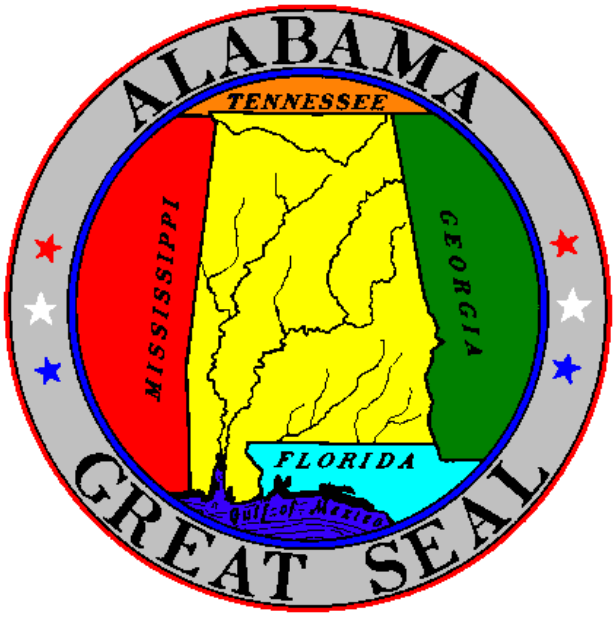
Report on the

Comprehensive Annual Financial Report (CAFR)
State of Alabama

Montgomery, Alabama

October 1, 2009 through September 30, 2010

Filed: May 27, 2011



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner

11-288

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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, 2009 through September 30, 2010.

Respectfully submitted,

Gail Traylor

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

Sworn to and subscribed before me this
the 16th day of May, 2011.

Sandra E Shirley
Notary Public

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Department of
Examiners of Public Accounts

SUMMARY

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2009 through September 30, 2010

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, 2010, 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, 2010, 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

- **10-01-01** relates to significant internal control deficiencies in the Department of Transportation Comprehensive Project Management System concerning program change management controls.

- **10-01-02** relates to significant internal control deficiencies in the Department of Transportation's capital asset reporting. Additions of property for the months of June, July, and August of 2010 were not reported to the State Auditor for inclusion in the CAFR, and the Department of Transportation did not have procedures in place that would have detected these omissions.

UNRESOLVED PRIOR FINDINGS

- **01-01-01** relates to significant internal control deficiencies in contingency planning and disaster recovery procedures affecting the ability of 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 significant internal control deficiencies in procedures to provide appropriate security for computer data and programs through the proper use of security software features and management policies.

- **09-01-01** relates to significant internal control deficiencies in the Department of Finance'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. Background checks were not performed for employees that transferred from other state agencies.

- **09-01-02** relates to significant internal control deficiencies in the Department of Finance Information Services Division, which is not using a formal change control methodology for the facility's main computer operating system and its core components.

- **09-01-03** relates to significant internal control deficiencies in the Department of Finance FRMS/SBS, which is not using a formal project management methodology to manage large software acquisition projects.

Mr. Thomas White, State Comptroller, was invited to an exit conference held on March 31, 2011. Individuals in attendance were Thomas White, State Comptroller and Gail Traylor from the Examiners of Public Accounts. We also communicated the results of our audit to the directors of the affected state agencies. A written corrective action plan was requested from the agencies. The corrective action plans submitted to us by the agencies are included in this report.

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Department of
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COMMENTS

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2009 through September 30, 2010

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.

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, 2010, 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	0.11%	0.05%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	32%	5%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	81%	75%
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 Public Health Care Authority	90%	47%

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, and the Alabama Higher Education Loan Corporation 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 reports 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, 2010, 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, 2011 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 the other 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, 2011

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

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, 2010, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 31, 2011. 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	

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 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.

The Department of Finance Information Services Division operates the main data processing facility utilized by many state agencies. The Department of Finance has made arrangements for an alternate backup processing facility that could be used in the event the primary processing facilities were destroyed or temporarily inaccessible. The Department of Finance Information Services Division is in the process of implementing the backup processing facility; however, implementation of all necessary disaster recovery procedures to be followed by the Department of Finance and by the affected state agencies has not been completed.

State agencies with significant applications have developed comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible. Most of the state agencies are dependent on the Department of Finance for their primary and backup processing facility. When the Department of Finance completes the necessary implementation of the alternate processing facility, the affected state agencies should be able to update their disaster recovery procedures to include the alternate processing facility.

Recommendation

The Department of Finance and state agencies should continue efforts to develop and implement the alternate processing facility and update their respective disaster recovery policies and procedures accordingly.

Finding 01-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of state agencies to provide appropriate security for computer data and programs through the proper use of security software features and physical security controls, along with related management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The Department of Finance Information Services Division and the Department of Finance Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

Recommendation

The Department of Finance 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 09-01-01 – 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 Department of Finance 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 Department of Finance 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 09-01-02 – Operating System Development and Maintenance

The Department of Finance Information Services Division operates and maintains the primary data processing facility (main frame computer) utilized by the State of Alabama and most state agencies. The Department of Finance Information Services Division does not use a formal change control methodology for the facility's operating system and its core components. The absence of a formal change control methodology for the operating system increases the risks that services might be disrupted due to system changes that have unintended results, unauthorized or unintended system changes might be made, system documentation will be inconsistent or non-existent for some changes, system support may degrade if key personnel are not available, and support personnel will not have a clear understanding of how to handle different types of maintenance issues and malfunctions.

Recommendation

The Department of Finance Information Services Division should develop and adopt a formal methodology for acquisition and/or maintenance of the operating system and its core components. The Department of Finance Information Services Division should also develop a formal methodology to be used when changes are made to key files or settings that affect the system configuration.

Finding 09-01-03 – Acquisition Project Management

The Department of Finance FRMS/SBS is not using a formal project management methodology to manage large software acquisition projects. The absence of a formal methodology increases the risk that project results will not achieve the stated goals and requirements, will exceed budget expectations, will not be favorably received by users/stakeholders, and will possibly fail.

Recommendation

The Department of Finance FRMS/SBS should adopt a formal project management methodology to use with all software development and acquisition projects. The methodology should address areas such as project initiation, analysis, design, development, testing, implementation, and follow-up. Common system development life cycle controls and procedures should be included.

Finding 10-01-01 – Program Change Management Controls

The Department of Transportation has a significant computer application, the Comprehensive Project Management System (CPMS). The programmers assigned to perform CPMS development and changes have access to production libraries (active programs and data) and they routinely move their own projects into production. This bypasses a review of the program changes by an independent third party. Additionally, the CPMS programming section does not consistently follow its program change policies and procedures and maintain documentation that such procedures were used. These conditions increase the risk that an unauthorized or improperly functioning program will be put into production. These conditions also may result in program failures or unexpected results.

Recommendation

Program developers should not have access to production libraries. Programs should be moved into production by another individual after all necessary programming and testing steps have been properly reviewed and approved. Change control policies and procedures should be followed consistently and documented. Mainframe program changes should be subject to the same controls and security concepts as the server-based programs.

Finding 10-01-02 – Capital Asset Reporting

The Office of the State Auditor maintains property records for property that supports amounts reported for capital assets in the Comprehensive Annual Financial Report. State agencies are required by law to provide the State Auditor with accurate property information. The State Auditor's Property Manual requires that a state agency report additions of property to the State Auditor within 30 days of receipt. The Department of Transportation did not report any additions of property for the months of June, July, and August of 2010. The Department of Transportation made a computer program change to the Department's property inventory system and, as a result, it did not report the changes in the property inventory to the State Auditor. The Department of Transportation did not have a review or reconciliation process in place that would have detected these omissions. Subsequent to the end of the fiscal year, the Department of Transportation corrected the programming error and submitted a corrected property inventory to the State Auditor.

Recommendation

The Department of Transportation should implement a formal internal control process that will ensure that the property records submitted to the State Auditor are complete and accurate.

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 ***Findings 01-01-01, 09-01-01, 10-01-01 and 10-01-02*** to be material weaknesses.

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

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.

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, 2011

Auditee Response/Corrective Action Plan
Section II – Financial Statement Findings (GAGAS)
Department of Finance
For the Year Ended September 30, 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 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, 2010.

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 Finance Information Services Division operates the main data processing facility utilized by many state agencies. The Department of Finance has made arrangements for an alternate backup processing facility that could be used in the event the primary processing facilities were destroyed or temporarily inaccessible. The Department of Finance Information Services Division is in the process of implementing the backup processing facility; however, implementation of all necessary disaster recovery procedures to be followed by the Department of Finance and by the affected state agencies has not been completed.

State agencies with significant applications have developed comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible. Most of the state agencies are dependent on the Department of Finance for their primary and backup processing facility. When the Department of Finance completes the necessary implementation of the alternate processing facility, the affected state agencies should be able to update their disaster recovery procedures to include the alternate processing facility.

Department of Finance-Information Services Division

Contact Person(s): Andy Cannon

Corrective action planned: Efforts are continuing to complete the implementation of the alternate processing facility and update the respective disaster recovery policies and procedures accordingly.

Anticipated completion date: July 20, 2011

Finding 01-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of state agencies to provide appropriate security for computer data and programs through the proper use of security software features and physical security controls, along with related management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The Department of Finance Information Services Division and the Department of Finance Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

Department of Finance-Information Services Division
Department of Finance-FRMS/SBS

Contact Person(s): Mike Dennis

Corrective action planned: FRMS/SBS secures all computer data and programs using RACF security software features, implemented in August 2009. In April of 2010, FRMS/SBS began a monthly review process of RACF Security Violation reports for FRMS applications. The physical access to the FRMS/SBS operations facility was addressed and issues were resolved on May 30, 2010. It is not practical or possible to implement the remaining security features for the current FRMS/SBS application. Such security features will be implemented when a new system is acquired.

