system used to maintain and determine eligibility and the actual case files. The errors appear to be clerical errors and did not result in an overpayment. The following discrepancies were noted during our testing.

During our testing of the food stamp files, we noted one instance at the Baldwin County Department of Human Resources and three instances at the Mobile County Department of Human Resources where the date of birth for a dependent was incorrect.

This is noncompliance with federal laws and regulations and a significant deficiency in internal controls.

Contact Person(s): Patricia Huffman

Corrective action planned: Supervisor(s) will meet with data entry worker(s) regarding the importance of keying the client's personal information accurately from the application to SCI-II System to register applications. Also, workers will be cautioned to validate the 1139 with the information on the application for accuracy and make corrections according to instructions in the Automation Manual, Chapter 9, Section 904. Periodic reviews of 1139's will be conducted by Supervisors to monitor the progress of the plan. An evaluation of the action will be completed in three months to determine if the corrective action was successful in eliminating the error.

Anticipated completion date: September 30, 2009

Finding 08-6-1

The Department of Human Resources has implemented policies and procedures that are to be followed when EBT cards and PINs are received by the county offices. The Department's ***EBT Manual*** Section 8.3.7(A) requires that when the county office receives a card or PIN in the office, the EBT coordinator will record each item separately on the county EBT card and PIN log. The coordinator will enter the client's name, enter the date the item is received, and initial the entry in the space provided to acknowledge the receipt into inventory. Also, Section 8.3.7(C) requires that when the client comes to the office to pick up his/her card and PIN, the EBT coordinator should review some form of identification to validate the identity of the client before releasing the items. The coordinator should enter the date of issuance, check off that identification was seen, and have the client sign the log to acknowledge receipt. The EBT coordinator will also initial the space provided to confirm the card and/or PIN was issued.

We reviewed the EBT card and Pin log at five counties. During our review, we noted the Department did not appear to be complying with policies and procedures relating to the EBT card and PIN log. During our testing at the Baldwin County Department of Human Resources, we noted that in March 2008, the Baldwin County Department of Human Resources received a PIN and card. The log did indicate that the PIN and card was received but the coordinator did not initial the log as required upon receipt into inventory.

In January 2008, the Morgan County Department of Human Resources received an EBT card and PIN for two clients. When the clients picked their cards and PIN up, the EBT coordinator did not initial the log or indicate that identification was seen for either client.

This is considered noncompliance with the Department of Human Resources policies and procedures as set forth in the ***EBT Manual*** and a significant deficiency in internal controls.

Contact Person(s): Patricia Huffman

Corrective action planned: EBT/PIN logs will be checked daily by designated staff in the county to insure that the EBT Coordinator complies with the policies and procedures as outlined in the EBT Manual. A review of the procedures will be provided to EBT Coordinators on June 30, 2009. Monitoring updates will be provided to the Food Assistance Division monthly with an evaluation of corrective action plan in three months to determine if the action was successful in eliminating the error cited.

Anticipated completion date: September 30, 2009

Finding 08-6-2

To be eligible for TANF "assistance" as defined in 45 CFR section 260.31 (a) or any MOE-funded benefits, services, or "assistance," a family must include a minor child who lives with a parent or other adult caretaker relative. According to DHR's TANF guidelines as recorded in the ***Assistance Payments Manual***, Section 2410, a temporary absence from the home for such occasions as children attending schools, visiting with friends and so forth is allowable. If a parent or child is expected to be absent from the home for a period of 30 consecutive days, they are not eligible for assistance unless the absence meets the guidelines of a temporary absence.

We tested 60 foster care files for compliance with federal program requirements for the Foster Care program. As part of our testing, we determine whether or not the children in foster care were also receiving TANF assistance payments. During our testing, we noted that there were two children in foster care custody that were also in the budget for a grantee relative and receiving TANF assistance. One of the children entered foster care in March 2004 and was discharged due to adoption placement in June 2008. The other child entered foster care in February 2007 and was still there in April 2009. These two children had been removed from the custody of the grantee relative claiming them in their TANF budgets. This resulted in the grantee relative being allotted more program benefits than they were entitled to receive.

This is noncompliance with federal laws and regulations and a significant deficiency in internal controls.

Contact Person(s): Melody Armstrong/Jeri Farrior/Avis Hunter

Corrective action planned: Erroneous payments have been processed for recovery for each case. The new system interface between FACETS and FACTS which was not fully operational as of March 2008 (audit month) will eliminate this type of erroneous payment in the future. This interface notifies eligibility workers upon the entry of a child into foster care. The prior procedures relied on worker intervention for this information sharing.

Anticipated completion date: January 5, 2009 (FACTS operational statewide)

Finding 08-6-3

45CFR265.7 requires each State's quarterly TANF Data Report (ACF-199) be complete and accurate. This means that the reported data accurately reflect the information available to the State in the case records, financial records, and automated data systems. The data should be free from computational errors and are internally consistent. The State should report data on all required elements for all families. These reports are used to determine if the State has met or exceeded their annual work participation rate standards. Failure to do so could mean a penalty of up to 21% of the grant funds. We compared the data included in the ACF-199 Report to the client files for the key lines items as stated in the March 2008 Compliance Supplement for this report.

In order to test the completeness and accuracy of the ACF-199 Report, we traced the information from the ACF-199 Report to the case files that are maintained at the county level. During our testing of the ACF-199 Report, we noted the following errors. We noted 27 instances, where the ACF-199 Report indicated a different number of months counting towards the federal benefit time limit (a key line item) than what the Department of Human Resources case file or automated data system actually indicated. In the instances noted, it appears that the ACF-199 Report reflected an extra month of benefits had been received by the client.

Also, we noted 8 instances where the work participation status (a key line item) was coded incorrectly. The clients were coded as being required to participate, but not participating with JOBS. However, it appears that the clients were not required to participate with JOBS.

This is noncompliance with federal laws and regulations and a significant deficiency in internal controls.

Contact Person(s): 1. Melody Armstrong/Avis Hunter, 2. Debby Wood/Freida Brannon

Corrective action planned: 1. Concur with finding the count was incorrect. No payment errors occurred as a result of this system malfunction. This is a newly identified problem. A system problem ticket #11158-9 was submitted to our Information Services Division (ISD) on April 14, 2009 for research and correction. 2. Concur with finding the coding was incorrect. No payment errors occurred as a result of this system malfunction. A system problem ticket #7845-09 was submitted to ISD on March 11, 2009 for research and correction.

Anticipated completion date: 1. December 2009, 2. December 2009

Finding 08-6-4

Federal Regulations require that benefits paid to or on behalf of the individuals be calculated correctly and in compliance with the requirements of the program. Additionally, chapter three, Section 3200, of the Department's ***Assistance Payments Manual*** states that currently available gross income is taken into consideration in determining eligibility and the amount of the assistance payments for the TANF Program. Also, chapter three, Section 3210, of the Manual states that earned income will be reported timely and accurately within 10 days of new or increased earnings. While testing the payments made to 60 recipients for March 2008, we noted one case, in Jefferson County, where the client failed to report self employment earnings in a timely manner. Also, it appears that Jefferson County did not respond to the report of earnings timely.

Based on our review of the case, it appears that the client began working in January 2008, but she did not report her earnings to the Department until late February 2008. Then in early April 2008, the TANF case worker followed up on the earnings and determined they were not reported timely. As a result of the earnings not being reported timely and acted upon promptly, the client received more monthly benefits than they were entitled to receive.

This error resulted in a known questioned cost of $72.00 for the test month, and a likely (projected) questioned cost of $20,554.15 for the test month.

In addition, there was $584.00 in questioned cost for the preceding and subsequent months related to the tested case file.

This is noncompliance with federal laws and regulations and a significant deficiency in internal controls. Total questioned cost is $656.00.

Contact Person(s): Melody Armstrong/Jeri Farrior

Corrective action planned: Payments erroneously issued have been processed for recovery. Failure of the agency to timely process information once received is an isolated occurrence as the sharing of information between the JOBS and Eligibility workers on a non timely basis is rare. Program policy slide show presentations for use by county workers and supervisors as a training tool for client reporting and budgeting were issued on February 11, 2009 and June 15, 2009 respectively. These presentations are also available on the Department shared drive for ongoing use as needed.

Anticipated completion date: Complete

Finding 08-6-5

According to Federal regulations, if a recipient does not cooperate with child support enforcement activities then the state must (1) deduct an amount equal to, but not less than 50 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance.

Chapter One, Section 1001 G., of the Department's ***Assistance Payments Manual*** states, "The grantee relative must cooperate with the Department in child support enforcement activities unless good cause for not cooperating is determined. This includes turning over all child support payments to the State." Chapter 2, Section 2610 of the Manual states that if the relative with whom the child is living fails to comply with the requirements, the relative will be sanctioned accordingly.

We tested 60 cases that received payments for the month of March 2008 for compliance with federal program requirements relating to the TANF program. During our testing, we found five cases that we considered to be in error in relation to the above stated requirements.

During our testing of the TANF case files at the Jefferson County Department of Human Resources, we noted five instances of noncompliance.

In each of the five instances noted, there was at least one child, with at least one absent parent, included in the TANF budget for a family and the child support case was not opened timely for the applicable children. Of the five instances noted, we were informed that two of the cases were not processed timely because the computer system used to track TANF cases did not interface properly with the computer system used to track child support cases. Also, the three remaining cases did interface properly; however, they were not processed in a timely manner by child support personnel.

This is noncompliance with federal laws and regulations and a significant deficiency in internal controls.

TANF: Contact Person(s): Melody Armstrong/Jeri Farrior/Avis Hunter

Corrective action planned: Concur two cases were dropped in the automated interface. No additional corrective action is needed as there are standing instructions to report any case that is not successfully referred through the interface between FACETS (IV-A) and ALECS (IV-D) to the Family Assistance Division for research as part of the ongoing evaluation of this interface. Further interim operational procedures direct staff to manually refer cases dropped. These procedures are discussed as part of worker training sessions and in response to individual staff questions as needed. These procedures will remain in place until the automated corrective solution is fully identified and implemented. Additionally such cases can be identified though use of a report developed in part to advise IV-A and IV-D staff of such system failure. The report is titled FACETS Daily Awards, Denials, and Terminations (PSWCR111). By comparison, of FA awards to successful referrals on ALECS the following day, unsuccessful referrals are known.

Anticipated completion date: N/A

Child Support Enforcement: Contact Person(s): Sheila C. Lane, Program Manager
Field Operations, Child Support Enforcement Division

Corrective action planned: The cases cited were reviewed by staff in CSED as well as the ALECS Project. In the two cases that did not interface properly, it should be noted that the custodial parents were known to ALECS. As a result, the grant information that transmits from the TANF program updated the ALECS screens to indicate the increase in the grant amount when these children were added but did not interface with a referral to the Child Support Program. Problem reports have been submitted to indicate problems to ALECS and the Child Support Enforcement Division continues to strive to resolve these issues with the TANF/ALECS interface.

Three cases that did interface simply were not resolved in a timely manner in Jefferson County. Due to this oversight and the issues in the other two cases, Jefferson County has implemented local procedures to strive to eliminate both type errors. There is a daily printout on the TANF side that is provided to Child Support which indicates TANF awards and terminations. A Supervisor reviews this list to make sure that the appropriate cases are resolved on the ALECS side to interface properly with TANF to receive grant amounts which affect child support accounts and balances. It should be noted there was no indication that money was received in error or distributed incorrectly as a result of these noted errors.

Anticipated completion date: June 30, 2009

Finding 08-6-6

An adequate system of internal controls over reporting ensures that data used to compile reports is accurate and complete. While verifying the OCSE 34A Quarterly Report of Collections for the Child Support Enforcement program to applicable supporting documentation, we noted that the amount reported as the Federal Share of IV-A Collections for Former IV-A Assistance was incorrect. The amount was overstated by $37,094. This overstatement also had an effect on the OCSE 396A Quarterly Expenditure Report for the Child Support Enforcement Program. The amount reported as the Federal Share of IV-A collections was overstated by $37,094. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.

Contact Person(s): Constance Tanner

Corrective action planned: Correction will be reported on OCSE34A for quarter ended June 30, 2009.

Anticipated completion date: July 31, 2009

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Mental Health and Mental Retardation has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 08-8-1

OMB Circular A-133, Section __.320 provides that audits of non-federal entities that expend $500,000 or more are due within one month of issuance of an audit report and no later than nine months after the end of the entity's fiscal year.

The DMH/MR Audit Guidelines Manual states that, non-federal entities that expend less than $500,000 in Federal awards but expend $300,000 or more of any combination of funds (including Medicaid funding) obtained through DMH/MR during a fiscal year shall have an audit for that year that is in accordance with Government Auditing Standards ("Yellow Book"). These audits are also due within one month of issuance and no later than nine months after the end of the entity's fiscal year.

During the review of required A-133 audit reports and Yellow Book Audits for subrecipients receiving Substance Abuse Prevention and Treatment Block Grant and Community Mental Health Services Block Grant funds, the following were noted:

One of the subrecipients included in our prior year finding because they failed to timely submit their fiscal year 2006 audit report was also found to have failed to submit their fiscal year 2007 audit report by the due date. The Department of Mental Health and Mental Retardation (DMH/MR) did send several reminders to the subrecipient but failed to take further actions such as imposing sanctions.

Two subrecipients submitted their audit reports 8 days after the nine month due date. DMH/MR did not attempt to notify these subrecipients of its noncompliance by sending a reminder letter.

The DMH/MR also failed to meet their six month deadline for reviewing the audit report of one of the previously mentioned subrecipients.

These are considered significant deficiencies in internal controls.

Contact Person(s): Catheryn B. Townsend

Corrective action planned: The Contracts Office will implement procedures to notify all subrecipients that audits should be received within thirty days after receipt of audit report, or nine months after the end of the audit period.

The procedure is as follows:

1. In January of each year, a print out of all prior year contracts will be requested from Data Management.
2. The Contracts Office will highlight each subrecipient who is required to submit an audit.
3. A date will be entered beside the subrecipient's name as each audit is received.
4. A reminder will be mailed to each subrecipient who has not submitted an audit by the due date.
5. A letter will be mailed to each subrecipient requesting an audit within two weeks after the due date.
6. A spread sheet will be maintained by the Contracts Office with the due date of each subrecipients audit, the date the audit was received in the Contracts Office, and the dates of contact if the audit is not received.
7. If no audit is received in the Contracts Office by the third request, a letter will be sent to the subrecipient initiating sanctions up to and including withholding of federal funds.

Anticipated completion date: June 30, 2009

In addition, the Department has removed CMHS Block Grant funds from the fiscal year 2009 contract of the subrecipient whose audit has not been received.

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the Department of Public Health has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 97-9-8

We reviewed the internal control policies and procedures affecting the ability of the Alabama Department of Public Health to be able to continue operations in the event the information technology resources of the Department were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning. Applications essential for accounting for federal programs reside on the State of Alabama Finance Department Information Systems Division (ISD) mainframe computer.

The Department did not have adequate contingency planning and disaster recovery policies and procedures in place to be followed in the event of a disaster. Specifically, the Department does not have a contingency plan implemented for mainframe applications in case the ISD mainframe becomes unavailable. This remains a significant deficiency in internal controls.

Contact Person(s): Michael Jones, Linda Hines, or Steve Hill; (334) 206-5264

Corrective action planned: As stated before, the Department of Public Health has neither the authority nor ability to contract for an alternate processing facility. That ability rests solely with the Department of Finance Information Services Division (ISD). ISD notified ADPH on June 15, 2009 that they are now planning to use the State House Data Center as the alternate processing site should the Folsom data center become unavailable. ISD states that they will have the alternate processing facility available in mid to late summer 2009.

ISD has discarded their previous plan for using the Huntsville site and has notified us that the backup and recovery plan ADPH formulated based on tape backups will be impossible. ADPH worked with ISD from early 2008 to the present to identify items needed for the Disaster Recovery site. ADPH developed a detailed Disaster Recovery Plan and have performed processes to back-up our entire system to cartridges.

ADPH will develop a new set of policies and procedures to be followed in the event of a disaster. The Disaster Recovery Plan will be modified after consultation and coordination with ISD during the implementation of their new alternate processing site. Once the site has been implemented, we will schedule testing of the Disaster Recovery procedures with ISD, evaluate results, and make the necessary adjustments to the plan.

Anticipated completion date: March 2010

As required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, Section ___.315(c), the State Military Department has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

Corrective Action Plan Details

Finding 08-15-1

OMB Circular A-87, Attachment B, Selected Items of Cost, requires that personnel activity reports (time sheets) reflect an after-the-fact distribution of the actual activity of each employee.

We reviewed semi-monthly time sheets for employees serving in a firefighting role at Dannelly Field. We compared the information on the time sheets to daily attendance logs, an annual time card that reflects leave balances and hours worked each day, and leave records as appropriate. We noted numerous discrepancies during our review:

- The attendance logs documented instances where employees were off duty, while leave was not charged on the time sheets, time cards, and leave records for that time when the employee was not working.

- Time cards for certain employees were missing and not available for our review.

- Instances were noted where the time logs documented that employees were off duty and the employees' leave records correctly reflected this leave. However, the time sheets recorded this time as time worked.

- Compensatory leave hours were accrued on an employee's time card that did not appear to be supported by the other records reviewed. Also, the time logs documented that some employees worked on normal off-days and the other time records did not clearly document whether compensatory time was accrued for that time worked.

Based on the tests performed, it does not appear that adequate controls were in place to prevent the noted discrepancies.

This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.

Contact Persons: Mark Weeks, State Property and Disbursing Officer
Walter Burke, Military Budget and Fiscal Officer

Corrective action planned:

a. Personnel cited in audit will have their annual leave balances reduced per documentation provided by the Examiner. Suspense date: June 23, 2009

b. All Air National Guard fire department personnel will be briefed on the importance of time accountability of all Fire Department personnel. Effective immediately all personnel will adhere to Dannelly Field Fire Department letter dated September 2007 and Standard Operating Instruction (SOI) 32-02 3.4.4. If any personnel leave the Fire Department they will be on some form of official leave (Annual, Personal Day, Holiday, Sick, Military, Jury Duty, COMP, LWOP, etc.), unless on official Fire Department business. To assist with time and attendance accountability the Fire Station wishes to introduce and operate a specialty software package known as ACES-FD. The ACES-FD Emergency Dispatch and Data System is a software package designed especially for the Fire Fighter. This program is supposed to provide manpower management and shift scheduling capabilities within the Fire Department. The ACES-FD must be fully tested and proven to The Adjutant General (TAG) that it provides all the necessary and required time and attendance documentation and reporting functions prior to full implementation. The Fire Department will draft new SOIs, for TAG approval, that address which written log book functions would be replaced. Suspense date for loading and begin testing of ACES-FD: August 1, 2009

c. The 32-03 3.6 Standard Operating Instruction (SOI) addresses security of time cards, leave forms and recap sheets. All these forms and sheets will be move into the Fire Chief's office. The Assistant Chiefs will be the only employees that have access to the Chief's office. Each Assistant Chief will be held accountable for the correct and completed timecards and leave forms for his shift and for Time Sheets and leave Forms submitted to State Military Department. Suspense date: June 17, 2009

d. The only compensatory time that will be allowed is on an approved State Compensatory leave form and will be signed by the supervisory authority having jurisdiction, which is the Fire Chief. In the absent of the Fire Chief, the next approving authority will be the Base Civil Engineer. Also, the Fire Chief is responsible for proper accountability and reporting of time and attendance. Effective immediately

e. Each quarter the Civil Engineer Resource Advisor will do an external mini audit to confirm controls are in place. These audits will be at his convenience without prior notice. Also, The Military Budget and Fiscal Officer will do periodic unannounced audit of time records to validate time records submitted to State Property and Disbursing Office - Fiscal. Effective immediately

f. Disciplinary actions are in process against both Federal and State supervisors for this failure to properly supervise and implement adequate controls on the time and attendance reporting and monitoring. Currently In Process

Anticipated completion date of ALL actions: September 30, 2009

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Report on the

Comprehensive Annual Financial Report (CAFR)
State of Alabama

Montgomery, Alabama

October 1, 2007 through September 30, 2008

Filed: May 15, 2009

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

09-290

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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the financial statements contained in the Comprehensive Annual Financial Report (CAFR) of the State of Alabama for the period October 1, 2007 through September 30, 2008.

Respectfully submitted,

Gail Traylor

Gail Traylor, CPA
Examiner of Public Accounts
Director State Audit Division

Sworn to and subscribed before me this
the 5th day of May, 2009.

Sandra E Shirley
Notary Public

rb

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Department of
Examiners of Public Accounts

SUMMARY

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2007 through September 30, 2008

This report presents the results of an audit of the financial statements contained in the Comprehensive Annual Financial Report (CAFR) of the State of Alabama. This audit was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5-14. The State of Alabama Department of Finance prepares and publishes the ***State of Alabama Comprehensive Annual Financial Report***, a copy of which is contained in this report.

The audit was performed 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 objective of the audit was to determine whether the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State's basic financial statements listed in the CAFR table of contents, are presented fairly in all material respects. This report includes the ***Independent Auditor's Report*** and a ***Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***.

The ***Independent Auditor's Report*** contains our unqualified opinions on the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State's basic financial statements listed in the table of contents. The ***Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*** is a report on internal controls related to the financial statements and on whether the State of Alabama complied with laws and regulations which could have a direct and material effect on the State's financial statements.

Significant deficiencies and material weaknesses in internal control were found during the audit. Details of these significant deficiencies and material weaknesses are included in the ***Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***. The significant deficiencies and material weaknesses are summarized below. Findings are numbered and reported by the fiscal year in which the finding was originally reported.

CURRENT FINDINGS

- ***08-01-01*** relates to the Alcoholic Beverage Control Board's internal control policies and procedures to provide assurance that employees hired to work in sensitive areas (i.e., the information technology environment) had the proper qualifications and had no prior actions that might indicate a negative impact on the performance of their duties.

- ***08-01-02*** relates to material weaknesses in internal control in the Alcoholic Beverage Control Board's accounting system. The distribution of taxes and revenues and the preparation of financial statements involves a poorly implemented accounting system that does not support the financial information reported, requiring several manual processes, as well as other problems. These conditions substantially increase the risk that material errors will occur in the financial statements and not be detected in a timely manner.

UNRESOLVED PRIOR FINDINGS

All of the unresolved prior findings relate to information technology internal control policies and procedures.

- ***01-01-01*** relates to contingency planning and disaster recovery procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters.

- ***01-01-02*** relates to procedures to provide appropriate security for computer data and programs through the proper use of security software features and management policies.

- ***01-01-04*** relates to procedures to provide assurance that only authorized computer application programs are developed or modified and that such programs and modifications function as intended and meet the needs of users.

Mr. Robert L. Childree, State Comptroller, was invited to an exit conference held on March 31, 2009. Individuals in attendance were Robert L. Childree, State Comptroller; Mike Hudson from the State Comptroller's Office Financial Reporting Section; and Gail Traylor and Evelyn Lavender from the Examiners of Public Accounts. We also communicated the results of our audit to the directors of the affected state agencies.

Department of
Examiners of Public Accounts

COMMENTS

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2007 through September 30, 2008

Overview of the Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) presents financial information on all of the State of Alabama 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, 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 of Alabama are included in the report in accordance with standards established by the Governmental Accounting Standards Board.

In accordance with the standards established by the Governmental Accounting Standards Board, the State of Alabama's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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. The government-wide financial statements exclude fiduciary activities, such as the Retirement Systems of Alabama, the Prepaid Affordable College Tuition program, and other funds held in a trust capacity.

The *fund financial statements* include *all* funds of the State of Alabama government. A *fund* is a fiscal and accounting entity usually established by law or regulation that has 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 required both by the Governmental Accounting Standards Board and by state law to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the State of Alabama are classified into three categories: governmental funds, proprietary funds, and fiduciary funds. *Governmental funds* are used to account for most of the State's basic services. The State General Fund, the Education Trust Fund, and the Alabama Trust Fund are included in governmental funds. *Proprietary funds* are used to account for services or goods provided by the State for which customers are charged a fee. The Alabama Port Authority and the Alcoholic Beverage Control Board operate using proprietary funds. *Fiduciary funds* are used to account for money or other assets that the State is holding as a trustee or acting in a fiduciary capacity. The Retirement Systems of Alabama and the Prepaid Affordable College Tuition program are included in the fiduciary funds financial statements.

The *Notes to the Financial Statements* are an integral part of the financial statements. They provide narrative explanations and more detailed information concerning amounts shown in the financial statements and also provide additional information that is essential to reporting a complete disclosure of the financial position and activities of the State of Alabama.

Long-term debt (bond indebtedness) of the State of Alabama is shown in two places in the financial statements. Bond indebtedness paid from proprietary fund operations is shown in both the government-wide financial statements and in the proprietary fund financial statements. For bond indebtedness payable from governmental funds, only the current portion due is shown as an obligation in the governmental fund financial statements. The remaining non-current portion of the governmental fund long-term debt is reported in the government-wide financial statements. Because certain details and summaries of the bond indebtedness of the State of Alabama are not reported in the CAFR, the Department of Examiners of Public Accounts annually issues a separate special report titled ***Bond Indebtedness of the State of Alabama*** which shows more details and summaries of the State's bond indebtedness.

Decline in Market Value of Investments and Investment Income

The State Treasurer and several other agencies, departments, and institutions of the State of Alabama are authorized by law to invest funds in marketable securities. The financial markets for publicly-traded securities began a period of significant instability and decline during the 2007-2008 fiscal year. The decline in market value of many investments has continued in the months subsequent to September 30, 2008. Decreases were most significant in equity securities (stocks) and securities related to the credit markets. The agencies included in the CAFR as part of the primary government of the State of Alabama that incurred significant market value losses on investments are listed below, along with information relating to the declines in market value.

The Alabama Trust Fund is the largest governmental fund shown in the CAFR. The Alabama Trust Fund reported a decline in the market value of its investments of $419,750,042 during the fiscal year ended September 30, 2008. This amount was netted against investment income totaling $148,251,380.32 in the Alabama Trust Fund financial statements. The *Notes to the Financial Statements* in the CAFR disclose that "subsequent to September 30, there has been a $639,000,000 decline in the value of the Alabama Trust Fund investments. The decline in value is a result of purchases, sales, and changes in fair market values. This decline in value is considered material."

The Alabama College System is the largest proprietary fund shown in the CAFR. The Alabama College System reported an aggregate decline of $1,010,687 in marketable securities, which was netted against $11,092,404 of investment income on the financial statements. Information concerning further declines in market value of investments that have occurred since September 30, 2008 was not available for the Alabama College System.

The Retirement Systems of Alabama is the largest fiduciary fund shown in the CAFR. The Retirement Systems of Alabama reported "the decrease in fair value of investments for the TRS (Teachers' Retirement System), ERS (Employees' Retirement System), and JRF (Judicial Retirement Fund) for the fiscal year ended September 30, 2008 was $4,100,000,000, $1,900,000,000 and $46,900,000, respectively…." "Annualized total returns of the TRS, ERS, and JRF were -15.36%, -15.21%, and -14.58%, respectively." According to the financial statements published by the Retirement Systems, "subsequent to September 30, 2008, the financial markets continued to decline. Accordingly, as of December 31, 2008, the TRS, ERS, and JRF portfolios had declined by approximately 11.11%, 10.69%, and 13.50%, respectively, compared to September 30, 2008." An investment report was prepared as of January 31, 2009, showing that the investment rate of return for the TRS, ERS, and JRF portfolios have declined -14.77%, -14.21%, and -16.41%, respectively, compared to September 30, 2008.

The Alabama College Education Savings Plan (ACES) and the Prepaid Affordable College Tuition Program (PACT) are the largest private-purpose trust funds included in the fiduciary funds in the CAFR. The ACES program financial statements for the year ended September 30, 2008 reported "a decrease in the fair value of investments of $162,710,862 resulting from the unfavorable equity market conditions that prevailed during 2008." No information was provided concerning the further decline in value of investments that has occurred since September 30, 2008.

The financial statements of the PACT program reported a net decrease in the fair value of investments totaling $171,026,278 for the fiscal year ended September 30, 2008. According to the financial statements published by the PACT program on March 27, 2009, "the volatile and unfavorable conditions in both the global equity and fixed income markets persisted beyond September 30, 2008 into 2009 and have resulted in additional declines in the value of the PACT Program's investments. As of February 28, 2009, management estimates that invested assets approximate $431,000,000 (which exclude securities lending collateral), representing a 32% decline from September 30, 2008."

In addition, due to financial market conditions, investment income decreased for most agencies that held investments of any kind. The investment income earned on state deposits invested by the State Treasurer that is transferred into the State General Fund decreased significantly. The amount of investment income transferred to the General Fund during the 2007-2008 fiscal year was $90,181,000, which was $56,412,000 (38.5%) less than the investment income earned for the General Fund during the previous fiscal year.

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.06%	0.06%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	31%	10%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	80%	73%
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama College Education Savings Plan Alabama Public Health Care Authority	93%	69%

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 31, 2009 on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

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

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

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

March 31, 2009

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 31, 2009. Our report was modified to include a reference to other auditors. Below is a list which indicates the financial statements of the agencies and funds audited by other auditors and whether the audits were performed in accordance with ***Government Auditing Standards***.

Agencies/Funds Audited by Other Auditors	Audit Performed in Accordance with ***Government Auditing Standards***	Audit Not Performed in Accordance with ***Government Auditing Standards***
Alabama Educational Television Foundation Authority	X	
Alabama Public Health Care Authority	X	
Alabama Health Insurance Plan	X	
Alabama State Port Authority	X	
State Employees' Insurance Board		X
Public Education Employees' Health Insurance Fund		X
Alabama Housing Finance Authority	X	
Alabama Water Pollution Control Authority	X	
Space Science Exhibit Commission	X	
Alabama Drinking Water Finance Authority	X	
Alabama Higher Education Loan Corporation		X
University of Alabama	X	
Auburn University	X	
University of South Alabama	X	
University of Montevallo	X	
Retirement Systems of Alabama		X
Employees' Savings Plans (PEIRAF and RSA-1)		X
Retired Education Employees' Health Care Trust		X
Retired State Employees' Health Care Trust		X
Prepaid Affordable College Tuition Program	X	
Alabama College Education Savings Plan		X

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. As indicated above, other auditors audited the financial statements of certain agencies and funds in accordance with ***Government Auditing Standards***. This report does not include the results of those other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Alabama's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The findings that follow related to information technology are being presented in summary form in this report for security reasons. Details of the findings have been communicated to the affected state agencies.

Finding 01-01-01 – Contingency Planning and Disaster Recovery

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to be able to continue operations in the event the information technology resources of those agencies were adversely affected by man-made or natural disasters. Critical information technology resources and the related government functions served by those resources are at risk because of weaknesses in the control policies and procedures affecting contingency planning.

Several agencies did not have adequate policies and procedures to be followed in the event of a disaster. The following agencies did not have adequate contingency planning and disaster recovery policies and procedures in place:

Department of Human Resources
Department of Education
Department of Mental Health and Mental Retardation
Alcoholic Beverage Control Board

Recommendations

State agencies should develop comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should be tested and should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible.

Finding 01-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide appropriate security for computer data and programs through the proper use of security software features and management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The following agencies did not have adequate policies and procedures in place for access security:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Recommendation

Agencies should use management policies and security software to detect errors or intentional unauthorized acts and also to ensure errors and unauthorized acts are corrected in a timely manner.

Finding 01-01-04 – Application Development and Maintenance

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that only authorized computer application programs are developed or modified and that such programs and modifications function as intended and meet the needs of users. State agencies do not follow formal system development methodologies for new computer applications, modifications to existing applications, or emergency modifications. This increases the risk that unauthorized programs or changes will be made, programs or changes will not be tested, and programs or changes will not function as intended to meet user needs. State agencies do not adequately segregate the duties of personnel to prevent such errors from occurring. The following agencies did not have adequate policies and procedures in place for application development and maintenance:

Department of Finance – Information Services Division
Department of Finance – FRMS Application Development Section

Recommendations

State agencies should develop formal system development methodologies for new computer programs, modifications to existing programs, and emergency modifications. These methodologies should ensure that only authorized projects are initiated and such projects achieve the desired results. State agencies should adequately segregate the duties of employees to achieve the proper level of control of projects and to ensure that an employee does not perform conflicting duties.

Finding 08-01-01 – Hiring, Training, and Personnel Policies

We reviewed the internal control policies and procedures affecting the ability of certain state agencies to provide assurance that employees hired to work in sensitive areas (i.e., the information technology environment) had the proper education and training necessary to perform the required duties and that such employees indicated no evidence of prior actions that might have a negative impact on the required duties. The Alcoholic Beverage Control Board did not obtain evidence that prospective employees to be hired for sensitive work had not been involved in prior criminal activity that might have a negative impact on the employee's ability to perform the required duties. Background checks were not performed for employees that transferred from other state agencies.