Anticipated completion date: N/A

Finding 09-01-01 – 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 Department of Finance 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): Elizabeth Allen

Corrective action planned: Implementation of background investigations policy.

Anticipated completion date: Pending approval of Finance Chief Legal Counsel.

Finding 09-01-02 – Operating System Development and Maintenance

The Department of Finance Information Services Division operates and maintains the primary data processing facility (main frame computer) utilized by the State of Alabama and most state agencies. The Department of Finance Information Services Division does not use a formal change control methodology for the facility's operating system and its core components. The absence of a formal change control methodology for the operating system increases the risks that services might be disrupted due to system changes that have unintended results, unauthorized or unintended system changes might be made, system documentation will be inconsistent or non-existent for some changes, system support may degrade if key personnel are not available, and support personnel will not have a clear understanding of how to handle different types of maintenance issues and malfunctions.

Contact Person(s): Byron Owens

Corrective action planned: Although there is not currently a software package in place for change control, ISD does have a formal change control methodology for maintaining the mainframe operating system and its core components. Specific system software is assigned to a specific system specialist who is allowed to update their assigned system software as is needed to properly execute. The assigned systems specialist is the only person allowed to make changes to their assigned system. The system maintains a record of the date and time an update is made. If a system IPL is required, the mainframe systems manager's approval is required and the IPL must be scheduled in advance so all users can be notified.

Anticipated completion date: N/A

Finding 09-01-03 – Acquisition Project Management

The Department of Finance FRMS/SBS is not using a formal project management methodology to manage large software acquisition projects. The absence of a formal methodology increases the risk that project results will not achieve the stated goals and requirements, will exceed budget expectations, will not be favorably received by users/stakeholders, and will possibly fail.

Contact Person(s): Mike Dennis

Corrective action planned: FRMS/SBS is not currently participating in a large software acquisition project. Should this situation change, a formal project management methodology will be used.

Anticipated completion date: N/A

Auditee Response/Corrective Action Plan
Section II – Financial Statement Findings (GAGAS)
Department of Transportation
For the Year Ended September 30, 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 Transportation 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, 2010.

Corrective Action Plan Details

Finding 10-01-01 – Program Change Management Controls

The Department of Transportation has a significant computer application, the Comprehensive Project Management System (CPMS). The programmers assigned to perform CPMS development and changes have access to production libraries (active programs and data) and they routinely move their own projects into production. This bypasses a review of the program changes by an independent third party. Additionally, the CPMS programming section does not consistently follow its program change policies and procedures and maintain documentation that such procedures were used. These conditions increase the risk that an unauthorized or improperly functioning program will be put into production. These conditions also may result in program failures or unexpected results.

Contact Person(s): Deborah Hornsby – IT Manager II
(334) 260-5245

Corrective action planned: The Computer Services, CPMS-CEMS Support Section will be implementing a mainframe software change control management system called Endevor which is offered by Computer Associates. Since the CPMS-CEMS Support area will be the primary users of this system, the initial implementation of Endevor will involve this group. The inclusion of other mainframe application areas will be addressed when Endevor has been successfully implemented for the CPMS-CEMS Support area.

This effort will require planning and coordination with the Mainframe Support and Database Administration sections of Computer Services in order to assure that the initial system set up is done appropriately. Source code will have to be loaded to the system. The source code loading process will be automated as much as possible, but manual input will still be required for various data elements required of the system. A system administrator will be required and it is anticipated that training will be required for the Administrator as well as the developers who will be utilizing the system.

Anticipated completion date: December 31, 2011

Finding 10-01-02 – Capital Asset Reporting

The Office of the State Auditor maintains property records for property that supports amounts reported for capital assets in the Comprehensive Annual Financial Report. State agencies are required by law to provide the State Auditor with accurate property information. The State Auditor's Property Manual requires that a state agency report additions of property to the State Auditor within 30 days of receipt. The Department of Transportation did not report any additions of property for the months of June, July, and August of 2010. The Department of Transportation made a computer program change to the Department's property inventory system and, as a result, it did not report the changes in the property inventory to the State Auditor. The Department of Transportation did not have a review or reconciliation process in place that would have detected these omissions. Subsequent to the end of the fiscal year, the Department of Transportation corrected the programming error and submitted a corrected property inventory to the State Auditor.

Contact Person(s): Mike Elmore, Assistant Bureau Chief – Equipment Bureau
(334) 242-6248

Corrective action planned: A computer program error that caused the reporting error has been corrected. In addition, a manual review process has been implemented. After equipment purchases are recorded and the information is transmitted to the State Auditor's office, the subsequent updated equipment inventory report that is received from the State Auditor's office is manually compared to the information that was originally submitted. Any discrepancies or omissions are then corrected and re-submitted to the State Auditor's office.

Anticipated completion date: Completed

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2010

Bob Riley
Governor

Kay Ivey
State Treasurer

Bill Newton
Acting Director of Finance

Samantha Shaw
State Auditor

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

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INTRODUCTORY SECTION

STATE OF ALABAMA
Department of Finance
Office of the State Comptroller
100 North Union Street, Suite 220
Montgomery, Alabama 36130-2620
Telephone (334) 242-7050 Fax (334) 242-7466
www.comptroller.alabama.gov

Robert Bentley
Governor

David A. Perry
Director of Finance

Thomas L. White, Jr.
State Comptroller

Janice A. Hamm
Deputy State Comptroller

March 31, 2011

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, 2010. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Internal Controls

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

Audit

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

Management's Discussion and Analysis

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

Profile of the Government

Reporting Entity

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

Budgetary Controls

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

Cash Controls

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

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

	2010	2009	2008	2007	2006
Beginning Cash Balance, October 1	**$ 187,281**	**$ 264,727**	**$ 286,670**	**$ 325,122**	**$ 214,652**
Receipts	1,428,089	1,602,572	1,814,313	1,634,581	1,656,451
Disbursements	1,479,702	1,680,018	1,836,256	1,673,033	1,545,981
Net Increase (Decrease) in Cash Balance	**(51,613)**	**(77,446)**	**(21,943)**	**(38,452)**	**110,470**
Ending Cash Balance, September 30	**135,668**	**187,281**	**264,727**	**286,670**	**325,122**
Cash Balance Reserved for Obligations	40,974	46,971	44,424	46,335	60,686
Unobligated Cash Balance, September 30	**$ 94,694**	**$ 140,310**	**$ 220,303**	**$ 240,335**	**$ 264,436**

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

	2010	2009	2008	2007	2006
Beginning Cash Balance, October 1	**$ 51,280**	**$ 48,003**	**$ 315,967**	**$ 739,687**	**$ 587,114**
Receipts	5,217,470	5,679,120	6,414,631	5,854,027	5,498,362
Disbursements	5,188,218	5,675,843	6,682,595	6,277,747	5,345,789
Net Increase (Decrease) in Cash Balance	**29,252**	**3,277**	**(267,964)**	**(423,720)**	**152,573**
Ending Cash Balance, September 30	**80,532**	**51,280**	**48,003**	**315,967**	**739,687**
Cash Balance Reserved for Obligations	68,759	51,280	48,003	35,922	44,632
Unobligated Cash Balance, September 30	**$ 11,773**	**$ -**	**$ -**	**$ 280,045**	**$ 695,055**

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year. However, in 2009 the Education Trust Fund used the provisions of Amendment 803 to the *Constitution of Alabama of 1901* to borrow $437.4 million from the Alabama Trust Fund in order to avoid deeper cuts from proration. The full amount of the loan remains outstanding in 2010, leaving the Education Trust Fund with a deficit fund balance the past two years.

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	2010	2009	2008	2007	2006
General Fund	$ 82.9	$ 222.1	$ 381.7	$ 404.8	$ 404.7
Education Trust Fund	(244.5)	(221.5)	186.8	528.4	1,029.5

Cash Management

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

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds earning interest. Interest earnings during the 2010 fiscal year were as follows:

Bank Deposits	$ 8.9 million
US Treasury and Agency Securities	$ 14.4 million

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

Economic Condition and Outlook

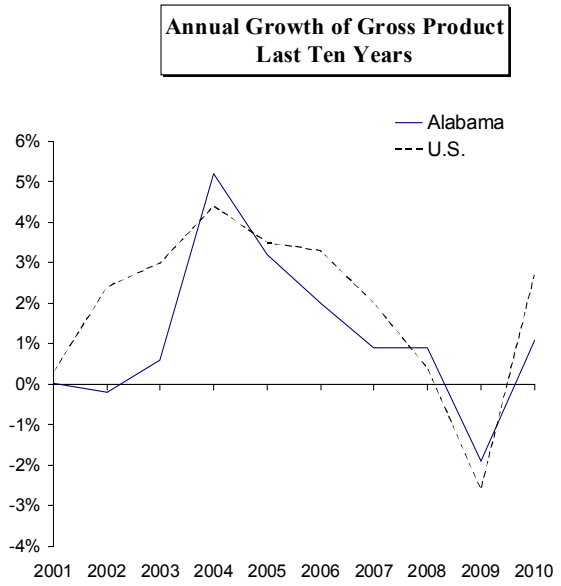
Alabama's economy exhibited signs of recovery in 2010. This is attributable to gains in exports as well as net positive job creation. Alabama's gross domestic product (ALGDP) rose by 2.2 percent. The State's unemployment was slightly lower than the national average in contrast to Alabama exceeding the national average in 2009. The average unemployment rate for 2010 was 9.5 percent. There was a 1.7 percent decline in the State's tax revenues; however, sales tax receipts have been gradually improving and registered a 0.9 percent increase for the fiscal year ended September 30, 2010. The lower tax revenues resulted in proration in both the General Fund and the Education Trust Fund budgets.