Recommendation

The Alcoholic Beverage Control Board should develop policies and procedures to ensure that employees are not hired that have a history of criminal activity that may have a negative impact on the employee's ability to perform sensitive duties.

Finding 08-01-02 – Alcoholic Beverage Control Board Accounting System

The Alcoholic Beverage Control Board completed its implementation of a new accounting system during the 2007-2008 fiscal year. The Board's specifications for the accounting system required that it include accounting for liquor taxes and revenues collected, and calculating distributions of those taxes and revenues in compliance with applicable state laws. The Invitation to Bid, mandatory bid requirement 3-0308, states that the accounting system will "provide the ability to create an automatic distribution formula to support State Title 28 allocations". The vendor's project documentation acknowledged these requirements; however, the installed accounting system does not provide this critical function. In addition, the vendor did not provide sufficient training for the Board's personnel for the new accounting system. The accounting system does not appear to be set up correctly and there is no evidence that appropriate testing was performed when the system was being installed; as a result, the Board is forced to maintain critical financial information "outside" the new accounting system using other software such as Microsoft ACCESS and EXCEL. The accountant made numerous manual adjusting entries to support the taxes and revenues distributed to other funds. Manual calculations and adjusting entries were also required in order for the Board to provide the Department of Finance with financial statements for the Comprehensive Annual Financial Report. Reconciliations of information generated by the accounting system and the related subsystems (point of sale and inventory) were not being performed. One accountant prepares adjusting entries and performs calculations of taxes and revenues distributed. This employee was not sufficiently trained during implementation of the new accounting system. Management does not review the adjusting entries, calculations, or distributions prepared by the accountant. There are no written procedures documenting the accounting system or processes used to prepare financial information or distributions of taxes and revenues. In conclusion, the distribution of taxes and revenues and the preparation of financial statements involves a poorly implemented accounting system that does not support the financial information reported, requiring several manual processes, as well as other problems. These conditions substantially increase the risk that material errors will occur in the financial statements and not be detected in a timely manner.

Recommendations

The Alcoholic Beverage Control Board should develop policies and procedures to ensure that all requirements of software and systems acquisition projects are met and that the final product is tested and performs as intended and as required by the contract. The Board's accounting personnel should be adequately trained and supervised. Duties should be separated to the extent possible and cross-training should be done. Appropriate reconciliations and cross-checking should be performed between the accounting system and sub-systems. The Board should develop written policies and procedures for the accounting system and all financial processes.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the conditions discussed in ***Finding 08-01-02*** to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. We noted certain additional matters that we have reported to management of the State of Alabama and the affected agencies and funds in separate communications.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

This report is intended solely for the information and use of management, the Governor, the Director of Finance, and the State Comptroller, and other state officials, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

March 31, 2009

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STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2008

Bob Riley
Governor

Kay Ivey
State Treasurer

James Main
Director of Finance

Samantha Shaw
State Auditor

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

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INTRODUCTORY SECTION

STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER
RSA UNION
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BOB RILEY
Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

March 31, 2009

To the Honorable Governor,
Members of the State Legislature, and
the Citizens of Alabama:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Alabama for the year ended September 30, 2008. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Internal Controls

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

Audit

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

Management's Discussion and Analysis

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

Profile of the Government

Reporting Entity

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

Budgetary Controls

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

Cash Controls

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

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

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

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

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

General Fund and Education Trust Fund Balances

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

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	2008	2007	2006	2005	2004
General Fund	$ 381.7	$ 404.8	$ 404.7	$ 293.9	$ 236.7
Education Trust Fund	186.8	528.4	1,029.5	1,016.1	543.1

Cash Management

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

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds being invested. Interest earnings during the 2008 fiscal year were as follows:

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

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

Economic Condition and Outlook

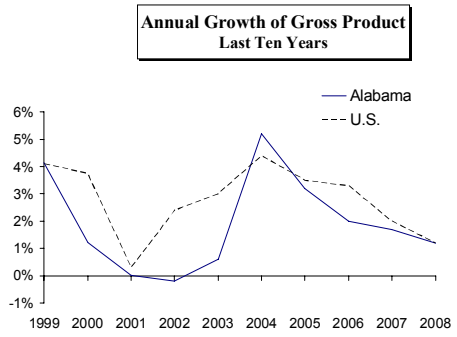
Alabama's economy grew an estimated 1.4 percent in 2008, compared to the nation's 1.2 percent. Alabama's economy deteriorated in the second half of 2008: employment growth was into negative ground, unemployment rate was highest in the last five years and house price appreciation was below inflation.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

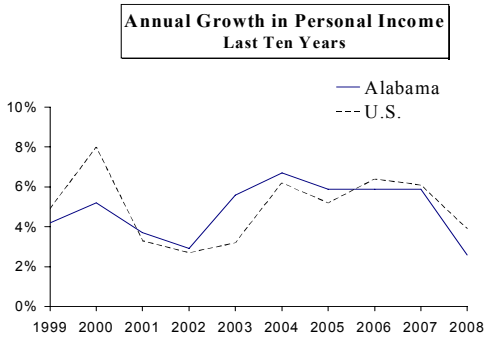
Alabama lost 2,900 jobs during the 12-month period ending in October 2008. The seasonally adjusted unemployment rate of 5.6 percent was significantly higher than the 3.5 percent rate seen in October 2007, but lower than the U. S. rate of 6.5 percent. Goods producing sectors – construction, mining, and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

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

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

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





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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2007. This was the tenth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

Robert L. Childree
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

PRINCIPAL STATE OFFICIALS

September 30, 2008

EXECUTIVE BRANCH

Bob Riley
Governor

Jim Folsom, Jr.
Lt. Governor

Kay Ivey
State Treasurer

Beth Chapman
Secretary of State

Ron Sparks
Commissioner of Agriculture and Industries

Troy King
Attorney General

Samantha Shaw
State Auditor

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Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

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Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

James Allen Main
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation and Natural Resources

Col. J. Christopher Murphy
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Bill Johnson
ADECA

Adjutant General Abner C. Blalock
State Military Department

Nancy Buckner
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health and Mental Retardation

Lee Sentell
Bureau of Tourism and Travel

Dr. Marquita Davis
Department of Children's Affairs

Richard Allen
Department of Corrections

Brock Long
Emergency Management Agency

Joe McInnes
Department of Transportation

Tom Surtees
Department of Industrial Relations

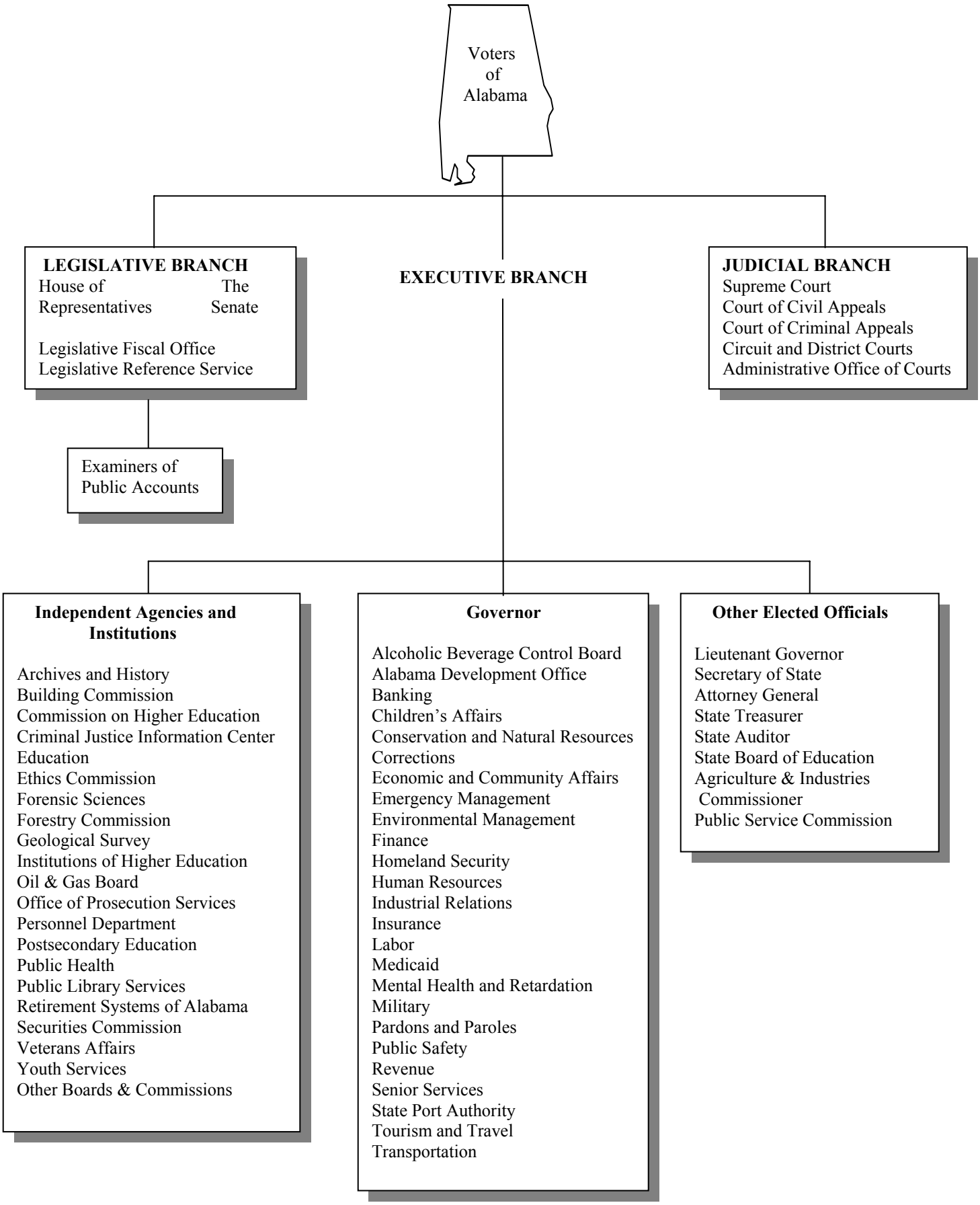
Carol H. Steckel
Alabama Medicaid Agency

Tim Russell
Department of Revenue

Jim L. Ridling
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART



State of Alabama
Department of
Examiners of Public Accounts

Ronald L. Jones
Chief Examiner

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2008, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.06%	0.06%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	31%	10%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	80%	73%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund:		
Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information:		
Retirement Systems of Alabama		
Employees' Savings Plans (PEIRAF and RSA-1)		
Retired Education Employees' Health Care Trust		
Retired State Employees' Health Care Trust	93%	69%
Prepaid Affordable College Tuition Program		
Alabama Educational Television Foundation Authority		
Alabama Health Insurance Plan		
Alabama College Education Savings Plan		
Alabama Public Health Care Authority		

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 31, 2009, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

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

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

Ronald L. Jones

RONALD L. JONES
Chief Examiner
Department of Examiners of Public Accounts

March 31, 2009

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
ALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2008. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

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

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by $23.5 billion as of September 30, 2008.

The largest component (78 percent) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased $731 million. Of that amount $473 million was infrastructure and infrastructure construction in progress.

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

About 98 percent of the State's net assets that are unrelated to capital assets are restricted and represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. The remaining balance of $121 million is unrestricted net assets and represents the amount that may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. Internally imposed designations of resources are not presented as restricted net assets. The State has a deficit in unrestricted net assets for governmental activities of $223 million.

Net Assets as of September 30
(Amounts in Thousands)

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

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

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

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

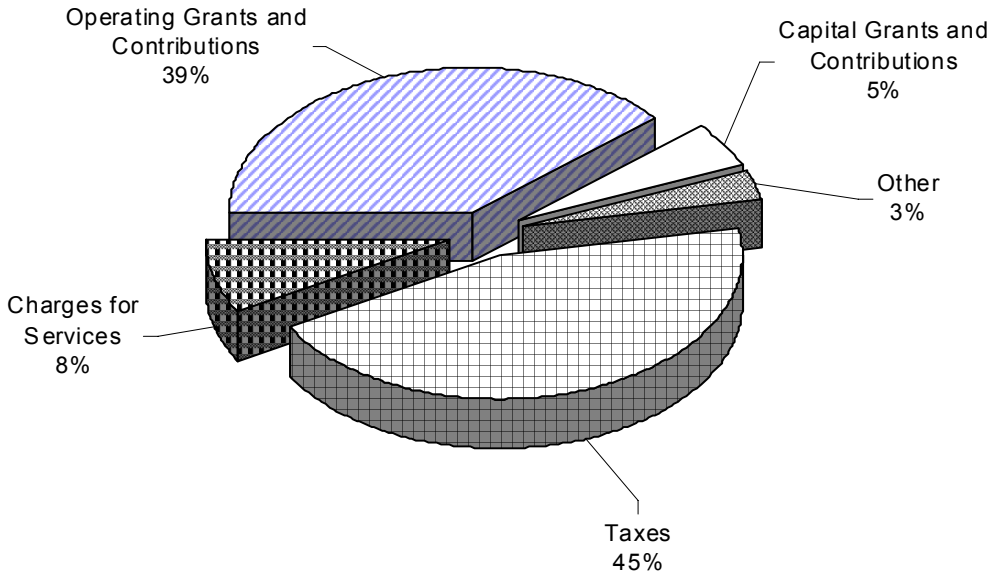
Changes in Net Assets
For the Fiscal Year Ended September 30
(Amounts in Thousands)

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

Governmental Activities

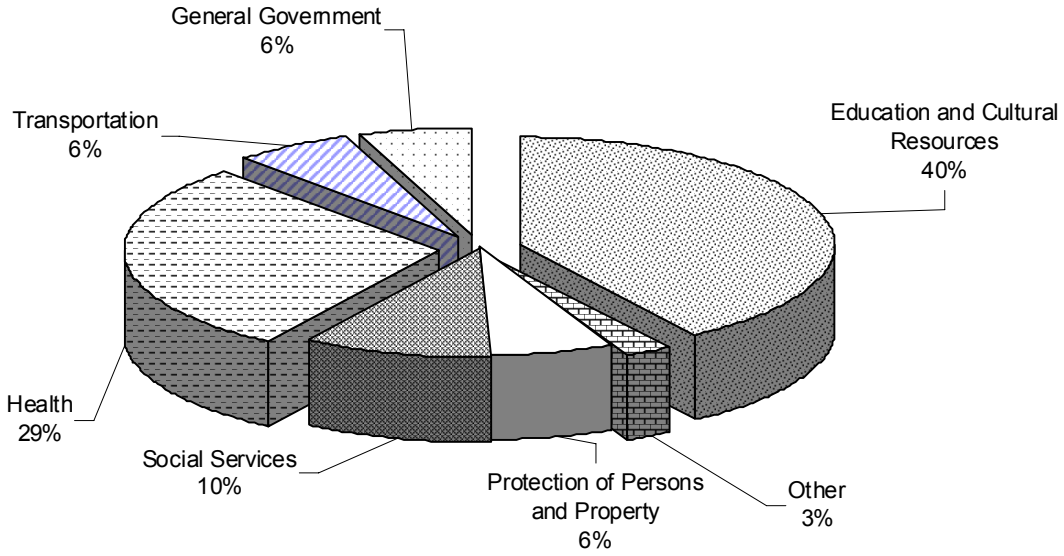
Total revenues for governmental activities in fiscal year 2008 were $17.3 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues totaled $9.0 billion, up from $8.6 billion the previous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

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2008



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

Expenses - Governmental Activities
Fiscal Year Ended September 30, 2008



Business-type Activities

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

Financial Analysis of the State's Funds

Governmental Funds

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

At the end of fiscal year 2008, the governmental funds reported combined ending fund balances of $5.1 billion. Of this total amount, $3.2 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest reserved amount of $2.6 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of an amendment to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. $248 million of the balance of the Alabama Trust Fund is reserved for the Education Rainy Day Account for the Education Trust Fund. That account was created by a constitutional amendment. Another $353 million has been reserved for a variety of purposes while $191 million of the Governmental Funds have been designated for various capital projects and debt service, leaving $1.8 billion as unreserved and undesignated.