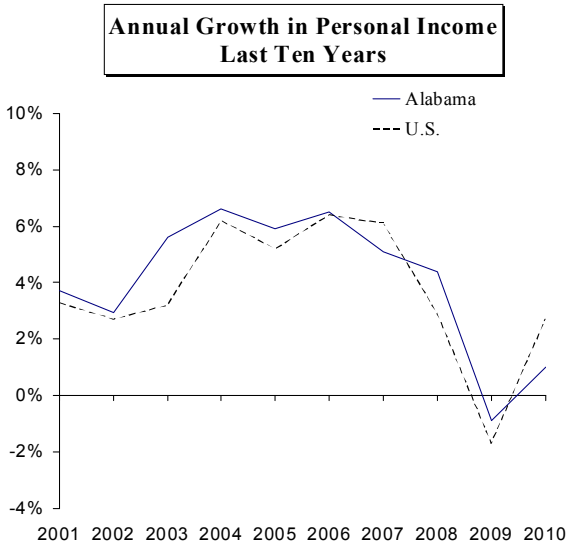
Alabama lost 86,300 jobs during the 12-month period ending in October 2010. All industries lost jobs except for educational and healthcare services, leisure and hospitality, and government. Sectors that shed the most jobs during the year include manufacturing, construction, financial activities, professional and business services, wholesale and retail trade, and information.

Manufacturing sector output rose by 4.2 percent during 2010, with a significant increase of 10.8 percent in motor vehicles and parts. Other contributors to the increase in the manufacturing sector output include computer and electronic products which grew by 9.5 percent and other transportation equipment by 7.8 percent. The construction sector's output grew by 2.2 percent in 2010. Several major commercial projects previously in the pipeline cushioned the slowdown in residential and commercial construction. Wholesale trade and retail trade outputs rose 1.5 percent and 3.1 percent, respectively, as sales strengthened in the latter part of 2010.

According to data from the U.S. Department of Commerce's International Trade Administration, the end of the global recession in 2009 contributed to a 27.2 percent jump in Alabama exports to $11.2 billion for the first nine months of 2010 compared to the same period in 2009. Exports to Canada, Alabama's largest trade partner, slipped from $2.8 billion in 2008 to $2.6 billion in 2009, but were up 34.9 percent for the first three quarters of 2010. Other major export destinations for Alabama products included Germany, Mexico, China, Japan, the United Kingdom, and Brazil. For the first three quarters of 2010, transportation equipment exports amounted to $3.7 billion, a 30.4 percent increase from the same period in 2009. Other major exports during the first three quarters of 2010 were chemicals, minerals and ores, machinery, paper products, primary metals, and computers and electronic products.

Alabama's economy is expected to improve considerably in 2011 with a 3.5 percent increase in output. Non-agricultural employment will experience a slight gain of 0.7 percent; however, the unemployment rate will still remain fairly high. Tax revenues are projected to rise 1.2 percent in fiscal year 2011 if the state continues to improve at the pace expected. Large manufacturing and services employers will be the major economic drivers in 2011. These include firms in industries such as aerospace and defense (both private and the major government facilities), automotive, steel, utilities, and the state's major universities.





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, 2009. This was the twelfth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

Thomas L. White, Jr.
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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, 2010

EXECUTIVE BRANCH

Bob Riley
Governor

Jim Folsom, Jr.
Lt. Governor

Kay Ivey
State Treasurer

Beth Chapman
Secretary of State

Ron Sparks
Commissioner of Agriculture and Industries

Troy King
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Sue Bell Cobb
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Rodger M. Smitherman
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

Bill Newton
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation and Natural Resources

Col. J. Christopher Murphy
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Doni Ingram
ADECA

Adjutant General Abner C. Blalock
State Military Department

Nancy Buckner
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health

Lee Sentell
Tourism Department

Dr. Marquita Davis
Department of Children's Affairs

Richard Allen
Department of Corrections

Brock Long
Emergency Management Agency

Joe McInnes
Department of Transportation

Tom Surtees
Department of Industrial Relations

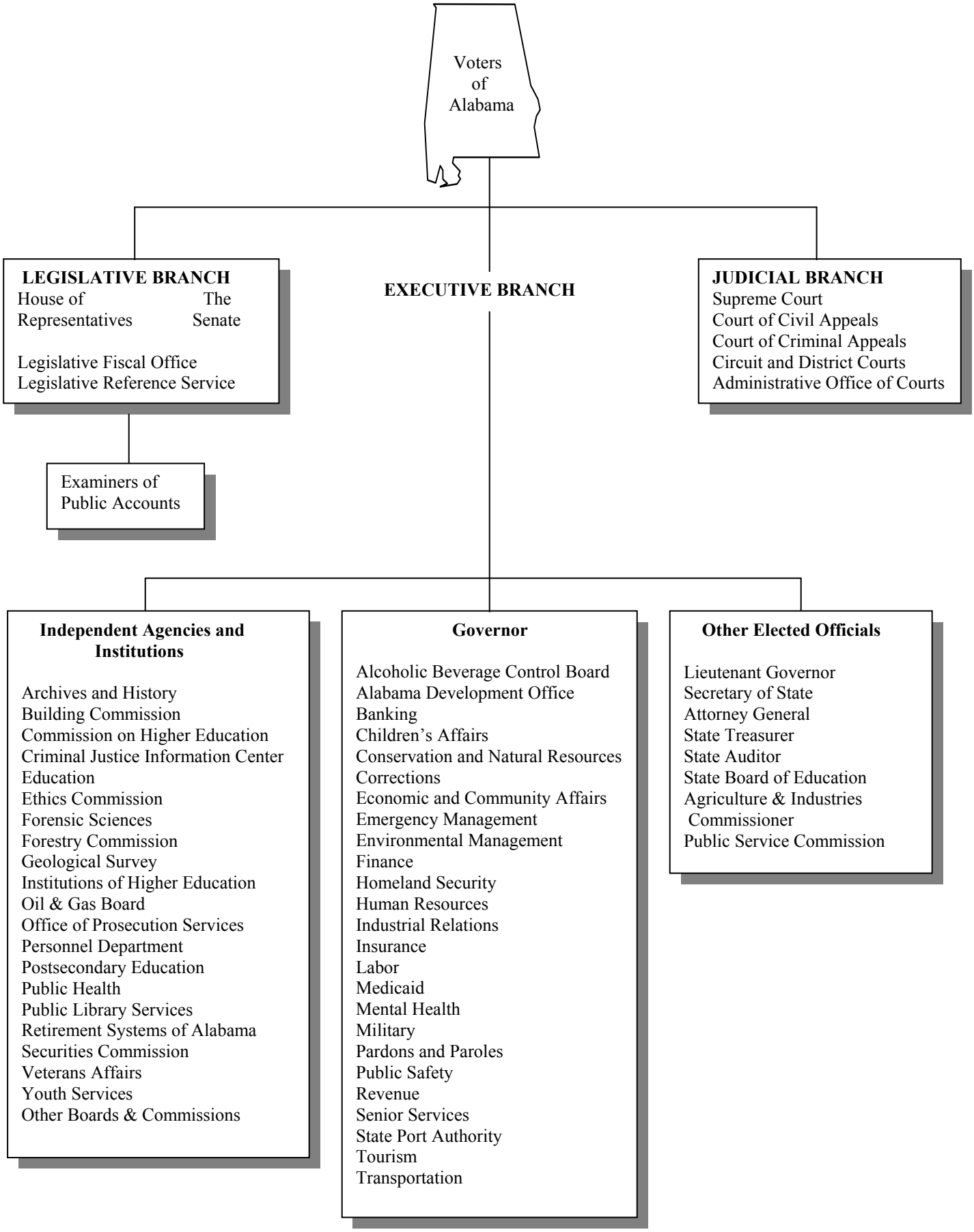
Carol H. Steckel
Alabama Medicaid Agency

Cynthia Underwood
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, 2010, 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	0.11%	0.05%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	32%	5%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	81%	75%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama Public Health Care Authority	90%	47%

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, and the Alabama Higher Education Loan Corporation 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 reports 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, 2010, 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, 2011, 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 the other 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, 2011

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, 2010. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net assets increased by $462 million during fiscal year 2010. The assets of the State exceeded its liabilities at the close of the fiscal year by $23.7 billion (*net assets*). Of this amount, $19.4 billion was invested in capital assets (net of related debt), and $3.1 billion was in the Alabama Trust Fund Capital.
- The Change in Net Assets in governmental activities was $534 million.
- Governmental activities have $3.2 billion in investments, $2.5 billion of which is held in the Alabama Trust Fund.
- Grant revenues increased $2.1 billion as federal stimulus money flowed into the State
- Tax receipts were down for the second year , this time by $123 million, or 1.7 percent as the economy remained in a downturn.
- While federal programs swelled from federal stimulus money, the low tax receipts resulted in General Fund and Education Trust Fund proration.
- Investment earnings were $318 million, an improvement over last year's $259 million earnings.
- The business-type activities reported net assets at year-end of $1.1 billion, a decrease of $72 million for the fiscal year. This decrease was primarily from rising unemployment benefit payments.
- The State's total bond debt at the end of the fiscal year was $1.68 billion, an increase of $76 million, which represents the net difference between new issuances and payments and refundings of outstanding debt.
- During the year the State issued $110 million in new general obligation bonds and $112 million in general obligation refunding bonds. The State made payments on general obligation bonds of $26 million during the year. The State issued $34 million in new revenue bonds and $27 million in refunding revenue bonds.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of $5.1 billion, an increase of $375 million from last year. Approximately $1.5 billion of the fund balance is unreserved, undesignated fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by $44 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by $139 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of

their costs through user fees and charges (*business-type activities).* The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health- physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and services for shippers at the Port of Mobile.