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

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues from the State's economy for fiscal year 2008 were up approximately $21 million as compared to fiscal year 2007, a less than one percent increase. Sales and use tax revenues were down by $65 million, individual income tax revenues were up by $90 million and corporate income tax revenues were down by $31 million. Expenditures, as limited by the budget, were up 10 percent, or $571 million, as the State used a portion of the large surplus left from last year's budget. A large portion of the increase, $350 million was for financial assistance for local school systems. Included in that amount was a pay raise for teachers and support personnel. Because spending increased at a much larger rate than revenue growth, the balance of cash and cash equivalents in the ETF decreased $275 million to $66 million and the fund balance decreased $342 million to $187 million. The ETF had transfers in of $440 million, an increase of $440 million due to a transfer of funds from the ETF Proration Prevention Account during fiscal year 2008. The ETF transferred out $528 million, with the largest of these transfers going to the Alabama College System, in the amount of $462 million, to supplement operations.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. Revenues from royalties and other payments related to the production of oil and gas increased by $108 million in 2008. Amendment 666 directs the Alabama Trust Fund Board of Trustees to transfer 35 percent of the oil and gas royalties received in a fiscal year to the Alabama Capital Improvement Fund and the County and Municipal Government Capital Improvement Trust Fund. Another one percent is entitled to the Division of Lands of the Department of Conservation and Natural Resources. Investment income declined from $315 million gain to $271 million loss, a decrease of $586 million. During the 2008 fiscal year, the amount constitutionally reserved for Trust Capital declined by $190 million, a 7 percent decrease.

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

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased by 26 percent, or $176 million over 2007. Expenditures rose by 3 percent, or $34 million. The fund balance increased by $43 million to a total fund balance of $520 million. $54 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, $29 million is in inventory of materials on hand, and $43 million is reserved by statute for replacement of equipment. The remaining $394 million is unreserved but the management of the DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective service programs that provide financial assistance to individuals. This is the major operating fund of the Department of Human Resources. 85 percent of the funding is from federal funds, but is supplemented by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Over $1.3 billion was spent in the fund in 2008, but the fund balance at year end is a mere $36 million, the same as 2007. The low fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

Only Medicaid had a negative fund balance at September 30, 2008. This is typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivables but not the State matching amounts which will come from next year's budget. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund always has a large fund balance.

Proprietary Funds

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

Budgetary Highlights

General Fund

The original budget for the General Fund was increased by a net of $26 million during fiscal year 2008. Expenditures were increased by $14 million and Transfers Out increased by $12 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Conditional and other appropriations were approximately $34 million. Conditional amounts are not included in the budget until the conditions have been met. There were $4 million of conditional appropriations released during the fiscal year. The Department of Finance received a conditional appropriation in the amount of $1 million for its annual budget to be used for Smart Business Systems. Smart Business Systems is designed to improve planning, accountability, and performance measurement. The annual budget was decreased by $15 million as a result of capital project appropriations including $14 million for the Department of Corrections. The Department of Corrections and the Department of Agriculture and Industries received supplemental appropriations of $5 million and $1 million, respectively. Also, the Department of Corrections received another appropriation for the sale of land in the amount of $17 million. These funds for the Department of Corrections were needed because of the conditions of the overcrowded prison system. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Transfers out include an increase in the appropriation for indigent defense in the amount of $10 million. Emergency appropriations of $3 million are included in the original budget and are included in the budgeted amounts as other on the Budgetary Comparison Schedule. Also, a conditional amount of $2 million was released as an emergency appropriation. Emergency appropriations cannot exceed two percent of the total amount appropriated. Allotments from the emergency appropriations including the conditional amount totaled approximately $5 million to various agencies in fiscal year 2008. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by $21 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by $24 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2008, the State had invested $19.3 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled $129 million.

Capital Assets as of September 30
(Amounts in Thousands)

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

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

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

The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered "Good" condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 77.19, which exceeds the State's goal.

The State maintains 5,362 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.67, in the upper end of the satisfactory range, unchanged from the previous year.

In fiscal years 2008, 2007, 2006, 2005, and 2004, the State estimated it would need to spend $320.0, $277.7, $247.1, $247.1, and $205.0 million, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2008, the State spent $265,160,000 for roadway preservation and $22,434,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately $310,027,000 to preserve all roadway assets and approximately $10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels".

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

Long-term Debt

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

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

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

The Alabama Judicial Building Authority issued $22,660,000 in refunding bonds and $10,000,000 in new bonds. The State Port Authority issued $61,300,000 in refunding bonds and $50,000,000 in new bonds. The Alabama College System issued $4,559,000 in new bonds. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

Requests for Information

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2008

(Amounts in Thousands)

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

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

General Revenues:
Taxes:
Sales and Use Taxes
Income Taxes
Motor Fuels Taxes
Utility Taxes
Insurance Premium Tax
Property Tax
Liquor Taxes
Tobacco and Cigarette Taxes
Investment Earnings
Miscellaneous
Contributions to Permanent Funds and Endowments
Payments from State of Alabama
Special Items
Transfers
Total General Revenues, Special Items, and Transfers

Change in Net Assets
Net Assets, October 1, 2007, as Restated
Net Assets, September 30, 2008

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

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

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2008
(Amounts in Thousands)

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

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 86,115	$ 1,110,889	$ 2,224,871
-	255,841	3,261,233
16,307	41,906	87,372
202	2,471	15,217
437	7,141	118,035
-	106,914	492,810
46,535	160,069	624,665
-	1,630	27,950
-	49	49
5,221	61,138	437,720
-	1,041	33,813
-	1,465	1,465
$ 154,817	**$ 1,750,554**	**$ 7,325,200**
$ 577	$ 7,782	$ 22,290
21,923	59,476	172,003
10,072	44,234	96,381
128	1,693	40,879
40,279	110,067	861,424
827	213,438	239,549
5,221	61,138	437,720
36,751	122,333	276,709
2,766	18,845	36,234
301	593	1,937
118,845	**639,599**	**2,185,126**
4,853	30,032	97,154
-	1,041	33,813
-	-	43,544
-	7,876	7,876
-	33	33
-	-	248,000
-	-	18,067
-	-	2,595,847
-	-	24,166
-	-	96,665
-	31,540	31,540
-	185,790	185,790
-	4,630	4,630
-	702	702
-	-	376,391
31,119	824,373	1,350,918
-	24,938	24,938
35,972	**1,110,955**	**5,140,074**
$ 154,817	**$ 1,750,554**	**$ 7,325,200**

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

September 30, 2008

(Amounts in Thousands)

Total Fund Balances for Governmental Funds		$5,140,074
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	224,567	
Historical Exhibits	2,657	
Construction in progress	110,240	
Construction in progress - Infrastructure	4,712,849	
Infrastructure	12,092,320	
Buildings	957,699	
Equipment	544,845	
Accumulated Depreciation - Buildings	(402,670)	
Accumulated Depreciation - Equipment	(309,422)	
		17,933,085
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		256,934
Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		151,275
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases, Notes, and Mortgages	(41,845)	
Compensated Absences	(286,119)	
Claims and Judgments	(28,598)	
Due to Component Units	(6,365)	
Other Post-Employment Benefits	(175,765)	
		(538,692)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized discounts, unamortized premiums, unamortized loss, deferred debt financing costs, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the total effect of these balances on the statement.		
General Obligation Bonds Payable	(705,480)	
Revenue Bonds Payable	(236,020)	
Unamortized Premiums	(18,895)	
Unamortized Discounts	482	
Unamortized Loss	1,486	
Deferred Debt Financing Costs	758	
Accrued Interest Payable	(7,363)	
		(965,032)
Net Assets of Governmental Activities		$21,977,644

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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

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

September 30, 2008

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		($1,372,595)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	674,041	
Depreciation Expense	(68,490)	
		605,551
In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(24,978)
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(171)
In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to reserved fund balance.		8,733
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(3,348)
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.		(4,127)
Capital asset reassignments for the general government have not been reported in fund financial statements.		
Capital asset transfers to the general government	411	
Capital asset transfers from the general government	(17)	
		394
Long-term debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.		
Bond proceeds	(32,660)	
Bond premium	(1,210)	
Repayment of bond principal	59,703	
Current refunding to bondholders	23,625	
Accrued interest	7,577	
		57,035
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Capital lease payments	11,512	
Compensated absences payments	(15,647)	
Other post-employment benefit payments	(175,765)	
Claims and judgments	10,886	
Other debt payments	9	
		(169,005)
Change in Net Assets of Governmental Activities		($902,511)

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
CONECUH R.
PEA R.
TOMBIGBEE
FLORIDA
Gulf of Mexico
GREAT SEAL

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2008
(Amounts in Thousands)

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

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

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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

STATEMENT OF CASH FLOWS
Proprietary Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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

Continued on next page...

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	**$ (107,960)**	**$ 14,164**	**$ (650,290)**	**$ (1,053)**	**$ 43**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	-	-	-	3	5
Due from Component Units	-	-	-	-	-
Accounts Receivable	(1,266)	(6,693)	(3,234)	1,348	40
Inventory	-	336	810	(3,634)	(140)
Other Assets	-	98	1,283	-	-
Salaries Payable	-	-	-	205	(91)
Due to Other Funds	-	-	-	3,027	(153)
Due to Component Units	-	-	-	128	-
Accounts Payable	8,282	9,132	2,531	(4,311)	(360)
Due to Other Governments	-	-	-	(2,328)	-
Claims Payable	-	-	-	-	(874)
Unearned Revenue	-	-	1,813	(75)	(13)
Amounts Held in Custody for Others	(394)	-	(241)	-	-
Compensated Absences	-	-	-	344	(219)
Other Post-employment Benefits	-	-	-	4,735	85
Other Liabilities	-	2,956	(3)	-	5
Investment Income	-	-	-	-	(12)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	20,664	28,257	3,099	272
Amortization Expense	-	210	-	-	-
Nonoperating Revenues	42,515	-	267,265	15,298	4,986
Nonoperating Expenses	-	5,724	(21)	-	(12)
Total Adjustments	49,137	32,427	298,460	17,839	3,519
Net Cash Provided (Used) by Operating Activities	**$ (58,823)**	**$ 46,591**	**$ (351,830)**	**$ 16,786**	**$ 3,562**
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	-	-	-	153	-
Capital Assets Acquired by Capital Lease or Other Debt	-	-	4,609	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(3,600)	(2,681)	(1,943)	(2,467)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	(478)	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	-	(1,011)	-	-
Transfers In (Out)	-	-	-	50	-

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

	Governmental Activities	
	Total Enterprise Funds	Internal Service Funds
	$ (745,096)	**$ (8,227)**
	8	2,244
	-	(645)
	(9,805)	1,508
	(2,628)	(8,132)
	1,381	(319)
	114	110
	2,874	(1,464)
	128	(1)
	15,274	247
	(2,328)	-
	(874)	5,860
	1,725	3
	(635)	2
	125	162
	4,820	2,526
	2,958	-
	(12)	(2,063)
	-	3,307
	52,292	8,139
	210	-
	330,064	756
	5,691	-
	401,382	12,240
	$ (343,714)	**$ 4,013**
	153	3,206
	4,609	-
	(10,691)	(66,346)
	-	37
	(478)	690
	(1,011)	2,765
	50	3,687

STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds

September 30, 2008
(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 53,598	$ 3,351	$ 169,680
Investments			
Time Deposits	-	132	3,347
U.S. Treasury Securities	934,915	14,820	34,642
U.S. Agency Securities	914,895	21,275	-
State and Local Government Securities	-	546	5,660
Mortgage Backed Securities	482,436	110,935	7,701
Corporate Stocks	12,610,262	321,699	-
Corporate Bonds	6,330,214	38,279	5,410
Real Estate	2,222,942	840	-
Commercial Paper	875,120	-	-
International Stocks	3,673,518	103,769	-
International Bonds	-	681	-
Mutual and Money Market Funds	234,859	563,852	527
Other	14	240	-
Receivables			
Due from Other Funds	-	32	58
Employer Contributions Receivable	90,920	-	-
Member Contributions Receivable	41,323	-	-
Accounts Receivable	7,712	68,080	64
Due from Other Governments	4,033	-	-
Interest and Dividends Receivable	244,085	2,582	-
Securities Lending Collateral	2,748,924	87,159	2,309
Other Assets	593	-	-
Capital Assets, Net of Accumulated Depreciation	148,081	-	-
Capital Assets Not Depreciated	8,810	-	-
TOTAL ASSETS	**31,627,254**	**1,338,272**	**229,398**
LIABILITIES			
Warrants Payable	$ 38,536	$ 314	$ 15,311
Salaries Payable	2,067	30	-
Due to Other Funds	1	92	-
Accounts Payable	3,318	63,321	616
Due to Other Governments	-	25	3,377
Claims Payable	42,062	-	-
Securities Lending Obligation	2,748,924	87,159	2,309
Deferred Revenue	323	-	-
Amounts Held in Custody for Others	2	-	207,785
Compensated Absences	4,654	43	-
Other Post-employment Benefits	1,588	27	-
TOTAL LIABILITIES	**2,841,475**	**151,011**	**229,398**
NET ASSETS			
Held in Trust for Beneficiaries	-	1,187,261	-
Held in Trust for OPEB Benefits	622,991	-	-
Held in Trust for Pension and Other Employee Benefits	28,162,788	-	-
TOTAL NET ASSETS	**$ 28,785,779**	**$ 1,187,261**	**$ 0**

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

STATEMENT OF NET ASSETS
Component Units

September 30, 2008
(Amounts in Thousands)

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

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

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

STATEMENT OF ACTIVITIES
Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

3. Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Fiduciary Component Units

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

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

The Teachers' Retirement System (TRS) operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees. The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 201 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

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

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

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

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

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

a. Primary Government
- Alabama College System
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama Skills Training Consortia
- Alabama State Port Authority
- Alabama Fire College
- Alabama Technology Network
- Athens State University
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Charlotte Thorn Endowment Fund
- Commercial Mobile Radio Service Board
- Corrections Bank Accounts and Agency Funds
- Corrections Canteen Funds
- Corrections Institute Finance Authority Bank Account

- Court System Local Accounts
- Dental Examiners Board
- Dental Scholarships Awards Board
- Department of Human Resources Local Funds and Child Support Funds
- Educational Television Foundation Authority
- Geological Survey Library Revolving Fund
- Gorgas Memorial Board
- Hicks Memorial Endowment Fund
- High School of Math and Science
- Insurance Department Statutory Deposits
- Marion Military Institute
- Mary May Eliot Memorial Fund
- Medicaid Agency Lien Account
- Medical Scholarships Awards Account
- Medical Examiners and Licensure Commission
- Men's Hall of Fame Outside Account
- Military Department Unit Funds
- Montgomery Downtown Redevelopment Authority
- Motor Sports Hall of Fame
- National Guard Canteen Funds
- Non-Emergency Transportation
- Optometry Board
- Optometric Scholarships Awards Board
- Peace Officers' Annuity and Benefit Investment Account
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- Public Health Care Authority
- Public Health Local Funds
- Public Safety Narcotics Funds
- Sports Hall of Fame Checking Account
- State Bar Checking Account
- State Bar Client Security
- State Bar Foundation
- State Port Authority Hourly Pension Plan
- State Port Authority Railway Pension Plan
- Stonewall Jackson Memorial Fund
- Student Assistance Initiated Loan Servicing Account
- Supreme Court Checking Account
- Transportation Surety Bonds
- Unemployment Compensation Funds
- Victims Services Fund
- W.V. Chambliss Trust Fund
- Women's Hall of Fame
- Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama A & M University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority
- Alabama Incentives Financing Authority

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

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental fund financial statements, revenues and the resulting assets are accrued at year-end only if the revenues are earned and the receivables are expected to be collected in time to pay for liabilities in existence at the end of the period. Expenditures are recognized when the related fund liability is incurred, except for items that are not expected to be liquidated with expendable available resources, such as the long-term portion of compensated absences payable and capital lease obligations. Therefore,

expenditures and the related liabilities are accrued at year-end only when they are normally payable from current expendable funds. In order to determine which revenues should be accrued, an arbitrary time limit is established. Revenues are recognized when measurable and available. The State uses sixty days after fiscal year end as the time limit for the accrual of revenues. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utility tax, and other derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred and the resources are available. For property taxes, business privilege tax, and other imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted and the resources are available. For property taxes, revenues are recognized if received within sixty days; otherwise, deferred revenue is recognized. For federal grants and other government mandated nonexchange revenues, assets, revenues, liabilities, and expenditures are recognized when all eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

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

2. Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

D. Fiscal Year

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2008 ended on September 28. The difference in fiscal years had no material effect on the financial statements.

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

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

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

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

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

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

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

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

3. Interfund Activity and Balances

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

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

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

4. Inventories

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

5. Investments

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

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

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

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

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

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

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

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

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts to be paid from expendable available resources are recognized as current fund liabilities. Current liabilities were determined from actual termination or retirement payments made during the first month after the end of the fiscal year which represents unused leave balances for those employees who had left state service by the end of the fiscal year.

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

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

	Vested	Non-vested
Public Education Employees	.84	.46
State Employees	.77	.34

9. Long-Term Obligations

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

10. Net Assets and Fund Balances

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

F. Proprietary Fund Operating Revenues and Expenses

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

G. New Accounting Pronouncements

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

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

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

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

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

B. Restatements

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

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

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

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

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

C. Fund Balance/Net Assets Deficits

1. Primary Government

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

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

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of $2,377,000. The Authority has a deficit balance of $11,119,000 in net assets invested in capital assets, net of related debt and a deficit in unrestricted net assets of $16,734,000. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them.

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

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of $1,390,104,000 causing a deficit in total net assets of $1,379,073,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues pledged by the primary government.

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

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

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

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

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

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of $2,560,000. The Authority issues bonds to finance grants for projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues pledged by the primary government.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of $9,384,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues pledged by the primary government.

NOTE 3 - ASSETS

A. Cash Deposits

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

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975,* as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975,* Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

B. Investments

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

1. Primary Government

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

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

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

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

2. Fiduciary Funds

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

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

3. Component Units

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

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

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

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

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

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

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

Investment Types	Governmental and Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	$ 9,148	$ 321	$ 19,180
Other U S Government Guaranteed Securities	462,935	994,590	444,485
U S Agency Securities	633,578	945,144	910,099
State and Local Government Securities	6,432	5,660	23
Mortgage Backed Securities	889,365	573,769	964,183
TBA Mortgage Backed Securities	189,441	27,306	-
Commercial Paper	20,010	875,120	126,375
Corporate Bonds	557,368	2,290,471	164,906
Private Placements	348	4,083,449	29,290
Repurchase Agreements	848,310	23,030	382,314
International Bonds	-	681	98,383
Bond Mutual Funds	8,780	372,921	1,447,318
Domestic Equities	576,780	12,930,689	422,540
International Equities	170,945	3,777,287	12,516
Other Mutual Funds	58,018	416,950	1,518,341
Real Estate	10,209	2,223,782	296,375
Guaranteed Investment Contracts	-	-	270,576
	$ 4,441,667	$ 29,541,170	$ 7,106,904
Reconciliation to the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets			
Investments Per Investment Note	$ 4,441,667	$ 29,541,170	$ 7,106,904
Certificates of Deposit †	84,518	3,479	35,582
Other Cash Equivalents †	(115,231)	(8,089)	(792,530)
Repurchase Agreements ††	(839,855)	(23,030)	(356,527)
Investments Classified as Restricted Assets	(1,465)	-	-
Foundations and pooled investments §	-	-	28,803
Investments per Statements	$ 3,569,634	$ 29,513,530	$ 6,022,232

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

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

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

C. Investment Risks

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The ratings of the State's investments as of September 30, 2008 are presented below.

Ratings of Fixed Maturities

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

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

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

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

2. Interest Rate Risk

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

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

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

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

Governmental and Business-Type Activities
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value
Debt Securities					
U S Treasury Strips	$ 2,875	$ 5,370	$ 17	$ 886	$ 9,148
Other U S Government Guaranteed Securities	84,022	219,011	109,714	50,188	462,935
U S Agency Securities	59,897	183,435	177,686	212,560	633,578
State and Local Government Securities	-	325	1,390	4,717	6,432
Mortgage Backed Securities	5,187	29,717	44,994	809,467	889,365
TBA Mortgage Backed Securities	-	-	-	189,441	189,441
Commercial Paper	20,010	-	-	-	20,010
Corporate Bonds	22,262	202,996	161,512	170,598	557,368
Private Placements	25	107	41	175	348
Repurchase Agreements	848,310	-	-	-	848,310
Bond Mutual Funds	8,433	127	154	66	8,780
Total	$ 1,051,021	$ 641,088	$ 495,508	$ 1,438,098	$ 3,625,715

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

Investment Type	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value
Debt Securities					
Other U S Government Guaranteed Securities	$ 90,380	$ 206,776	$ 446,708	$ -	$ 743,864
U S Agency Securities	1,480	380,342	280,179	43,440	705,441
Mortgage Backed Securities	83	4,879	1,639	373,215	379,816
Commercial Paper	547,428	-	-	-	547,428
Corporate Bonds	59,726	740,825	657,133	390,022	1,847,706
Private Placements	38,378	504,546	3,338,342	136,013	4,017,279
Bond Mutual Funds	119,375	-	-	-	119,375
Repurchase Agreements	12,076	-	-	-	12,076
Total	$ 868,926	$ 1,837,368	$ 4,724,001	$ 942,690	$ 8,372,985

Other Fiduciary Funds
(Amounts in Thousands)

	Maturity in Years at Fair Value				
Investment Type	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**
Debt Securities					
U S Treasury Strips	$ -	$ 321	$ -	$ -	$ 321
Other U S Government Guaranteed Securities	23,793	109,270	108,448	9,214	250,725
U S Agency Securities	1,047	132,561	88,904	17,190	239,702
State and Local Government Securities	700	1,795	2,315	850	5,660
Mortgage Backed Securities	360	8,194	4,628	180,771	193,953
TBA Mortgage Backed Securities	-	-	-	27,306	27,306
Commercial Paper	327,692	-	-	-	327,692
Corporate Bonds	17,066	166,635	174,837	84,227	442,765
Private Placements	-	5,265	49,750	11,154	66,169
Repurchase Agreements	10,954	-	-	-	10,954
International Bonds	-	-	572	109	681
Bond Mutual Funds	95,411	2,185	4,363	151,586	253,545
Total	$ 477,023	$ 426,226	$ 433,817	$ 482,407	$ 1,819,473

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

	Maturity in Years at Fair Value				
Investment Type	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**
Debt Securities					
U S Treasury Strips	$ 3,170	$ 7,573	$ 8,437	$ -	$ 19,180
Other U S Government Guaranteed Securities	118,226	86,821	121,599	2,292	328,938
U S Agency Securities	322,654	440,222	109,936	37,287	910,099
State and Local Government Securities	-	23	-	-	23
Mortgage Backed Securities	3,607	17,518	2,849	715,499	739,473
Commercial Paper	117,179	-	-	-	117,179
Corporate Bonds	6,571	15,815	25,821	9,088	57,295
Private Placements	-	774	-	603	1,377
Repurchase Agreements	354,821	-	11,243	-	366,064
International Bonds	464	-	-	-	464
Guaranteed Investment Contracts	267,742	2,834	-	-	270,576
Bond Mutual Funds	1,102,348	16,083	1,524	-	1,119,955
Total	$ 2,296,782	$ 587,663	$ 281,409	$ 764,769	$ 3,930,623

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

University of Alabama
(Amounts in Thousands)

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

3. Foreign Currency Risk

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

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

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

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

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

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

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

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

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

Investments Exposed to Custodial Credit Risk
(Amounts in Thousands)

	Governmental and Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
U S Treasury Strips	$ -	$ -	$ 321	$ -
Other U S Government Guaranteed Securities	1,662	-	29,293	9,332
U S Agency Securities	62,547	-	100	23,908
State and Local Government Securities	-	-	5,660	-
Mortgage Backed Securities	9,332	-	7,601	20
Corporate Bonds	1,232	-	5,410	3,032
Bond Mutual Funds	-	-	-	755
Repurchase Agreements	779,631	12,076	8,739	340,277
Domestic Equities	2,749	-	-	-
International Equities	16,413	-	-	-
	$ 873,566	$ 12,076	$ 57,124	$ 377,324

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

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

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

D. Securities Lending

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

Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2008, the average term of the loans was 2, 3, 3, and 3 days, respectively for the TRS, ERS, JRF, and ATF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's fund guidelines. The QDF's average effective duration is restricted to 120 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be five years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 30 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

The Bank of New York (BONY) administers a portion of the securities lending program for the ATF. Also, the Prepaid Affordable College Tuition Program's (PACT) investment policy approved by the Board of Trustees permits the PACT Program to enter into securities lending transactions defined as loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made for the PACT Program. The PACT Program's custodian, BONY, administers the program and acts as an agent for the PACT Program. Certain securities of the ATF and the PACT Program are loaned to borrowers approved by the ATF Board of Trustees and the PACT Program. Approved borrowers of securities provide acceptable cash collateral in the form of federal funds or New York Clearing House funds as applicable for a particular loan. The BONY has provided loss indemnification to the PACT Program in the event that the borrower does not return the market value of the securities loaned. All security loans are open loans and can be terminated on demand by the lender, borrower, or BONY. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102 percent of the fair value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105 percent of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BONY shall, in accordance with BONY's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business

employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100 percent of the fair value of the loaned securities. As of September 30, 2008, the average term of the loans was 133 and 67 days, respectively for the ATF and the PACT Program. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. All approved investments shall be for the account and risk of ATF or the PACT Program. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, the lender agrees to pay BONY on demand cash in an amount equal to such deficiency.

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

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

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

The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2008. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

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

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

E. Mortgage-Backed Securities

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

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

F. Derivatives

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

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

The following are the risks associated with the swap agreement:

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

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

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

Termination risk: The swap agreements contain provisions (including events of default and termination events) that could cause the swap agreements to be terminated prior to their scheduled termination, which could result in a potentially significant unscheduled payment to become due and payable from the State to the swap providers. The swap agreements provide asymmetrical credit downgrade termination events, which protect the State from an early termination as long as it maintains a rating at or above BBB/Baa2, even though the State may terminate the swap agreements if the swap providers fall below the single A rating category. The annual termination option provided by the State to the swap providers beginning April 1, 2007, if exercised, would not constitute an early termination event requiring payment by either the State or the swap providers. In January, 2008, Bank of America, N.A., Bear Stearns Capital Markets, Inc. and Goldman Sachs Mitsui Marine Derivative Products, L.P. exercised its early termination rights to cancel the interest rate swap agreements effective April 1, 2008.

G. Capital Assets

Historical costs for infrastructure assets are included in the Comprehensive Annual Financial Report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2008, the capital assets for the Primary Government and the Component Units are presented in the following tables:

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
GOVERNMENTAL-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 179,045	$ 46,756	$ 713	$ 225,088
Historical Exhibits	2,658	-	-	2,658
Construction in progress	133,247	32,144	16,090	149,301
Construction in progress - Infrastructure	4,399,528	473,268	159,947	4,712,849
Infrastructure	11,932,373	159,947	-	12,092,320
Total	**16,646,851**	**712,115**	**176,750**	**17,182,216**
Capital assets being depreciated:				
Buildings	1,050,204	74,726	35,551	1,089,379
Equipment	590,565	72,007	81,153	581,419
Total	**1,640,769**	**146,733**	**116,704**	**1,670,798**
Less accumulated depreciation:				
Buildings	516,924	25,221	33,341	508,804
Equipment	351,719	51,406	63,648	339,477
Total	**868,643**	**76,627**	**96,989**	**848,281**
Total capital assets being depreciated, net	**772,126**	**70,106**	**19,715**	**822,517**
Governmental-type activities capital assets, net	**$ 17,418,977**	**$ 782,221**	**$ 196,465**	**$ 18,004,733**

Depreciation Expense for the current year is charged as follows:

Economic Development and Regulation	$ 2,346
Social Services	3,357
Education and Cultural Resources	3,290
Natural Resources and Recreation	5,198
Health - Physical & Mental	5,726
General Government	11,059
Protection of Persons & Property	22,468
Transportation	23,183
Total Depreciation Expense	**$ 76,627**

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	$ 62,763	$ 2,635	$ 737	$ 64,661
Historical Exhibits	2,350	-	-	2,350
Construction in progress	249,717	47,884	16,237	281,364
Total capital assets not being depreciated	**314,830**	**50,519**	**16,974**	**348,375**
Capital assets being depreciated:				
Buildings	1,098,196	151,339	32,757	1,216,778
Equipment	411,176	55,030	17,477	448,729
Total capital assets being depreciated	**1,509,372**	**206,369**	**50,234**	**1,665,507**
Less accumulated depreciation				
Buildings	408,935	31,213	821	439,327
Equipment	221,890	21,081	7,053	235,918
Total accumulated depreciation	**630,825**	**52,294**	**7,874**	**675,245**
Total capital assets being depreciated, net	**878,547**	**154,075**	**42,360**	**990,262**
Business-type activities capital assets, net	**$ 1,193,377**	**$ 204,594**	**$ 59,334**	**$ 1,338,637**

Depreciation Expense for the current year is charged as follows:

State Port Authority	$ 20,664
Alabama College System	28,257
Alcoholic Beverage Control Board	3,099
Other Nonmajor Enterprise Funds	274
Total Depreciation Expense	**$ 52,294**

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
COMPONENT UNITS				
Capital assets not being depreciated:				
Land	$ 184,417	$ 6,748	$ 1,753	$ 189,412
Historical Exhibits	77,302	205	-	77,507
Construction in progress	432,738	481,166	297,070	616,834
Total capital assets not being depreciated	**694,457**	**488,119**	**298,823**	**883,753**
Capital assets being depreciated:				
Buildings	4,913,011	344,079	15,899	5,241,191
Equipment	1,730,337	156,070	88,324	1,798,083
Total capital assets being depreciated	**6,643,348**	**500,149**	**104,223**	**7,039,274**
Less accumulated depreciation				
Buildings	1,885,916	141,450	4,904	2,022,462
Equipment	1,231,350	111,220	74,526	1,268,044
Total accumulated depreciation	**3,117,266**	**252,670**	**79,430**	**3,290,506**
Total capital assets being depreciated, net	**3,526,082**	**247,479**	**24,793**	**3,748,768**
Component Units capital assets, net	**$ 4,220,539**	**$ 735,598**	**$ 323,616**	**$ 4,632,521**

Depreciation Expense for the current year is charged as follows:

Alabama Public School and College Authority	$ 311
Mental Health	2,374
Water Pollution Control Authority	291
University of Alabama	154,476
Auburn University	41,451
University of South Alabama	19,761
State Employee Insurance Board	89
Other Nonmajor Component Units	33,917
Total Depreciation Expense	**$ 252,670**

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

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

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

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

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

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

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

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

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

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

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

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

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

4. Other Commitments
The Alabama Housing Finance Authority, a component unit, has designated $48,995,000 of its net assets for fiscal year September 30, 2008 for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

B. Claims and Judgments

A judgment was entered against the State in favor of Alabama State University and Alabama A&M University. The State must pay each University $1,000,000 for the next two years. The amount outstanding is $4,000,000. The Education Trust Fund is being used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay BellSouth $4,767,438 for the next three years in the form of actual payments and tax credits. The amount outstanding is $14,302,314. The General Fund is being used to liquidate this debt.

C. Long-term Debt

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

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

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

2. General Obligation Bonds – Governmental Activities

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

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2009	$ 32,925,000	$ 32,952,687	$ 65,877,687
2010	34,315,000	31,471,950	65,786,950
2011	33,780,000	29,952,652	63,732,652
2012	35,155,000	28,474,939	63,629,939
2013	36,625,000	26,997,150	63,622,150
2014-2018	208,640,000	106,723,047	315,363,047
2019-2023	212,170,000	52,181,065	264,351,065
2024-2028	111,870,000	10,862,725	122,732,725
Total	705,480,000	**$ 319,616,215**	**$ 1,025,096,215**
Unamort Prem	15,664,796		
	$ 721,144,796		

GENERAL OBLIGATION BONDS PAYABLE

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

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

3. Revenue Bonds

a. Primary Government – Governmental Activities

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

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

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

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

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

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

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

b. Primary Government – Business-Type Activities

The Alabama State Port Authority issued bonds for the construction and maintenance of a wharf, warehouse, open storage area, and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of the Authority derived from charges made by the Authority for all services provided. At September 30, 2008, the outstanding principal balance of the 2008A bonds was $61,300,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67% of LIBOR (London Interbank Offered Rate). The rate at 9/30/08 was 2.67%. At September 30, 2008, the outstanding principal balance of the 2008-B bonds was $50,000,000. The Series 2008-B bonds will bear interest at a rate of 50 basis points plus LIBOR. The rate at 9/30/08 was 2.99%.

The Alabama College System has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. The total principal amount outstanding on these bonds is $252,680,000 for the Alabama College System and $12,865,000 for Athens State.