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

Fund Financial Statements

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

Governmental funds

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension and other employee benefits, private-

purpose, and agency funds are reported using accrual accounting. The government-wide financial statements exclude fiduciary fund activities and balances because the resources of those funds are not available to support the State's own programs.

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

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

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by $23.7 billion as of September 30, 2010.

The largest component (82 percent) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased $395 million. Of that amount $314 million was infrastructure and infrastructure construction in progress.

Current and Other Assets increased $714 million, or 9.5%. Included in that amount was an increase in cash and cash equivalents of $428 million and an increase in investments of $137 million. $57 million of the investment increase was an increase in funds required by law to be set aside and invested for capital grants to cities and counties.

Long-term liabilities increased 10.5 percent, or $238 million. The largest components of this increase were $82 million in general obligation bonds, $67 million in capital leases and notes payable, and $100 million for post-employment health care benefits. Other Liabilities for business-type activities increased by $263 million, or 109.5 percent, primarily because of Federal Unemployment Trust Fund advances reported in Due to Other Governments.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The State's net assets that are unrelated to capital assets include $5.0 billion in restricted net assets. Unrestricted net assets represent the remaining amount of net assets that may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. The State has a deficit in unrestricted net assets of $677 million. Unrestricted net assets for governmental activities are a deficit of $821 million, while business-type activities have a positive balance in unrestricted net assets of $144 million.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	$ 7,440,887	$ 6,906,106	$ 815,240	$ 635,541	$ 8,256,127	$ 7,541,647
Capital Assets	18,958,959	18,598,291	1,504,016	1,469,216	20,462,975	20,067,507
Total Assets	26,399,846	25,504,397	2,319,256	2,104,757	28,719,102	27,609,154
Long-term Liabilities	1,815,599	1,600,702	687,653	664,653	2,503,252	2,265,355
Other Liabilities	1,973,233	1,826,337	503,288	240,283	2,476,521	2,066,620
Total Liabilities	3,788,832	3,427,039	1,190,941	904,936	4,979,773	4,331,975
Net Assets						
Invested in Capital Assets, Net of Related Debt	18,552,286	18,184,809	881,681	867,292	19,433,967	19,052,101
Restricted	4,879,585	4,448,305	102,653	92,470	4,982,238	4,540,775
Unrestricted	(820,857)	(555,756)	143,981	240,059	(676,876)	(315,697)
Total Net Assets	$ 22,611,014	$ 22,077,358	$ 1,128,315	$ 1,199,821	$ 23,739,329	$ 23,277,179

The table on the following page was derived from the government-wide Statement of Activities. As a result of the excess of expenses over revenues, the State's net assets increased by $462 million during fiscal year 2010. Taxes provided $7.2 billion, or approximately 33 percent, of the State's total revenue. Tax revenues decreased $123 million, or 1.7 percent, compared to the previous year as the economy was in recession for the early part of the fiscal year. Despite the drop in tax revenues, overall revenue increased $2.4 billion, or 12.1%. Operating Grants and Contributions revenue increased $2.0 billion, or 24.7 percent, because of the increase in federal grant receipts from the federal stimulus programs. Grants and contributions not restricted to specific programs rose from $785,000 to $40.3 million primarily as a result of a $39.1 million federal bonus award for outstanding performance in the State's Medicaid program. Investment earnings were $318 million, an improvement over last year's $259 million. Charges for Services revenue increased $92 million, or 4.3 percent.

The increase in federal dollars enabled total expenses to increase by $1.6 billion, or 8.1 percent in 2010. Spending increased significantly in most areas. Health increased $588 million, or 10.6 percent, as expenses for Medicaid surged $504 million, or 11.3 percent. A total of $6.1 billion, or 29 percent of all expenses, was spent on Health, which included $5 billion spent in Medicaid programs. Social Services was up $386.9 million, or 19.6 percent, as high unemployment increased expenses for food assistance by $272.6 million and the temporary assistance to needy families program increased $49.9 million. Total Social Services spending was nearly $2.4 billion, or 11 percent of total expenses. Transportation increased $136 million, or 12.2 percent. General Government was up $84 million, or 8.6 percent. Education spending, however, was fairly flat at a mere 0.6 percent increase. Education spending is funded primarily by tax revenues, which, as discussed earlier, rose only 1.7 percent. Education and Cultural Resources spending totaled $6.4 billion, or 30 percent, of the State's total expenses, down from 32.2 percent in 2009. Economic Development and Regulation spending was down $77 million, or 25.2 percent because the prior year included major industrial recruit grant payments to ThyssenKrupp and Goodyear.

In business-type activities, high unemployment rates and extended benefits drove spending for Unemployment Compensation up by $317 million, a 31.5 percent increase. The expenses for the Alabama College System increased by 8.2% primarily because of increases in student aid and scholarships. The State Port Authority recognized a 3.3 percent savings in operating expenses primarily because of furloughs for the hourly workforce and attrition.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	$ 1,208,956	$ 1,345,227	$ 1,012,435	$ 784,307	$ 2,221,391	$ 2,129,534
Operating Grants and Contributions	9,148,048	7,609,718	1,176,837	666,931	10,324,885	8,276,649
Capital Grants and Contributions	927,443	812,481	31,809	49,654	959,252	862,135
General Revenues:						
Taxes	7,188,356	7,311,874	10,558	9,930	7,198,914	7,321,804
Grants and Contributions Not Restricted to Specific Programs	40,323	785	-	-	40,323	785
Investment Earnings	315,520	245,601	2,572	13,172	318,092	258,773
Miscellaneous	879,724	711,769	11,561	12,274	891,285	724,043
Total Revenues	19,708,370	18,037,455	2,245,772	1,536,268	21,954,142	19,573,723
Expenses:						
Economic Development and Regulation	229,170	306,533			229,170	306,533
Education and Cultural Resources	6,434,312	6,393,573			6,434,312	6,393,573
Natural Resources and Recreation	149,745	113,621			149,745	113,621
Health	6,143,253	5,555,138			6,143,253	5,555,138
Social Services	2,364,313	1,977,390			2,364,313	1,977,390
Protection of Persons and Property	1,146,261	1,112,213			1,146,261	1,112,213
Transportation	1,257,094	1,120,902			1,257,094	1,120,902
General Government	1,067,587	983,451			1,067,587	983,451
Debt Service - Interest and Other Charges	47,829	51,184			47,829	51,184
Unemployment Compensation			1,323,058	1,005,780	1,323,058	1,005,780
State Port Authority			123,551	127,192	123,551	127,192
Alabama College System			897,134	829,039	897,134	829,039
Alcoholic Beverage Control Board			254,001	253,312	254,001	253,312
Nonmajor Proprietary Funds			45,639	45,339	45,639	45,339
Total Expenses	18,839,564	17,614,005	2,643,383	2,260,662	21,482,947	19,874,667
Increase (Decrease) in Net Assets Before Contributions and Transfers	868,806	423,450	(397,611)	(724,394)	471,195	(300,944)
Contributions to Permanent Funds & Endowments	-	-	102	71	102	71
Special Items	-	-	(9,147)	-	(9,147)	0
Transfers	(335,150)	(357,623)	335,150	357,623	-	-
Change in Net Assets	533,656	65,827	(71,506)	(366,700)	462,150	(300,873)
Net Assets- Beginning	22,077,358	22,011,531	1,199,821	1,566,521	23,277,179	23,578,052
Net Assets- Ending	$ 22,611,014	$ 22,077,358	$ 1,128,315	$ 1,199,821	$ 23,739,329	$ 23,277,179

Governmental Activities

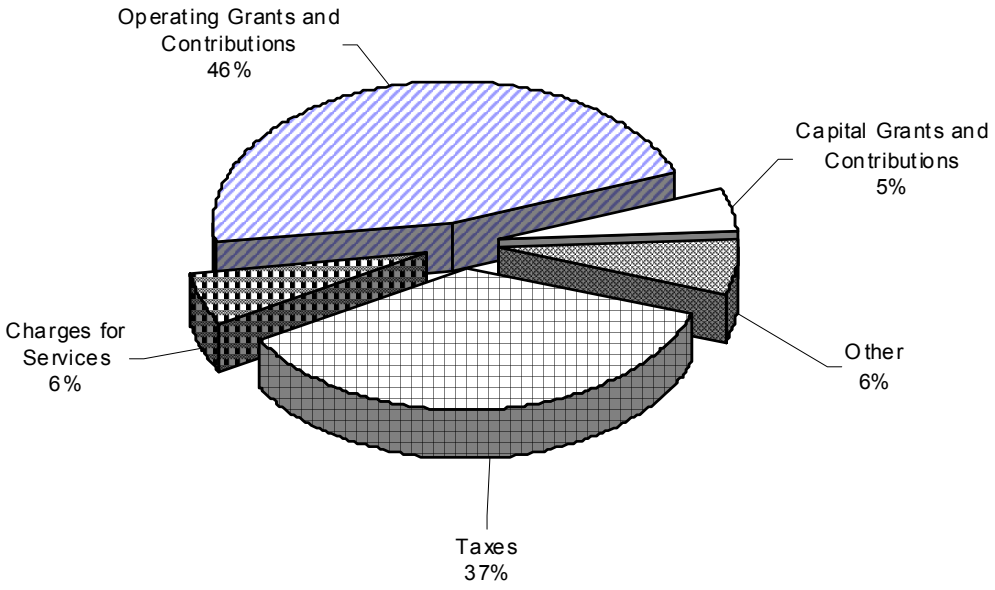
Total revenues for governmental activities in fiscal year 2010 were $19.7 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Operating grants and contributions along with taxes together accounted for 83 percent of governmental activities revenue.

Program revenues totaled $11.3 billion, up from $9.8 billion the previous year. Operating grants and contributions are the largest program revenues, and at $9.1 billion, make up 46 percent of total governmental revenues. Operating grants and contributions grew $1.5 billion, or 20 percent compared to the previous year, due to the influx of federal stimulus funds. Operating grants and contributions were up $397 million to the Education Department, largely from stimulus programs. Grants for food assistance increased $273 million while Medicaid assistance was up $385 million. About 92 percent of operating grants and 97 percent of the capital grants were received from the Federal government. Capital grants and contributions increased $115 million, or 14 percent, almost all of it being federal support for road and bridge construction.

Charges for services decreased $136 million, or 10.1 percent, compared to the previous year. Of that $136 million, $81.8 was due to one time court settlements received in 2009, while $38 million is attributable to a decrease in revenues from oil and gas leases. Oil and gas lease revenues often fluctuate greatly from year to year as the commodity markets go up and down.

General revenues, which include taxes, of governmental activities were $8.4 billion, an increase of 1.9 percent. Taxes were $7.2 billion, down from $7.3 billion the previous year. Revenue from all tax types represents 37 percent of total governmental revenues earned during fiscal year 2010. Of the $7.2 billion in tax revenues, the largest taxes were income taxes of almost $3.0 billion and sales and use taxes of $2.1 billion. Sales and use taxes were up 1.4 percent, while income taxes decreased 4.4 percent, reflecting the downturn in the economy.

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2010

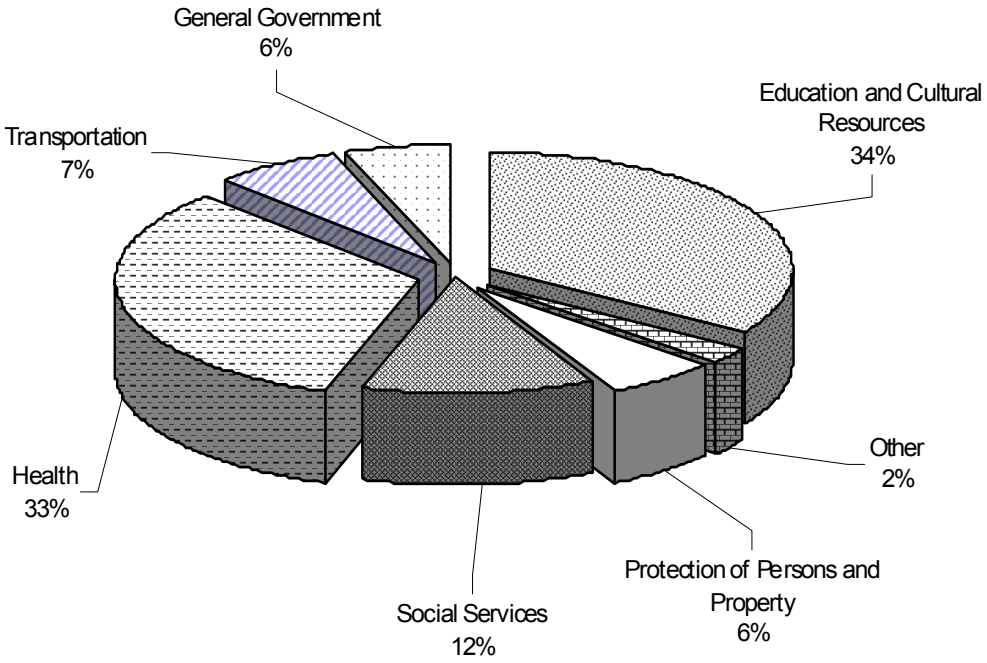


Total operating expenses for governmental activities in fiscal year 2010 were $18.8 billion. Expenses for governmental activities are grouped by functional area. The two largest functional areas were (1) Education and Cultural Resources and (2) Health. These two areas together accounted for 67 percent of the governmental activities expenses for fiscal year 2010. Social Services accounted for 12 percent of the governmental activities expenses. Overall expenses increased by $1.2 billion, or 7 percent.

Education spending increased 0.6 percent, or $40.7 million, as the decrease in income tax revenue forced constitutionally mandated proration of 9.5 percent of the budget in the Education Trust Fund. Education and Cultural Resources now makes up 34 percent of governmental activity expenses, down from 36 percent last year. Within Education and Cultural, 90 percent is support for local school systems and state universities. Support for local school systems increased $136 million, or 3.0 percent, support for universities decreased $15 million, or 1.4 percent, and support for most other programs decreased slightly as well.

Health accounted for 33 percent of governmental activity spending, up slightly from 32 percent last year. The Medicaid program accounts for 82 percent of Health spending and the Department of Public Health accounts for 11 percent.

Expenses - Governmental Activities
Fiscal Year Ended September 30, 2010



Business-type Activities

The largest business-type activity is the Alabama College System, which accounts for 85.6 percent 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 2010 the net assets of business-type activities decreased by $72 million. The largest change occurred in the Unemployment Compensation Trust fund, where the decrease in net assets was $131 million. The high unemployment rates and federal extended benefits increased unemployment benefit payments by $314 million. The Unemployment Compensation Trust Fund was in a borrowing status from the Federal Bureau of Public Debt, and the State did not receive any interest income during fiscal year 2010. The second largest change occurred in the Alabama College System, where the increase in net assets was $72 million. The Alabama College System received $391 million in operating grants and contributions including federal stimulus funds. Also, the Alabama College System receives most of the Transfers In that are reported in the business-type activities. Most of these transfers are from the Education Trust Fund as mandated by the legislature in the appropriation acts. Revenues of business-type activities totaled $2.2 billion, an increase of 46.2 percent. This large increase was primarily due to increased rates charged to employers for unemployment compensation, and federal stimulus funds for the colleges. Most of this revenue was self-generated program revenues; only $24.7 million of the $2.2 billion revenues came from general revenues. The program revenues consisted of $1.0 billion of charges for services, a 29.1 percent increase, and $1.2 billion of operating grants and contributions, a 76.5 percent increase. The 76.5 percent increase was primarily federal stimulus funds. The total expenses for business-type activities were $2.6 billion, up 16.9 percent, primarily because of unemployment benefit payments.

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 2010, the governmental funds reported combined ending fund balances of $5.1 billion. Of this total amount, $3.5 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 $3.1 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of Amendment 666 to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. An additional $394 million of governmental fund balance has been reserved for a variety of purposes while $154 million of governmental funds have been designated for various capital projects and debt service, leaving $1.5 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 $77 million, and reserved fund balance was $5 million. Revenues for the General Fund decreased $151 million, or 11 percent, as taxes decreased $49 million, court settlements decreased $53 million, other revenue decreased $40 million, and investment income decreased $11 million. One time revenues were the cause of the decrease in both court settlements and other revenues as the State benefitted in 2009 from a $52 million drug settlement and a $40 million receipt from a component unit. Expenditures for the General Fund decreased $219 million, or 15 percent. Health expenditures decreased $88 million, as overall grant payments related to Medicaid programs decreased $103 million. Medicaid hospital care program grants decreased $63 million. The Medicaid nursing home care program grants decreased $82 million. The Medicaid Pharmaceutical program was up $30 million. A portion of the Medicaid decrease in hospital care program and nursing home care program grant payments was the result of payments being made from stimulus funds in the Medicaid Fund and the Alabama Health Care Trust Fund, a nonmajor governmental fund. Protection of Persons and Property expenditures decreased $122 million, with $101 million of decrease being spent with stimulus funds in nonmajor governmental funds for correctional facility operations. Spending on General Government decreased $13 million. Spending in most general government departments was relatively unchanged from the previous year, most of the decline was in employee salaries and benefits of $9 million and professional services of $3 million. Across all functional categories General Fund spending for supplies and materials was up 8 percent while all other categories were down. The largest decrease was in spending for grant payments which was down 21%. Spending for employee salaries and benefits was down 16% as departments shifted payroll costs to other funds. Due to Other Funds increased $158 million to a balance of $168 million. A large portion, $162 million, is a loan owed to the Alabama Trust Fund. The money was borrowed to alleviate revenue shortages in accordance with Amendment 803 to the *Constitution of Alabama of 1901.*

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state organizations that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues in the ETF for fiscal year 2010 were down $90 million, or 2 percent as compared to fiscal year 2009. Individual income tax revenues were down by $425 million, sales and use tax revenues were up by $72 million, and corporate income tax revenues were up by $279 million. Expenditures, as limited by the budget, were down 8 percent, or $429 million. A large portion of the decrease, $282 million, was in financial assistance to local school systems, and support for state universities decreased $108 million. The ETF transferred out $381 million, with the largest of these transfers going to supplement operations of the Alabama College System, a major Proprietary fund. The Alabama College System received $339 million in transfers as mandated by the legislature in the appropriations acts. Due to Other Funds in the ETF of $444 million includes $437 million owed to the Education Rainy Day account in the Alabama Trust Fund. The ETF fund balance decreased $23 million to a deficit of $245 million, primarily due to a reduction in cash of $17 million.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast, as well as investment income earned on the accumulated capital. Revenues from royalties and other payments related to the production of oil and gas decreased by $40 million in 2010. Investment income increased from a $170 million gain to a $256 million gain, an increase of $86 million. Various amendments to the *Constitution of Alabama of 1901* require that Alabama Trust income be used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. In compliance with constitutional requirements, $203 million was transferred out to support these other funds. The asset account Due From Other Funds increased by $162 million as an interfund loan was made to the General Fund under the authority of Amendment 803 to the *Constitution Alabama of 1901*. During the 2010 fiscal year, the amount constitutionally reserved for Trust Capital increased by $191 million, a 7 percent increase.