PRIMARY GOVERNMENT Governmental Activities Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2008
Alabama Corrections Institution Finance Authority				
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	$ 8,775,000
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%	4,000,000
Montgomery Downtown Redevelopment Authority				
Series 2002	08/08/02	10/01/13	2.30% to 5.00%	26,510,000
Alabama Building Renovation Finance Authority				
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%	17,110,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%	11,985,000
Series 2006	08/01/06	09/01/31	4.00% to 5.00%	30,000,000
Alabama Judicial Building Authority				
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%	32,660,000
Alabama Public Health Care Authority				
Series 2005	09/28/05	09/01/35	4.00% to 4.50%	54,765,000
Alabama Federal Aid Highway Finance Authority				
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%	135,820,000
Sub-total Revenue Bonds Payable				321,625,000
‡ Less: Unamortized Discounts				(508,623)
§ Plus: Unamortized Premiums				5,077,889
†† Less: Unamortized Loss				(2,711,122)
Net Primary Government Revenue Bonds Payable, Governmental Activities				**$ 323,483,144**

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

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

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

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

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

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

Revenue Bonds
Debt Service Requirements to Maturity

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

c. Component Units

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

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

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

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

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

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

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

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

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

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

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2008, the outstanding principal balance of the 2005-A bonds was $4,400,000. The interest rate for the 2005-A bond is variable and adjusted weekly based on current market rates. The interest rate was 8.25% as of September 30, 2008.

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

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

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

COMPONENT UNITS	**Date**	**Final Maturity**	**Interest**	**Bonds Payable**
Revenue Bonds	**Issued**	**Date**	**Rates**	**Sept. 30, 2008**
Alabama Incentives Finance Authority				
Series 1999-A	10/01/99	10/01/29	6.00% to 6.00%	$ 23,970,000
Series 1999-B	10/01/99	10/01/29	6.25% to 7.88%	59,125,000
Alabama Public School and College Authority				
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	300,000,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
Series 1999-B	09/01/99	09/01/09	7.10% to 7.15%	42,000,000
Series 1999-C	10/01/99	07/01/19	5.50% to 5.75%	250,000,000
Series 1999-D	11/01/99	08/01/19	5.00% to 6.00%	162,200,000
Series 2001-A	05/15/01	02/01/21	4.50% to 5.63%	69,905,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	82,400,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	83,995,000
Series 2002-B	12/01/02	12/01/28	4.00% to 5.00%	27,705,000
Series 2003	12/01/03	02/01/23	2.00% to 5.00%	101,150,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	76,170,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	50,105,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	1,070,585,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	49,485,000
State Industrial Development Authority				
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	1,400,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	4,250,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	12,910,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	280,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	38,040,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	88,260,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	9,320,000
Sub-Total Revenue Bonds, Component Units				$ 2,621,615,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2008
Sub-Total from previous page				**$ 2,621,615,000**
Alabama Housing Finance Authority				
Single family Bond Programs	1994-2007	2009-2039	Various	840,685,000
Multi-family Bond Programs	1989-2007	2009-2048	Various	227,156,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	16,555,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	41,950,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	43,055,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	45,070,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	48,220,000
Revolving Fund Loan Bonds, Series 2002-A	01/15/02	08/15/24	3.00% to 5.10%	26,615,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	32,835,000
Revolving Fund Loan Bonds, Series 2003-A	01/01/03	08/15/26	3.00% to 5.00%	30,820,000
Revolving Fund Loan Bonds, Series 2003-B	01/01/03	02/15/16	3.00% to 4.38%	36,465,000
Revolving Fund Loan Bonds, Series 2003-C	08/01/03	08/15/15	2.50% to 4.25%	7,265,000
Revolving Fund Loan Bonds, Series 2004-A	04/01/04	08/15/16	2.00% to 4.00%	24,995,000
Revolving Fund Loan Bonds, Series 2008	08/15/29	01/00/00	3.00% to 4.00%	44,680,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	24,070,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	6,245,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,160,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	20,285,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	28,340,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	36,350,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,800,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	42,465,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-A	05/01/05	Apr 2026	Variable	4,400,000
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	11,600,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006-A1	11/27/06	03/01/33	Variable	25,000,000
Student Loan Revenue Bonds, Series 2006-A2	11/27/06	11/01/41	Variable	75,000,000
Sub-total Revenue Bonds Payable, Component Units				$ 4,390,696,000

Continued on next page

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

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

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

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

COMPONENT UNITS
Debt Service Requirements to Maturity

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

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

4. Refunded and Redeemed Bonds

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

During the year ended September 30, 2008, the Alabama Housing Finance Authority called approximately $206,488,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is $467,000 and is primarily comprised of the premium paid to retire the bonds.

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

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

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

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

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

Defeased Bonds:

Component Units	Amount
University of Alabama in Tuscaloosa	$ 32,300,000
University of Alabama in Birmingham	190,260,000
University of Montevallo	7,820,000

Primary Government	Amount
State Port Authority	$ 76,890,000

5. Arbitrage

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

The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Bond issues with arbitrage liabilities outstanding at September 30, 2008, were as follows:

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

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

6. Bonds Authorized But Not Issued

Bonds Authorized But Not Issued
(Amounts in Thousands)

Primary Government	Authorized	Issued	Unissued
General Obligation Bonds			
State of Alabama	$ 750,000	$ 610,025	$ 139,975
Federal Aid Highway Finance Authority	Unlimited (based on amount received in federal funds)		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,000	4,000
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Alabama Judicial Building Authority	10,000	10,000	-
Total Primary Government	**$ 1,016,000**	**$ 721,025**	**$ 294,975**
Component Units			
State Industrial Development Authority †	$ 100,000	$ 38,390	$ 61,610
Mental Health Finance Authority	100,000	84,265	15,735
Alabama Public School and College Authority	Based on amounts available in Public School Fund for debt service payments		
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	175,000	86,795	88,205
Total Component Units	**399,000**	**209,450**	**189,550**
Total Reporting Entity	**$ 1,415,000**	**$ 930,475**	**$ 484,525**

† The State Industrial Development Authority is authorized to issue a total of $100,000,000 in bonds in addition to any bonds authorized prior to 1991. No more than $40,000,000 in aggregate principal amount of such bonds may be outstanding at any one time. At 9/30/08, $5,650,000 was outstanding.

7. Derivative Transactions

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

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

Alabama State Port Authority - In December 2002, the Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority's callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. In consideration for writing the option, the Authority received a premium payment of $5,025,000. The premium payment was amortized by the Authority during fiscal years 2003, 2004, 2005 and 2006. The counterparty exercised its option on July 18, 2006 (the Authority's 1996 Series bonds' first call date). Since the option was exercised, the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). The swap agreement is based on a notional amount of $60,455,000 and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority intended to issue variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. The Series 2006C variable rate revenue bonds were issued in November, 2006. The Series 2008A variable rate revenue bonds were issued in April, 2008 to refund the Series 2006C bonds. As of September 30, 2008, the swap had a negative fair value of approximately $12,365,000. The swap value is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swap.

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

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

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

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

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

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

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

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

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

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

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

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

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

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

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

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

9. Changes in Noncurrent Liabilities

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

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

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

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

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

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

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

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

The Nonmajor Governmental Funds have the most interfund payables, $44,234,000 in total. Of that amount, $7,438,000 is owed to Medicaid, $10,279,000 is owed to other Nonmajor Governmental Funds, and $14,617,000 is owed to Internal Service Funds. Medicaid has the second most interfund payables, totaling $27,024,000. Medicaid owed $8,942,000 to the Public Welfare Trust Fund and $17,796,000 to Nonmajor Governmental Funds. Of that amount, $10,736,000 is due to Public Health, $1,145,000 is due to Youth Services, $17,000 is due to the Attorney General, $4,917,000 is due Senior Services, $979,000 is due Rehabilitation Services, and $2,000 is due Legislative Reference Services. The Alcoholic Beverage Control Board (ABC) has the third most interfund payables, $18,556,000. ABC owed $11,136,000 to the General Fund and $6,423,000 to the Public Welfare Trust Fund. ABC is required by law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

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

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

B. Balances with Component Units

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

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

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

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

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

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

C. Interfund Transfers

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

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

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

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

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

The Alabama Trust Fund, in compliance with amendments to the *Constitution of Alabama of 1901*, is required to transfer to other funds a substantial portion of its investment earnings as well as a portion of new income from offshore oil and gas rights. In compliance with these amendments, the General Fund received $205,588,000, the Forever Wild Land Trust Fund, a Nonmajor Governmental Fund, received $14,611,000, the County Government Capital Improvement Fund, a Nonmajor Governmental Fund, received $28,078,000, the Municipal Government Capital Improvement Fund, a Nonmajor Governmental Fund, received $28,078,000, the Alabama Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received $71,699,000, and the County and Municipal Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received $17,925,000.

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

NOTE 6 - RISK MANAGEMENT

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

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

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

A. The State Insurance Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a $10,000,000 cumulative loss annual deductible and a $3,500,000 specific loss deductible for all perils except named wind storms, and a $10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding $10,000,000 with a $750,000,000 limit. Payments received in fiscal years 2008, 2007 and 2006 for settlements in excess of deductibles totaled $14,655,159, $13,230,941, and $13,446,272 respectively.

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

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

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

B. General Liability Trust Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was not renewed in April 2002, so GLTF is currently without excess coverage. Payments received in fiscal years 2008 for settlements in excess of deductibles for prior years total $1,010,532.

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

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

C. State Employee Injury Compensation Trust Fund

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

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

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

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

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

D. State Employees' Insurance Plan

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

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (approximately 59% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

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

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.

E. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of public educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. That rate was $775 per participant for 2008 and $717 per participant for 2007. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs ultimately incurred may vary from the estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The following table presents the changes in claims liabilities during 2008 and 2007:

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

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

F. Alabama Health Insurance Plan

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

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling $4,691,000 and $5,174,000 in 2008 and 2007, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the years ended September 30, 2008 and 2007:

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

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

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

G. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Claims are self-insured to the extent of claims less than $500,000 with no aggregate limit with respect to the number of such claims. Additionally, any individual claims in excess of $5,000,000 are self-insured. An accrual for uninsured claims is included in other accrued liabilities in the Statement of Net Assets. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2008 and 2007:

(Amounts in Thousands)	September 30,	
	2008	2007
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 1,492	$ 1,368
Provision for claims	943	447
Total payments	(620)	(323)
Reported claims payable and estimated claims payable incurred but not reported at end of year	$ 1,815	$ 1,492

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

NOTE 7 - RETIREMENT PLANS

A. Retirement Systems of Alabama

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

1. Plan Descriptions

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

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

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

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

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

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

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

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

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2008. Copies may be obtained by writing to:

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

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

At September 30, 2008, the number of participating employers in each system was as follows:

	TRS	ERS
Cities	-	282
Counties	-	64
Other Public Entities	-	507
Universities	13	-
Post-Secondary Institutions	29	-
City & County Boards of Education	131	-
State Agencies & Other	31	1
Total	**204**	**854**

2. Summary of Significant Accounting Policies

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

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

As of September 30, 2008, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 10.57 percent and 12.65 percent, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made
The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2007 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

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

For the TRS and ERS, the normal contribution is determined using the “entry age normal” method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization

method is level percent open for the September 30, 2007 actuarial valuations for the TRS and the ERS. The remaining amortization period is 20 years for the TRS, ERS-state employees, and ERS-state policemen.

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

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

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

a. TRS and JRF

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

	Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
TRS	2006	434,195	100
	2007	540,847	100
	2008	729,995	100
JRF	2006	8,916	100
	2007	9,307	100
	2008	9,880	100

* Amounts in Thousands

b. State Employer Segment of ERS

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

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

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

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

Actuarial Methods for ERS
Valuation Date: September 30, 2005
Actuarial Cost Method: Entry Age
Asset Valuation Method: 5 Yr Smoothed Market
Amortization Method: Level Percent Open
Remaining Amort Period: State Employees 20 years, State Policemen 20 years
Period Closed/Open: Open

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

*Includes inflation at 4.5%

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

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	96,954,490	100	0
2007	118,889,541	100	0
2008	160,909,372	100	0

B. Other Pension Plans

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

NOTE 8 - DEFERRED COMPENSATION

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

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

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2008, net assets of the plan totaled $1,079,912,000.

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

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

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

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

A. Plan Descriptions

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

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

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

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

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

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

B. Summary of Significant Accounting Policies

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

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

C. Funding Policy

The cost of the teachers' health care benefits is paid from the regular appropriations made to individual education entities. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately $274,975,000 was on behalf of retired members of PEEHIP for fiscal year 2008. Retirees who are eligible for Medicare benefits must pay $1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay $97.54 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. Also, the State may make additional contributions. Additional funds were contributed in the amount of $204,226,000 as authorized by the PEEHIP board. The Medicare Part D retiree drug subsidy for fiscal year 2008 was $23,742,000.

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

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

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

Percentage of annual OPEB cost contributed: 40%

2. Funded Status and Funding Progress

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

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

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

3. Actuarial Methods and Assumptions

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

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

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

Actuarial Assumptions for Retired State Employees' Health Care Trust	
Investment Rate of Return:	4.00%
Medical Cost Trend Rate:	12.00%
Ultimate Trend Rate:	6.00%
Year of Ultimate Trend Rate:	2009
Dental Trend Rate:	5.00%

*Includes Inflation at 4.5%

NOTE 10 - RELATED ORGANIZATIONS

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

NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided $100,000 and $100,000 to the Authority for fiscal year 2008 and fiscal year 2007, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	2008	2007 *
Fund Balance	$ 204	$ 189
Revenues	405	364
Expenditures	390	371

*Restated

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

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had $334,139 in revenues in 2008.

NOTE 12 - RELATED PARTY TRANSACTIONS

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

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

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

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

UAB and HSF have entered into an agreement which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed $4,889,000 during 2008 to the UAB Health System Board.

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

NOTE 13 - CONTINGENCIES

A. Grants

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

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

B. Tobacco Settlement

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

C. Litigation

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

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

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

The State of Alabama has been involved in several lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for refunds totaling $89,000,000 plus accumulated interest, if awarded. The State legislature enacted laws to remedy the significant loss of revenue.

The State of Alabama Department of Revenue has received petitions from Exxon-Mobil Corporation for refund of gas severance taxes exceeding $90,000,000. At issue is the method of calculation of the value of the gas severed. The outcome of this case could affect other taxpayers. On September 13, 2007, the Administrative Law Judge of the Department of Revenue issued two orders in favor of Exxon-Mobil, setting aside approximately $50,000,000 in assessments and ordering the Department to refund in excess of $41,000,000 to Exxon-Mobil. The Department of Revenue and the Attorney General have filed a notice of appeal of the Administrative Law Judge's decision in the circuit court of Mobile County. The case has been held in abeyance pending settlement negotiations, which involve curative legislation. The core issue concerns the proper calculation of the value of the gas severed under the "work back deduction" method. The final outcome of this case could affect other taxpayers and result in additional potential refunds of $15,000,000 to be paid out of the state General Fund.

The State of Alabama Department of Revenue is also involved in additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. These cases have a combined potential refund liability or reduction of assessments of approximately $72,000,000. Adverse rulings in these cases could also reduce future revenues.

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

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net assets restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5% of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6%. The net endowment appreciation of the four-year colleges at September 30, 2008 was $25,200,000.

NOTE 15 - SUBSEQUENT EVENTS

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

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

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

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

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

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

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
COOSA
TALLAPOOSA
BLACK WARRIOR
CAHABA R.
RIVER
ALABAMA
RIVER
TOMBIGBEE
CONECUH R.
PEA R.
MISSISSIPPI
GEORGIA
FLORIDA
Gulf of Mexico
GREAT SEAL

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
All Budgeted Funds
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

FINANCIAL STATEMENT CLASSIFICATION

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

Budgetary Process

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

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are included in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins. During fiscal year 2008, approximately $7 million of supplemental appropriations and $34 million of conditional and other appropriations were distributed to various agencies from the General Fund. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill. The Department of Finance received $1 million of conditional appropriations for the fiscal year 2008 annual budget. Also, a conditional appropriation of $2 million was released to the Departmental Emergency Fund for distribution to various departments as needed. The Department of Corrections and the Department of Agriculture and Industries received supplemental appropriations of $5 million and $1 million, respectively. Also, the Department of Corrections received another appropriation for the sale of land in the amount of $17 million. During fiscal year 2008, $23 million of conditional and other appropriations were distributed from the Education Trust Fund. The Department of Postsecondary Education received a conditional appropriation of $22 million.

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

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes Federal funds which are included in the Earmarked Funds. Most of the $1.1 billion increase in the Earmarked Funds is increased Federal funds.

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

Budgetary Control

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

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

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

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2008.

Encumbrance Accounting

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

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

Lapsing of Appropriations

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

Budgetary Basis of Accounting and Fund Structure

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

REQUIRED SUPPLEMENTARY INFORMATION
Ten Year Loss Development Information for State Insurance Fund
For the Fiscal Year Ended September 30, 2008

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for Employees' Retirement System

For the Fiscal Year Ended September 30, 2008

State Employees and State Policemen
(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2002	4,787,994	4,923,618	135,624	97.2	1,163,845	11.7
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8
9/30/2004	4,922,875	5,464,579	541,704	90.1	1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5

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

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

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

Retired State Employees Health Care Trust
(Amounts In Thousands)

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

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

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

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

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

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

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2008 include approximately 10,875 miles of state maintained highways and 5,362 of state maintained bridges and culverts.

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

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

Roads

Measurement Scale

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

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:

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

Bridges

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

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

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

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

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

Estimated and Actual Costs

In fiscal years 2008, 2007, 2006, 2005, and 2004, the State estimated it would need to spend $320.0, $277.7, $247.1, $247.1, and $205.0 million, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2008, the State spent $265,160,000 for road preservation and $22,434,000 for bridge preservation. In fiscal year 2007, the State spent $293,253,000 for roadway preservation and $2,821,000 for bridge preservation. In fiscal year 2006, the State spent $249,823,000 for roadway preservation and $2,188,000 for bridge preservation. In fiscal years 2005 and 2004, the State spent $179,902,767, and $162,823,215, respectively, for maintenance and preservation of roadway and bridge assets combined. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately $310,027,000 to preserve all roadway assets and approximately $10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. Condition levels are expected to continue to meet or exceed the "Established Condition Levels".

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

COMBINING BALANCE SHEET
Nonmajor Governmental Funds by Fund Type

September 30, 2008
(Amounts in Thousands)

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
CONECUH R.
PEA R.
TOMBIGBEE
FLORIDA
Gulf of Mexico
GREAT SEAL

Nonmajor Special Revenue Funds

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

Public Health Department

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

Education Department

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

Economic and Community Affairs

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

Revenues Allocated to Other Governments

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

Other Medicaid Funds

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

Rehabilitation Services

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

Public School Fund

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

Children First Trust

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

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

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

Conservation and Natural Resources

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

Other Nonmajor Special Revenue Funds

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

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2008
(Amounts in Thousands)

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

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2008
(Amounts in Thousands)

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

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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Nonmajor Debt Service Funds

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

Corrections Institution Finance Authority

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

Judicial Building Authority

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

Public Health Care Authority

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

General Obligation Bonds

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

Federal Aid Highway Finance Authority

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

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2008
(Amounts in Thousands)

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

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

$ 0	$ 4
0	**4**

-	4,630
0	**4,630**

$ 0	**$ 4,634**

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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GREAT SEAL

Nonmajor Capital Projects Funds

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

General Obligation Bond Projects

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

State Parks Improvement Corporation

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

Federal Aid Highway Finance Authority

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

Judicial Building Authority Capital Projects

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

Other Capital Project Funds

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

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2008
(Amounts in Thousands)

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

Other Capital Project Funds	Totals
$ 15,341	$ 184,842
9,480	9,480
52	52
6	19
$ 24,879	**$ 194,393**
$ 0	$ 109
16	1,035
2,358	3,941
6	19
2,380	**5,104**
-	3,499
22,499	185,790
22,499	**189,289**
$ 24,879	**$ 194,393**

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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GREAT SEAL

Nonmajor Permanent Funds

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

Marine, Game and Fish Endowment

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

Alabama Research Institute

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

Senior Services Trust

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

Other Permanent Funds

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

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2008
(Amounts in Thousands)

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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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.

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
139,737	139,737	-	-	-	-	139,737	139,737	-
139,737	**139,737**	**-**	**-**	**-**	**-**	**139,737**	**139,737**	**-**
17,059	17,059	-	-	-	-	17,059	17,059	-
17,059	**17,059**	**-**	**-**	**-**	**-**	**17,059**	**17,059**	**-**
1,430,796	**1,430,796**	**-**	**34**	**34**	**-**	**1,430,830**	**1,430,830**	**-**

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	**-**	**-**	**-**
Agricultural Museum Board			
Agricultural Promotional Program	104	83	21
Total Agricultural Museum Board	**104**	**83**	**21**
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	125	125	-
Agricultural Development Services: Livestock Coliseum	248	248	-
Agricultural Development Services: Operations	266	266	-
Total Agriculture Center Board	**639**	**639**	**-**
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	**-**	**-**	**-**
Alabama Law Institute			
Support - Other Educational Activities	823	802	21
Total Alabama Law Institute	**823**	**802**	**21**
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	**-**	**-**	**-**
Alabama Trusts			
Alabama Natural Heritage	-	-	-
Fiscal Management	20	20	-
Total Alabama Trusts	**20**	**20**	**-**
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	**-**	**-**	**-**
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	**-**	**-**	**-**
Archives and History			
Historical Resources Management	2,020	1,840	180
Total Archives and History	**2,020**	**1,840**	**180**
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	**-**	**-**	**-**
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	**-**	**-**	**-**
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	**-**	**-**	**-**
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,340	1,050	290	1,340	1,050	290
-	**-**	**-**	**1,340**	**1,050**	**290**	**1,340**	**1,050**	**290**
-	-	-	-	-	-	104	83	21
-	**-**	**-**	**-**	**-**	**-**	**104**	**83**	**21**
-	-	-	-	-	-	125	125	-
-	-	-	525	524	1	773	772	1
-	-	-	-	-	-	266	266	-
-	**-**	**-**	**525**	**524**	**1**	**1,164**	**1,163**	**1**
-	-	-	100	75	25	100	75	25
-	**-**	**-**	**100**	**75**	**25**	**100**	**75**	**25**
228	227	1	-	-	-	1,051	1,029	22
228	**227**	**1**	**-**	**-**	**-**	**1,051**	**1,029**	**22**
-	-	-	409	374	35	409	374	35
-	**-**	**-**	**409**	**374**	**35**	**409**	**374**	**35**
-	-	-	600	389	211	600	389	211
-	-	-	-	-	-	20	20	-
-	**-**	**-**	**600**	**389**	**211**	**620**	**409**	**211**
-	-	-	7,171	6,357	814	7,171	6,357	814
-	-	-	49,603	44,635	4,968	49,603	44,635	4,968
-	-	-	15,687	14,175	1,512	15,687	14,175	1,512
-	**-**	**-**	**72,461**	**65,167**	**7,294**	**72,461**	**65,167**	**7,294**
-	-	-	395	364	31	395	364	31
-	**-**	**-**	**395**	**364**	**31**	**395**	**364**	**31**
4,551	4,289	262	795	513	282	7,366	6,642	724
4,551	**4,289**	**262**	**795**	**513**	**282**	**7,366**	**6,642**	**724**
-	-	-	86	73	13	86	73	13
-	**-**	**-**	**86**	**73**	**13**	**86**	**73**	**13**
-	-	-	26	14	12	26	14	12
-	**-**	**-**	**26**	**14**	**12**	**26**	**14**	**12**
-	-	-	48	44	4	48	44	4
-	**-**	**-**	**48**	**44**	**4**	**48**	**44**	**4**
-	-	-	195	160	35	195	160	35
-	**-**	**-**	**195**	**160**	**35**	**195**	**160**	**35**

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	**-**	**-**	**-**
Cosmetology Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Cosmetology Board	**-**	**-**	**-**
Council on the Arts			
Fine Arts	-	-	-
Total Council on the Arts	**-**	**-**	**-**
Counseling Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Counseling Examiners Board	**-**	**-**	**-**
Court of Civil Appeals			
Court Operations	3,739	3,560	179
Total Court of Civil Appeals	**3,739**	**3,560**	**179**
Court of Criminal Appeals			
Court Operations	4,389	4,159	230
Total Court of Criminal Appeals	**4,389**	**4,159**	**230**
Credit Union Administration			
Charter Licensure and Regulation Financial	-	-	-
Total Credit Union Administration	**-**	**-**	**-**
Crime Victims Compensation Commission			
Special Services	-	-	-
Total Crime Victims Compensation Commission	**-**	**-**	**-**
Criminal Justice Information Center			
Criminal Justice Infomation Services	2,409	2,408	1
Total Criminal Justice Information Center	**2,409**	**2,408**	**1**

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A GO Bonds	-	-	-
Debt Service: 2005-A GO Bonds	-	-	-
Debt Service: Administrative Office of Courts	-	-	-
Debt Service: AL Building Renovation Fin Aut	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-A Refunding	-	-	-
Debt Service: General Obligation 1999-B Refunding	-	-	-
Debt Service: GO 2001-A Agriculture Development Bond	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	-	-	-
Debt Service: GO 2001-D Historic Site Bonds	-	-	-
Debt Service: GO 2006 Debt Service	-	-	-
Debt Service: GO 2007-A Debt Service	-	-	-
Total Debt Service and Reserve	**-**	**-**	**-**
Development Office			
Industrial Development: Alabama Development Office	4,347	4,193	154
Total Development Office	**4,347**	**4,193**	**154**
Dieteticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dieteticians and Nutritionists Examining Board	**-**	**-**	**-**
District Attorneys			
Court Operations	39,982	39,884	98
Total District Attorneys	**39,982**	**39,884**	**98**
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	**-**	**-**	**-**
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	**-**	**-**	**-**
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	**-**	**-**	**-**
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	**-**	**-**	**-**

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating and Air Conditioning Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating and Air Conditioning Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Aliceville POW Camp	-	-	-
Historical Resources Management: Buffalo Soldier Memorial	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Civil Rights Institute	-	-	-
Historical Resources Management: Collinsville Clock	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Darden House Foundation	-	-	-
Historical Resources Management: Donnell House	-	-	-
Historical Resources Management: F Scott Fitzgerald Museum	-	-	-
Historical Resources Management: Fort Payne Depot Museum	-	-	-
Historical Resources Management: Fort Payne Opera House	-	-	-
Historical Resources Management: Hartselle Historic Society	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Historic Bullock Courthouse	-	-	-
Historical Resources Management: Historic Camp Westmoreland	-	-	-
Historical Resources Management: Historic Lagrange College Site	-	-	-
Historical Resources Management: Holocaust Commission	-	-	-
Historical Resources Management: Houston Memorial Library	-	-	-
Historical Resources Management: Jefferson County Historical Commission	-	-	-
Historical Resources Management: Jesse Owens Park	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Lee County Historical Society Museum	-	-	-
Historical Resources Management: Madison Gurley Town Hall 1890	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Past Time Theatre	-	-	-
Historical Resources Management: Pickens County Courthouse	-	-	-
Historical Resources Management: Russell County Historical Commission	-	-	-
Historical Resources Management: Tallapoosa Historical Museum	-	-	-
Historical Resources Management: Tuskegee Human & Civil Rights	-	-	-
Historical Resources Management: University of West Alabama	-	-	-
Historical Resources Management: USS Alabama Battleship Commission	-	-	-
Historical Resources Management: Valley Head Old Post Office	-	-	-
Historical Resources Management: Valley Head Town Hall Roof	-	-	-
Historical Resources Management: Voting Rights Museum	-	-	-
Historical Resources Management: Vulcan Park Birmingham	-	-	-
Total Historical Commission	-	-	-
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	54	31	23	54	31	23
-	**-**	**-**	**54**	**31**	**23**	**54**	**31**	**23**
-	-	-	1,065	841	224	1,065	841	224
-	**-**	**-**	**1,065**	**841**	**224**	**1,065**	**841**	**224**
7,178	7,166	12	514	508	6	7,692	7,674	18
7,178	**7,166**	**12**	**514**	**508**	**6**	**7,692**	**7,674**	**18**
-	-	-	4,789	4,467	322	4,789	4,467	322
-	-	-	25	25	-	25	25	-
-	-	-	50	50	-	50	50	-
-	-	-	298	251	47	298	251	47
-	-	-	50	50	-	50	50	-
-	-	-	10	10	-	10	10	-
-	-	-	480	447	33	480	447	33
-	-	-	10	10	-	10	10	-
-	-	-	40	40	-	40	40	-
-	-	-	25	25	-	25	25	-
-	-	-	12	12	-	12	12	-
-	-	-	10	10	-	10	10	-
-	-	-	50	50	-	50	50	-
-	-	-	275	275	-	275	275	-
-	-	-	300	300	-	300	300	-
-	-	-	25	25	-	25	25	-
-	-	-	25	25	-	25	25	-
-	-	-	10	10	-	10	10	-
-	-	-	10	10	-	10	10	-
-	-	-	50	50	-	50	50	-
-	-	-	50	50	-	50	50	-
-	-	-	1,398	900	498	1,398	900	498
-	-	-	15	15	-	15	15	-
-	-	-	15	15	-	15	15	-
-	-	-	75	75	-	75	75	-
-	-	-	50	50	-	50	50	-
-	-	-	25	25	-	25	25	-
-	-	-	200	200	-	200	200	-
-	-	-	15	15	-	15	15	-
-	-	-	75	75	-	75	75	-
-	-	-	30	30	-	30	30	-
-	-	-	250	250	-	250	250	-
-	-	-	10	10	-	10	10	-
-	-	-	10	10	-	10	10	-
-	-	-	100	100	-	100	100	-
-	-	-	5	5	-	5	5	-
-	**-**	**-**	**8,867**	**7,967**	**900**	**8,867**	**7,967**	**900**
-	-	-	3,764	3,009	755	3,764	3,009	755
-	**-**	**-**	**3,764**	**3,009**	**755**	**3,764**	**3,009**	**755**

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	**-**	**-**	**-**
Homeland Security Office			
Readiness and Recovery	450	450	-
Total Homeland Security Office	**450**	**450**	**-**
Indian Affairs Commission			
Social Services	170	168	2
Total Indian Affairs Commission	**170**	**168**	**2**
Insurance			
Regulatory Services	-	-	-
Total Insurance	**-**	**-**	**-**
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	**-**	**-**	**-**
Interpreters and Transliterators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Transliterators	**-**	**-**	**-**
Judicial Inquiry Commission			
Administrative Services	544	445	99
Total Judicial Inquiry Commission	**544**	**445**	**99**
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-PhD Microbiology Program	-	-	-
Support of State Universities: Doctoral Program in Education-Alabama State	-	-	-
Support of State Universities: Health Information Management Program - Alabama State Univ.	-	-	-
Support of State Universities: Master of Accountancy Program - Alabama State University	-	-	-
Support of State Universities: Occupational Therapy Program - Alabama State University	-	-	-
Support of State Universities: Physical Therapy Program-Alabama State University	-	-	-
Support of State Universities: Scholarships to Diversify-A&M	-	-	-
Support of State Universities: Scholarships to Diversify-ASU	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
Total Knight vs. Alabama Financial Obligation	**-**	**-**	**-**
Labor			
Regulatory Services	588	544	44
Total Labor	**588**	**544**	**44**
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	**-**	**-**	**-**
Legislative Council			
Legislative Operations and Support	759	406	353
Total Legislative Council	**759**	**406**	**353**
Legislative Fiscal Office			
Legislative Operations and Support	1,947	1,710	237
Total Legislative Fiscal Office	**1,947**	**1,710**	**237**

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	147	72	75
Legislative Operations and Support: Legislative Reference Service	2,802	2,717	85
Total Legislative Reference Service	**2,949**	**2,789**	**160**
Lieutenant Governor			
Legislative Operations and Support	989	818	171
Total Lieutenant Governor	**989**	**818**	**171**
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	**-**	**-**	**-**
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	**-**	**-**	**-**
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	**-**	**-**	**-**
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	**-**	**-**	**-**
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	**-**	**-**	**-**
Military			
Military Operations: About Face	-	-	-
Military Operations: Active Military Service	488	160	328
Military Operations: ANG Operations & Maintenance	884	737	147
Military Operations: Dropping Allowance	1	-	1
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	1,273	1,248	25
Military Operations: Operations and Maintenance	2,505	1,473	1,032
Military Operations: Quartering Allowance to Headquarters	1,300	1,132	168
Military Operations: State Defense Force	23	23	-
Military Operations: Youth Challenge Academy	-	-	-
Total Military	**6,474**	**4,773**	**1,701**
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	**-**	**-**	**-**
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	**-**	**-**	**-**
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	**-**	**-**	**-**
Office of Prosecution Services			
Prosecution Training Education and Management	782	776	6
Total Office of Prosecution Services	**782**	**776**	**6**

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

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	3,606	3,247	359
Total Oil and Gas Board	**3,606**	**3,247**	**359**
Pardons and Paroles			
Administration of Pardons and Paroles	40,363	39,339	1,024
Total Pardons and Paroles	**40,363**	**39,339**	**1,024**
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	**-**	**-**	**-**
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	**-**	**-**	**-**
Personnel			
Administrative Support Service	-	-	-
Total Personnel	**-**	**-**	**-**
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	**-**	**-**	**-**
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	**-**	**-**	**-**
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	**-**	**-**	**-**
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	**-**	**-**	**-**
President Pro Tempore Senate			
Legislative Operations and Support	3,257	1,375	1,882
Total President Pro Tempore Senate	**3,257**	**1,375**	**1,882**
Proessional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Proessional Engineers Registration Board	**-**	**-**	**-**
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	**-**	**-**	**-**
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	**-**	**-**	**-**
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	**-**	**-**	**-**
Public Library Service			
Alabama Public Library Service Special Grant Program	-	-	-
Public Library Services	-	-	-
Total Public Library Service	**-**	**-**	**-**

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	**-**	**-**	**-**
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	**-**	**-**	**-**
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	**-**	**-**	**-**
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	**-**	**-**	**-**
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	**-**	**-**	**-**
Senior Services			
Elderly Medication Program	2,057	2,057	-
Medicaid Waiver Services	12,013	11,982	31
Planning and Advocacy for Elderly	5,703	5,702	1
Total Senior Services	**19,773**	**19,741**	**32**
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	**-**	**-**	**-**
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	**-**	**-**	**-**
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
R C & D Program	2,095	2,095	-
Water Resource Development	1,364	1,264	100
Total Soil and Water Conservation Commission	**3,459**	**3,359**	**100**
Speaker of the House			
Speaker of House, Office of	685	489	196
Total Speaker of the House	**685**	**489**	**196**
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	**-**	**-**	**-**
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	**-**	**-**	**-**
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	**-**	**-**	**-**
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	**-**	**-**	**-**

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

Continued on next page...