Medicaid accounts for a portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Federal revenues increased 11 percent, or $406 million. Overall, revenues were up 9 percent, or $373 million. Expenditures increased 10 percent or $394 million with the largest increase being a $306 million increase in hospital care program. An increase in hospital care program expenditures was due to a shift in payments from the General Fund to stimulus funds and due to a change in hospital reimbursement methodology in accordance with Act 2009-549. Nursing Home Care increased $104 million with most of the increase being due to payments being made in the General Fund last year, but were shifted to the Medicaid fund this year. Alternative care programs declined $79 million or 18 percent. Accounts Receivable increased $23 million due to a one time final reimbursement due from the Alabama Hospital Association to settle the old hospital reimbursement plan (Prepaid Health Plan). The net change in fund balance for Medicaid was $46 million, increasing the total fund balance to $38 million from a deficit of $8.35 million in the prior year.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, including all federal aid reimbursements. Amendment No. 93 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased by 16 percent, or $124 million over 2009. Expenditures declined $19 million, or 1 percent. Cash balance rose from $318 million to $425 million. The fund balance increased by $54 million to a total fund balance of $473 million. $79 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, $26 million is in inventory of materials on hand, and $46 million is reserved by statute for replacement of equipment. The remaining $322 million is unreserved but the management of the DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund is used to account for a broad range of social, protective, and financial assistance programs for citizens. This is the major operating fund of the Department of Human Resources. 89 percent of the revenue is from federal funds, but is supplemented by whiskey tax and a portion of the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Overall spending rose $371 million, or 23 percent. Spending on various children's programs rose $26 million, or 7 percent. The economic downturn created a huge increase in demand for food assistance, as spending increased $274 million, a 27 percent increase. Expenses for the Temporary Assistance to Needy Families program rose $49 million, an increase of 76 percent. $2 billion was spent in the fund in 2010, and the fund balance at year end is $83 million, a decrease of $1 million. The small fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

The Education Trust Fund had a negative fund balance at September 30, 2010. This is not typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). The Education Trust Fund had a negative fund balance at September 30 resulting from the interfund loan owed to the Alabama Trust Fund. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund historically has a large fund balance.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year, total net assets for all enterprise funds declined by $72 million.

In fiscal year 2010, the net assets of the Unemployment Compensation Trust Fund were $152.8 million in deficit, a decreased of $130.5 million. The State Unemployment Insurance tax rate was raised effective January 1, 2010. Average tax rates per employee per year ranged from $64 to $512 in 2009. In 2010, the rates increased to $172 to $664, per employee per year. The increase in Unemployment Insurance tax rate brought in additional $190.9 million revenues comparing to the year before, a 90.4 percent increase. However, due to elevated unemployment compensation claims and the extension of unemployment benefits, the unemployment benefit payments were $1.3 billion dollars in 2010, an increase of $314 million, a 31.4 percent increase. The State borrowed funds from the Federal Government to pay benefits and still owed the Federal Government $283 million for advances at year-end.

The net assets of the State Port Authority decreased by $8 million to $318 million. Operating revenues have shown a modest increase, to $106 million from $103 million the prior year, a 3 percent increase, resulting from a number of factors. The McDuffie Coal Terminal experienced increased revenues because of the strong market for metallurgical coal and the Terminal Railway benefited from significant volumes of grain shipped through the leased grain facility. However, the State Port Authority has $364 million in revenue bonds payable. The interest paid during fiscal year 2010 was $13 million. The current principal portion of this debt is $8 million. $162 million of this debt has variable interest rates indexed to LIBOR. The economy has a significant effect on the State Port Authority's interest expense as well as its operating revenues.

The Alabama College System's net assets increased $72 million in 2010, primarily because of an increase in federal grants including stimulus funds. Grants increased from $296 million in fiscal year 2009 to $391 million in fiscal year 2010, a 32 percent increase.

The net assets of the Alcoholic Beverage Control Board declined by $3 million in fiscal year 2010, resulting in a $13 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative.

Budgetary Highlights

General Fund

The original budget for the General Fund was decreased by a net of $56 million during fiscal year 2010. Expenditures were decreased by $23 million and Transfers Out decreased by $33 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. 12 percent proration was declared in April 2010 because cash collections were not meeting budget projections. This decreased the budget by $184 million. The Department of Corrections was cut by $37 million and the Medicaid Agency was cut by $42 million. Then in September 2010 the budget was increased by $31 million as a result of a 2 percent reduction in proration because of the remaining cash close to year-end.

There were significant budgetary variances between the final budget and actual results. Unexpended and reverted appropriations from fiscal year 2010 were reappropriated to fiscal year 2011; therefore, many agencies did not spend all of their appropriations during fiscal year 2010. The Medicaid Agency has the largest carryover of $35 million to fiscal year 2011. The Department of Public Safety, the Legislature, Department of Corrections, Department of Economic and Community Affairs, and the Department of Finance have $7 million, $6 million, $5 million, $5 million, and $3 million, respectively. These funds will be needed in the future because federal stimulus funds will have been expended and projections for State revenues are not improving.

There were budget increases to various agencies as a result of supplemental appropriations which totaled $101 million. The Department of Corrections received $52 million of this supplemental appropriation for correctional facility operations. The largest expenditures for correctional facilities are correctional officer salaries and benefits, and medical care for prisoners. The Medicaid Agency received $42 million of this supplemental appropriation. The Medicaid Agency uses these funds to match the federal grants for Medicaid programs.

Conditional and other appropriations were approximately $3 million to various agencies. Conditional amounts are not included in the budget until the conditions have been met. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations of $2 million are included in the original budget and are included in the budgeted amounts as Other on the Budgetary Comparison Schedule. Emergency appropriations cannot exceed two percent of the total amount appropriated. The annual budget was decreased by $6 million as a result of capital project appropriations for the Department of Corrections. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by $44 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by $139 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 2010 the State had invested $20.5 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled $146 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Capital Assets Not Being Depreciated:						
Land	$ 281,711	$ 242,590	$ 82,690	$ 82,621	$ 364,401	$ 325,211
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress	145,038	122,347	114,257	224,977	259,295	347,324
Construction In Progress - Infrastructure	5,043,948	4,916,622	-	-	5,043,948	4,916,622
Infrastructure	12,540,902	12,354,313	-	-	12,540,902	12,354,313
Inexhausible Intangible Assets	-	-	10	10	10	10
Total Capital Assets Not Being Depreciated	**18,014,257**	**17,638,530**	**199,307**	**309,958**	**18,213,564**	**17,948,488**
Capital Assets Being Depreciated:						
Buildings	1,267,316	1,257,465	1,554,743	1,397,718	2,822,059	2,655,183
Equipment	627,859	605,332	533,446	485,879	1,161,305	1,091,211
Software and Other Intangible Assets	7,346	2,658	3,248	3,248	10,594	5,906
Total Capital Assets Being Depreciated	1,902,521	1,865,455	2,091,437	1,886,845	3,993,958	3,752,300
Less Accumulated Depreciation	957,819	905,694	786,728	726,792	1,744,547	1,632,486
Total Capital Assets Being Depreciated, Net	**944,702**	**959,761**	**1,304,709**	**1,160,053**	**2,249,411**	**2,119,814**
Capital Assets, Net	**$ 18,958,959**	**$ 18,598,291**	**$ 1,504,016**	**$ 1,470,011**	**$ 20,462,975**	**$ 20,068,302**

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

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

The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered "Good" condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 79.24, which exceeds the State's goal.

The State maintains 5,368 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.60, in the upper end of the satisfactory range.

In fiscal years 2010, 2009, 2008, 2007, and 2006, the State estimated it would need to spend $306.0, $310.0, $320.0, $277.7, and $247.1 million, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. The State spent $387,793,000 for roadway preservation and $47,020,000 for bridge preservation in fiscal year 2010. In fiscal year 2009, the State spent $316,082,000 for roadway preservation and $34,457,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately $319,568,000 to preserve all roadway assets and approximately $10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels".

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

Long-term Debt

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	$ 769,330	$ 687,336	$ -	$ -	$ 769,330	$ 687,336
Revenue Bonds	274,283	298,712	638,109	619,360	912,392	918,072
Total	$ 1,043,613	$ 986,048	$ 638,109	$ 619,360	$ 1,681,722	$ 1,605,408

The State issued $110,000,000 in new general obligation bonds and $112,030,000 in refunding general obligation bonds. The Alabama Building Renovation Authority issued $26,990,000 in refunding bonds. The State Port Authority issued $15,100,000 in new bonds. The Alabama College System issued $19,033,000 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

On February 28, 2011 the new governor declared 3 percent proration for the fiscal year 2011 Education Trust Fund budget because of revenue shortfalls. Furthermore, he announced plans to declare 15 percent proration in the State General Fund, after first working with the Legislature for supplemental appropriations to protect priority agencies that provide necessary and critical services. With one time federal stimulus money now depleted, Alabama is left with the loss of hundreds of millions of dollars in both state budgets. The Education Trust Fund budget has a $165 million shortfall while the General Fund budget has a $110 million shortfall. Agencies will have to revise their operating plans including plans for employee layoffs. State agencies normally receive allotments of 25 percent each quarter. The first two quarters were not cut; therefore, all of the shortfall will be in the last half of the fiscal year. 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 9.3 percent in January 2011, was above December 2010's rate of 9.1 percent but was below the year-ago rate of 10.3 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, 2010