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES
Governmental Funds in State Treasury
Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

LICENSES AND FEES		
Conservation Licenses (fishing, hunting, boat registration, etc)	27,117	0.2%
Drivers Licenses and Fees	53,446	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,034	0.3%
Agricultural Licenses and Fees	11,671	0.1%
Wholesale Oil Company License	5,027	0.0%
Motor Vehicle License ($23.00 on auto; up to $845.00 on trucks and up to $210.00 on buses)	164,363	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	69,976	0.4%
Court Fees	77,894	0.4%
Alcoholic Beverage Licenses	2,334	0.0%
Insurance Corporation Licenses and Fees	1,209	0.0%
Miscellaneous License and Fees	145,357	0.8%
TOTAL LICENSES AND FEES	**618,428**	**3.5%**
FINES AND FORFEITS		
Court Fines and Forfeits	34,993	0.2%
Tobacco Settlement	106,149	0.6%
Miscellaneous Fines and Forfeits	107,848	0.6%
TOTAL FINES AND FORFEITS	**248,990**	**1.4%**
INVESTMENT INCOME	**305,472**	**1.7%**
FEDERAL REVENUES	**6,533,463**	**37.0%**
OTHER REVENUES		
Rents and Royalties	383,940	2.2%
Reimbursements	43,054	0.2%
Sales of Property or Services	64,924	0.4%
Contributions	20,603	0.1%
Intragovernmental Services	60,865	0.3%
Local Revenues	32,676	0.2%
Disproportionate Hospital Receipts (Medicaid)	471,858	2.7%
Miscellaneous Revenues	195,735	1.0%
TOTAL OTHER REVENUES	**1,273,655**	**7.2%**
TOTAL REVENUES	**$17,679,376**	**100.0%**

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES
Governmental Funds in State Treasury
Cash Basis, Transfers Excluded
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CHIAHA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

Nonmajor Enterprise Funds

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

Alabama Health Insurance Plan

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

Motor Sports Hall of Fame

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

Corrections Canteen

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

National Guard Canteen

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

Corrections Farms

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

Other Enterprise Funds

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

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2008
(Amounts in Thousands)

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

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

Continued on next page...

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

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
$ 81	**$ (1,949)**	**$ 43**
6	-	5
-	-	40
-	-	(140)
(97)	7	(91)
(6)	(14)	(153)
(1)	(7)	(360)
-	-	(874)
-	-	(13)
(226)	4	(219)
43	42	85
-	-	5
-	(12)	(12)
51	23	272
27	2	4,986
-	(12)	(12)
(203)	33	3,519
$ (122)	**$ (1,916)**	**$ 3,562**
(2,304)	(163)	(2,467)

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CHAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

Internal Service Funds

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

Telecommunications Fund

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

Service Division

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

Correctional Industries

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

Building Renovation Finance Authority

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

Risk Management

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

Other Internal Service Funds

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

COMBINING STATEMENT OF NET ASSETS
Internal Service Funds

September 30, 2008
(Amounts in Thousands)

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

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

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

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

Continued on next page...

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

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

Other Internal Service Funds	Totals
$ (23)	**$ (8,227)**
(77)	2,244
-	(645)
-	1,508
-	(8,132)
-	(319)
25	110
2	(1,464)
-	(1)
(21)	247
-	5,860
-	3
-	2
36	162
217	2,526
-	(2,063)
-	3,307
22	8,139
163	756
367	12,240
$ 344	**$ 4,013**
18	3,206
(45)	(66,346)
-	37
-	690
-	2,765
200	3,687

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
ALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

Pension and Other Employee Benefit Trust Funds

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

Employees' Retirement System

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

Teachers' Retirement System

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

Judicial Retirement Fund

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

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

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

State Port Authority Railway Plan

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

Clerks and Registers Supernumerary

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

Flexible Employees' Benefits Board

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

Employee Savings Plans

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

Retired Education Employees' Health Care Trust

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

Retired State Employees' Health Care Trust

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

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

September 30, 2008
(Amounts in Thousands)

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

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

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

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

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

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Private-Purpose Trust Funds

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

Prepaid Affordable College Tuition

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

Alabama College Education Savings Plan

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

Local Education Endowments

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

Foundation for Local Schools

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

September 30, 2008
(Amounts in Thousands)

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

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

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

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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.

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

September 30, 2008

(Amounts in Thousands)

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

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COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

For the Fiscal Year Ended September 30, 2008
(Amounts in Thousands)

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

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

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Nonmajor Component Units

Higher Education Loan Corporation

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

Drinking Water Finance Authority

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

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy University

Reports the operations and balances of the University.

Space Science Exhibit Commission

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

Historical Commission

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

Incentives Finance Authority

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

Twenty-first Century Authority

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

Other Nonmajor Component Units

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

COMBINING STATEMENT OF NET ASSETS
Nonmajor Component Units

September 30, 2008
(Amounts in Thousands)

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

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

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2008
(Amounts in Thousands)

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

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

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
WARRIOR
COOSA
GEORGIA
BLACK
TALLAPOOSA
CHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

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.

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

For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

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

STATISTICAL SECTION

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

Financial Trends **Page 270**

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

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

Revenue Capacity **Page 280**

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

- Major Revenue Base
- Revenue Rates
- Principal Revenue Payers

Debt Capacity **Page 286**

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

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

Demographic and Economic Information **Page 292**

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

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

Operating Information **Page 296**

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.
Note: The number of years presented on each schedule varies according to available data.

NET ASSETS BY COMPONENT

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

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

2003	2002
$ 14,774,902	$ 3,924,791
3,869,559	3,145,156
185,427	489,765
18,829,888	**7,559,712**
425,588	433,667
365,594	470,196
182,270	117,372
973,452	**1,021,235**
15,200,490	4,358,458
4,235,153	3,615,352
367,697	607,137
$ 19,803,340	**$ 8,580,947**

CHANGES IN NET ASSETS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

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

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

Continued on next page...

CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

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

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

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

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

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

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Seven Fiscal Years Ended September 30

(Amounts in Thousands)

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

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

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

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

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

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

Year 2007 is the most recent year data is available.

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

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

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

	1998 - 1999	**2000 - 2007**
Corporate Income Tax Rates	5%	6.5%

Source: Alabama Department of Revenue

REVENUE CAPACITY

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

For Tax Year 2006

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

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

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

REVENUE CAPACITY

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

For Tax Year 2006

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

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

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK
WARRIOR
COOSA
ALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

DEBT CAPACITY
Ratios of Outstanding Debt

Last Seven Fiscal Years
(Amounts in Thousands, Except Per Capita Amount)

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

Notes: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.
Fiscal year 2008 personal income and population data are estimated.
All years presented with revised population and personal income data.

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

2003	2002
$ 490,085	$ 535,080
369,327	386,891
42,316	33,059
901,728	**955,030**
308,061	299,508
14,948	12,346
323,009	**311,854**
$ 1,224,737	**$ 1,266,884**
1.03%	1.11%
$ 273	$ 283

DEBT CAPACITY
Ratios of General Bonded Debt Outstanding

Last Seven Fiscal Years
(Amounts in Thousands, Except Per Capita Amount)

Primary Government

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

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

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

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

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

Fiscal year 2008 personal income and population data are estimated.

All years presented with revised population and personal income data.

Debt Limitations

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
WARRIOR
COOSA
GEORGIA
BLACK
ALLAPOOSA
CAHABA R.
RIVER
RIVER
ALABAMA
CONECUH R.
PEA R.
TOMBIGBEE
FLORIDA
Gulf of Mexico
GREAT SEAL

DEBT CAPACITY
Pledged Revenue Coverage

Last Five Fiscal Years
(Amounts in Thousands)

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

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

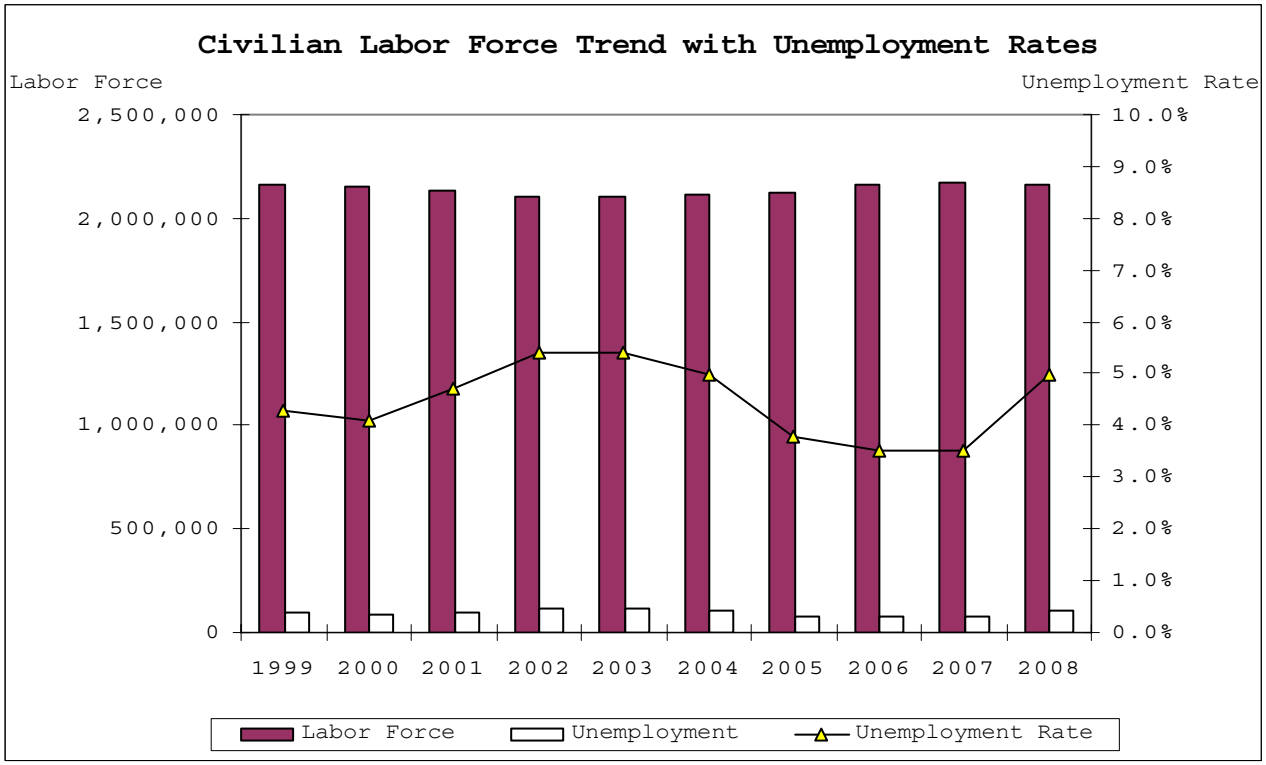
Details regarding the state's outstanding bonds can be found in Note 4 of the financial statements.

[1] Coverage equals revenue divided by debt service.

DEMOGRAPHIC AND ECONOMIC INFORMATION
Labor Force Statistics

Last Ten Years

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

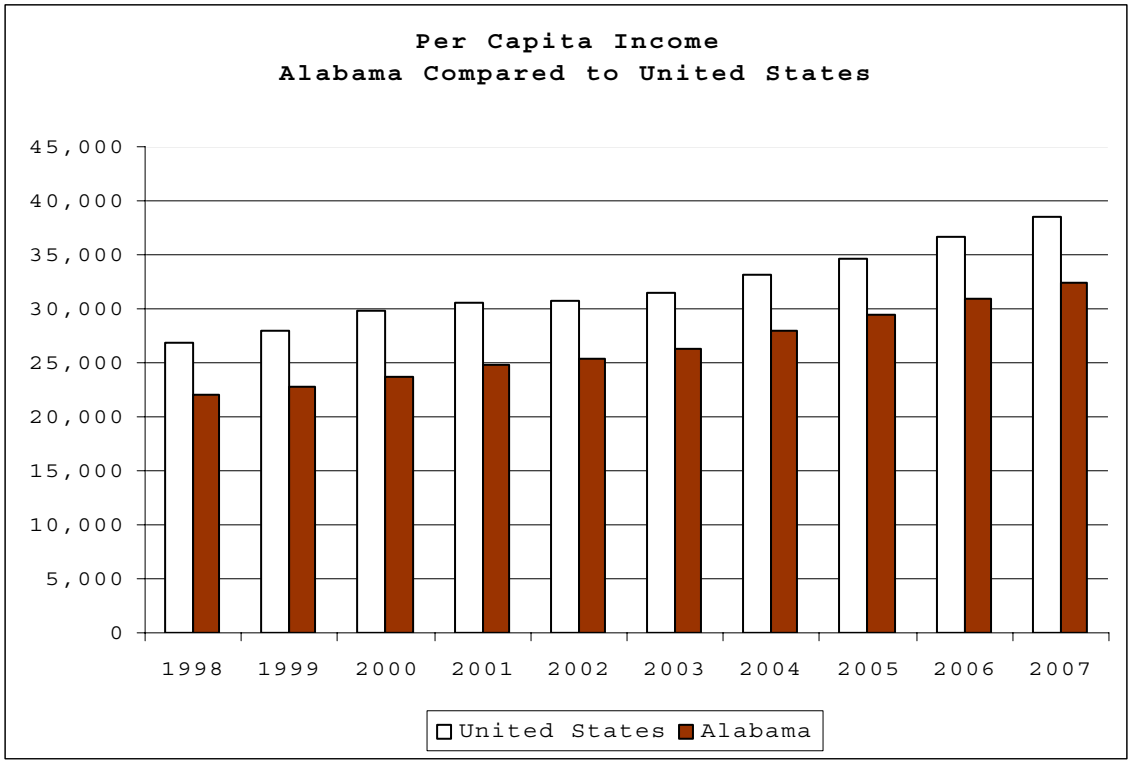


Note: Data were not seasonally adjusted.
2004-2008 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.
Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

DEMOGRAPHIC AND ECONOMIC INFORMATION
Population/Per Capita Personal Income Statistics

Last Ten Years

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



Note: Year 2007 is the most recent year for which data are available.
Each year's data is updated by the U.S. Department of Commerce.
Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

DEMOGRAPHIC AND ECONOMIC INFORMATION
Top Ten Employers In Alabama

Last Ten Years

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

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

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.
Source: Alabama Department of Industrial Relations - Labor Market Information Division

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

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

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

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

OPERATING INFORMATION
State Government Employment by Function

Last Seven Years

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

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

Sources: Alabama Personnel Department
Alabama Commission on Higher Education
Alabama Administrative Office of the Courts
Alabama House of Representatives

OPERATING INFORMATION
Indicators of Demand or Level of Service

Last Three Fiscal Years

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

OPERATING INFORMATION
Indicators of Volume, Usage, and Nature of Capital Assets

Last Five Fiscal Years
(Amounts in Thousands)

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

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