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	$ 2,239,066	$ 454,428	$ 2,693,494	$ 2,075,450
Investments	3,234,329	192,899	3,427,228	5,603,578
Internal Balances	19,141	(19,141)	-	-
Due from Primary Government	-	-	-	196,742
Due from Component Units	13,602	-	13,602	71,293
Investment Sales Receivable	145,069	-	145,069	-
Accounts Receivable	58,465	116,934	175,399	688,862
Due from Other Governments	510,429	931	511,360	792,696
Taxes Receivable	814,972	-	814,972	-
Interest and Dividends Receivable	26,594	-	26,594	24,325
Mortgages, Notes, and Loans Receivable	61	-	61	544,510
Securities Lending Collateral	263,765	1,228	264,993	23,795
Inventory	39,561	40,776	80,337	35,215
Restricted Assets	61,748	-	61,748	31,516
Other Assets	14,085	27,185	41,270	211,111
Capital Assets, Net of Accumulated Depreciation	944,702	1,304,709	2,249,411	4,696,697
Capital Assets Not Depreciated	18,014,257	199,307	18,213,564	758,760
Deferred Outflows	-	-	-	4,171
TOTAL ASSETS	**26,399,846**	**2,319,256**	**28,719,102**	**15,758,721**
LIABILITIES				
Warrants Payable	49,191	69	49,260	1,618
Investment Purchases Payable	225,216	-	225,216	-
Salaries Payable	172,507	7,515	180,022	23,781
Due to Primary Government	-	-	-	13,602
Due to Component Units	194,290	2,452	196,742	71,293
Accounts Payable	599,569	76,528	676,097	491,637
Interest Payable	8,917	7,040	15,957	71,936
Tax Refunds Payable	64,333	-	64,333	-
Due to Other Governments	231,793	284,831	516,624	125,219
Securities Lending Obligation	263,765	1,228	264,993	23,795
Unearned Revenue	14,185	79,493	93,678	632,375
Amounts Held in Custody for Others	72,906	11,620	84,526	291,010
Noncurrent Liabilities:				
Due Within One Year	76,561	32,512	109,073	498,656
Due In More Than One Year	1,815,599	687,653	2,503,252	6,815,379
TOTAL LIABILITIES	**3,788,832**	**1,190,941**	**4,979,773**	**9,060,301**
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	18,552,286	881,681	19,433,967	2,859,973
Restricted for:				
Permanent - Expendable	24,374	48,943	73,317	900,302
Permanent - Non-expendable	45,784	6,970	52,754	1,156,230
Forever Wild Stewardship Account	24,798	-	24,798	-
Alabama Trust Capital	3,061,559	-	3,061,559	-
Local Government	8,619	-	8,619	-
Education	172,432	-	172,432	-
Natural Resources and Recreation	46,823	-	46,823	-
Social Services	126,691	-	126,691	-
Protection of Persons and Property	77,347	-	77,347	-
Transportation	385,357	-	385,357	-
General Government	103,712	-	103,712	-
Debt Service	730	46,740	47,470	718,033
Capital Projects	117,777	-	117,777	-
Other Purposes	683,582	-	683,582	14,261
Unrestricted	(820,857)	143,981	(676,876)	1,049,621
TOTAL NET ASSETS	**$ 22,611,014**	**$ 1,128,315**	**$ 23,739,329**	**$ 6,698,420**

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

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

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2010

(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	$ 229,170	$ 92,134	$ 22,467	$ 0
Education and Cultural Resources	6,434,312	42,774	1,372,695	9,760
Natural Resources and Recreation	149,745	62,347	49,277	5
Health	6,143,253	249,149	5,026,162	-
Social Services	2,364,313	7,622	1,956,395	3
Protection of Persons and Property	1,146,261	231,004	369,217	-
Transportation	1,257,094	186,440	33,549	917,675
General Government	1,067,587	337,486	318,286	-
Debt Service - Interest and Other Charges	47,829	-	-	-
Total Governmental Activities	18,839,564	1,208,956	9,148,048	927,443
Business-type Activities				
Unemployment Compensation	1,323,058	411,147	784,981	-
State Port Authority	123,551	120,460	102	5,598
Alabama College System	897,134	179,677	391,385	26,211
Alcoholic Beverage Control Board	254,001	252,647	250	-
Nonmajor Proprietary Funds	45,639	48,504	119	-
Total Business-type Activities	2,643,383	1,012,435	1,176,837	31,809
Total Primary Government	**21,482,947**	**2,221,391**	**10,324,885**	**959,252**
Component Units:				
Public School and College Authority	380,405	308	-	-
Mental Health	865,389	28,132	45,492	-
Housing Finance Authority	74,207	48,713	-	-
Water Pollution Control Authority	38,320	19,016	29,196	-
University of Alabama	3,298,467	2,079,319	774,087	83,228
Auburn University	827,659	414,433	204,666	47,598
University of South Alabama	608,196	411,620	37,225	20,292
Public Education Employees' Health Insurance	789,269	763,255	5	-
State Employees' Health Insurance Board	439,229	460,769	8	-
Nonmajor Component Units	1,136,131	502,261	270,023	23,420
Total Component Units	**8,457,272**	**4,727,826**	**1,360,702**	**174,538**

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Income Taxes
  - Motor Fuels Taxes
  - Utility Taxes
  - Insurance Premium Tax
  - Property Tax
  - Liquor Taxes
  - Tobacco and Cigarette Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous

Contributions to Permanent Funds and Endowments
Payments from State of Alabama
Special Items
Extraordinary Items
Transfers
Total General Revenues, Special Items, and Transfers

Change in Net Assets
Net Assets, October 1, 2009, as Restated
Net Assets, September 30, 2010

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
$ (114,569)	$ 0	$ (114,569)	$ 0
(5,009,083)	-	(5,009,083)	-
(38,116)	-	(38,116)	-
(867,942)	-	(867,942)	-
(400,293)	-	(400,293)	-
(546,040)	-	(546,040)	-
(119,430)	-	(119,430)	-
(411,815)	-	(411,815)	-
(47,829)	-	(47,829)	-
(7,555,117)	0	(7,555,117)	0
-	(126,930)	(126,930)	-
-	2,609	2,609	-
-	(299,861)	(299,861)	-
-	(1,104)	(1,104)	-
-	2,984	2,984	-
0	(422,302)	(422,302)	0
(7,555,117)	**(422,302)**	**(7,977,419)**	**0**
-	-	-	(380,097)
-	-	-	(791,765)
-	-	-	(25,494)
-	-	-	9,892
-	-	-	(361,833)
-	-	-	(160,962)
-	-	-	(139,059)
-	-	-	(26,009)
-	-	-	21,548
-	-	-	(340,427)
0	**0**	**0**	**(2,194,206)**
2,108,834	-	2,108,834	-
2,973,246	-	2,973,246	-
551,210	-	551,210	-
684,437	-	684,437	-
263,243	-	263,243	-
314,977	-	314,977	-
156,098	10,558	166,656	-
136,311	-	136,311	-
40,323	-	40,323	7,104
315,520	2,572	318,092	454,211
879,724	11,561	891,285	96,430
-	102	102	27,967
-	-	-	2,218,154
-	(9,147)	(9,147)	-
-	-	-	3,089
(335,150)	335,150	-	-
8,088,773	**350,796**	**8,439,569**	**2,806,955**
533,656	**(71,506)**	**462,150**	**612,749**
22,077,358	1,199,821	23,277,179	6,085,671
$ 22,611,014	**$ 1,128,315**	**$ 23,739,329**	**$ 6,698,420**

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2010
(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	$ 201,543	$ 134,338	$ 52,710	$ 81,073	$ 424,816
Investments	-	-	2,522,278	-	39,151
Due from Other Funds	13,466	2,556	599,484	7,758	388
Due from Component Units	5	2	-	8,241	1
Investment Sales Receivable	-	-	144,224	-	-
Accounts Receivable	458	92	16,459	24,905	4,494
Due from Other Governments	3	26	-	233,782	117,680
Taxes Receivable	218,751	194,220	-	-	26,154
Interest and Dividends Receivable	44	-	23,194	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	8,604	5,793	174,515	3,458	17,358
Inventory	3,317	-	-	-	25,652
Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	**$ 446,191**	**$ 337,027**	**$ 3,532,864**	**$ 359,217**	**$ 655,694**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 1,616	$ 3,981	$ 0	$ 469	$ 2,729
Investment Purchases Payable	-	-	224,535	-	-
Salaries Payable	55,042	7,424	-	2,090	22,567
Due to Other Funds	168,106	444,044	-	31,735	2,875
Due to Component Units	192	19	-	37,772	10
Accounts Payable	13,413	47,039	172	245,701	121,028
Tax Refunds Payable	-	64,333	-	-	-
Due to Other Governments	6,792	8,816	-	10	3,404
Securities Lending Obligation	8,604	5,793	174,515	3,458	17,358
Deferred Revenue	108,428	-	4,056	-	-
Amounts Held in Custody for Others	315	1	-	-	12,687
Compensated Absences	804	103	-	18	236
Total Liabilities	**363,312**	**581,553**	**403,278**	**321,253**	**182,894**
Fund Balances					
Reserved for:					
Encumbrances	2,157	3,033	133	10,654	79,187
Inventory	3,317	-	-	-	25,652
Restricted Assets	-	-	-	-	-
Long-term Receivables	-	-	-	-	-
Highway Equipment Replacement	-	-	-	-	45,585
Forever Wild Stewardship Account	-	-	24,798	-	-
Alabama Trust Capital	-	-	3,061,559	-	-
Local Government	-	-	8,619	-	-
Capital Improvement Trust	-	-	34,477	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	77,405	-	-	-	-
Special Revenue Funds	-	(247,559)	-	27,310	322,376
Permanent Funds	-	-	-	-	-
Total Fund Balances	**82,879**	**(244,526)**	**3,129,586**	**37,964**	**472,800**
TOTAL LIABILITIES AND FUND BALANCES	**$ 446,191**	**$ 337,027**	**$ 3,532,864**	**$ 359,217**	**$ 655,694**

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 132,583	$ 1,164,736	$ 2,191,799
-	529,824	3,091,253
14,410	57,751	695,813
546	2,909	11,704
-	845	145,069
-	9,983	56,391
1,206	157,732	510,429
49,023	326,824	814,972
-	3,214	26,452
-	61	61
5,296	47,242	262,266
-	1,166	30,135
-	61,748	61,748
-	37	37
$ 203,064	**$ 2,364,072**	**$ 7,898,129**
$ 795	$ 39,279	$ 48,869
-	681	225,216
21,488	61,256	169,867
6,865	46,470	700,095
381	149,556	187,930
43,808	120,595	591,756
-	-	64,333
2,456	210,274	231,752
5,296	47,242	262,266
35,870	122,324	270,678
3,178	56,725	72,906
255	719	2,135
120,392	**855,121**	**2,827,803**
4,708	43,116	142,988
-	1,166	30,135
-	61,748	61,748
-	208	208
-	-	45,585
-	-	24,798
-	-	3,061,559
-	-	8,619
-	-	34,477
-	45,784	45,784
-	153,318	153,318
-	806	806
-	-	77,405
77,964	1,178,431	1,358,522
-	24,374	24,374
82,672	**1,508,951**	**5,070,326**
$ 203,064	**$ 2,364,072**	**$ 7,898,129**

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

September 30, 2010

(Amounts in Thousands)

Total Fund Balances for Governmental Funds		$5,070,326
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	280,955	
Historical Exhibits	2,657	
Construction in progress	115,561	
Construction in progress - Infrastructure	5,043,948	
Infrastructure	12,540,902	
Buildings	1,117,127	
Equipment	589,884	
Intangibles	4,437	
Accumulated Depreciation - Buildings	(466,536)	
Accumulated Depreciation - Equipment	(344,359)	
Amortization - Intangibles	(399)	
		18,884,177
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.		256,493
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.		157,342
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	(115,771)	
Compensated Absences	(281,427)	
Claims and Judgments	(15,299)	
Due to Component Units	(6,032)	
Other Post-Employment Benefits	(362,625)	
		(781,154)
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	(741,250)	
Revenue Bonds Payable	(199,645)	
Unamortized Premiums	(37,167)	
Unamortized Discounts	422	
Unamortized Loss	7,761	
Deferred Debt Financing Costs	2,625	
Accrued Interest Payable	(8,916)	
		(976,170)
Net Assets of Governmental Activities		$22,611,014

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

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
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, 2010
(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	$ 1,023,088	$ 5,178,449	$ 0	$ 0	$ 348,743
Licenses, Permits, and Fees	157,326	46	-	-	144,305
Fines, Forfeits, and Court Settlements	24,191	-	-	3,411	-
Investment Income	24,177	-	256,476	31	2,071
Federal Grants and Reimbursements	1,549	275	-	3,968,878	906,036
Other Revenues	2,858	240	125,132	633,494	30,133
Total Revenues	**1,233,189**	**5,179,010**	**381,608**	**4,605,814**	**1,431,288**
EXPENDITURES					
Current:					
Economic Development and Regulation	8,797	-	-	-	-
Education and Cultural Resources	13,386	4,689,752	-	-	-
Natural Resources and Recreation	5,352	-	400	-	-
Health	457,995	39,177	-	4,372,770	-
Social Services	13,462	25,127	-	-	-
Protection of Persons and Property	441,291	49,597	-	-	-
Transportation	2	-	-	-	1,322,787
General Government	313,429	17,336	5,715	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	2,731	80	-	-	337
Debt Service - Interest and Other Charges	153	50	-	-	98
Total Expenditures	**1,256,598**	**4,821,119**	**6,115**	**4,372,770**	**1,323,222**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(23,409)**	**357,891**	**375,493**	**233,044**	**108,066**
OTHER FINANCING SOURCES (USES)					
Transfers In	108,850	382	6,104	113,952	945
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Capital Leases	-	-	-	-	-
Other Debt Issued	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	19	-	-	-	1,840
Transfers Out	(224,792)	(381,258)	(203,427)	(300,677)	(58,817)
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Current Refunding to Bondholders	-	-	-	-	-
Total Other Financing Sources (Uses)	**(115,923)**	**(380,876)**	**(197,323)**	**(186,725)**	**(56,032)**
Net Change in Fund Balances	**(139,332)**	**(22,985)**	**178,170**	**46,319**	**52,034**
Fund Balances, October 1, 2009, as Restated	222,142	(221,541)	2,951,416	(8,355)	418,452
Increase (Decrease) in Inventory	69	-	-	-	2,314
Fund Balances, September 30, 2010	**$ 82,879**	**$ (244,526)**	**$ 3,129,586**	**$ 37,964**	**$ 472,800**

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 173,195	$ 1,351,033	$ 8,074,508
479	362,807	664,963
-	122,764	150,366
-	30,404	313,159
1,649,236	2,780,147	9,306,121
38,983	367,420	1,198,260
1,861,893	**5,014,575**	**19,707,377**
-	195,667	204,464
-	1,724,644	6,427,782
-	177,635	183,387
-	1,259,700	6,129,642
1,965,367	346,372	2,350,328
-	623,906	1,114,794
-	237,453	1,560,242
542	717,055	1,054,077
-	42,525	42,525
1,880	45,465	50,493
1,672	50,699	52,672
1,969,461	**5,421,121**	**19,170,406**
(107,568)	**(406,546)**	**536,971**
176,989	840,256	1,247,478
-	110,000	110,000
-	112,030	112,030
2,322	-	2,322
-	62,136	62,136
-	20,746	20,746
479	1,127	3,465
(73,422)	(350,397)	(1,592,790)
-	(74,415)	(74,415)
-	(52,610)	(52,610)
106,368	**668,873**	**(161,638)**
(1,200)	**262,327**	**375,333**
83,872	1,246,600	4,692,586
-	24	2,407
$ 82,672	**$ 1,508,951**	**$ 5,070,326**

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

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		$375,333
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	446,570	
Depreciation Expense	(75,490)	
		371,080
In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(10,894)
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.		(2,322)
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.		2,407
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(10,798)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		12,579
Capital assets reassigned to internal service funds from the general government are reported in internal service funds as transfers in, but in the Statement of Activities such interfund activity is eliminated.		(12)
Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.		
Bond proceeds	(222,030)	
Bond premium	(20,746)	
Repayment of bond principal	44,885	
Current refunding to bondholders	52,610	
Payments to Refunded Bond Escrow Agent	74,415	
Other debt proceeds	(62,136)	
Repayment of other debt principal	166	
Accrued interest	6,231	
		(126,605)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Capital lease payments	5,606	
Compensated absences payments	3,508	
Other post-employment benefit payments	(94,418)	
Claims and judgments	6,248	
Other debt payments	1,944	
		(77,112)
Change in Net Assets of Governmental Activities		$533,656

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

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
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RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2010
(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	$ 131,860	$ 7,559	$ 275,345	$ 28,260	$ 11,404
Investments, Short-term	-	14,565	135,485	-	104
Due from Other Funds	49	-	-	47	-
Due from Component Units	-	-	-	-	-
Accounts Receivable	4,107	27,872	84,383	525	47
Due from Other Governments	-	931	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	3	-	-	1,214	11
Inventory	-	4,725	8,975	26,254	822
Other Current Assets	-	9,616	-	-	300
Total Current Assets	**136,019**	**65,268**	**504,188**	**56,300**	**12,688**
Noncurrent Assets					
Investments, Long-term	-	25,501	17,244	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	5,244	11,935	90	-
Capital Assets, Net of Accumulated Depreciation	-	553,861	744,091	4,051	2,706
Capital Assets Not Depreciated	-	82,083	114,594	-	2,630
Total Noncurrent Assets	**0**	**666,689**	**887,864**	**4,141**	**5,336**
TOTAL ASSETS	**136,019**	**731,957**	**1,392,052**	**60,441**	**18,024**
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	69	-
Salaries Payable	-	3,664	-	3,823	28
Due to Other Funds	-	-	-	18,596	641
Due to Component Units	-	-	-	2,426	26
Accounts Payable	5,076	8,995	32,095	30,220	142
Interest Payable	-	7,040	-	-	-
Due to Other Governments	283,671	-	-	1,157	3
Claims Payable	-	681	-	-	3,700
Unearned Revenue	-	-	78,552	-	401
Funds Held in Escrow	75	-	11,545	-	-
Compensated Absences	-	-	2,308	58	-
Securities Lending Obligation	3	-	-	1,214	11
Notes and Capital Leases Payable	-	-	2,765	-	-
Revenue Bonds Payable	-	7,525	15,475	-	-
Total Current Liabilities	**288,825**	**27,905**	**142,740**	**57,563**	**4,952**
Noncurrent Liabilities					
Claims Payable	-	2,079	-	-	-
Unearned Revenue, Noncurrent	-	540	-	-	-
Compensated Absences	-	-	17,450	6,570	19
Other Post-employment Benefits	-	7,198	-	9,767	95
Notes and Capital Leases Payable	-	-	7,098	-	1,825
Revenue Bonds Payable	-	356,329	258,780	-	-
Other Long-term Liabilities	-	20,265	178	-	-
Total Noncurent Liabilities	**0**	**386,411**	**283,506**	**16,337**	**1,939**
TOTAL LIABILITIES	**288,825**	**414,316**	**426,246**	**73,900**	**6,891**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	269,303	604,816	4,051	3,511
Restricted for:					
Permanent - Expendable	-	-	48,943	-	-
Permanent - Non-expendable	-	-	6,970	-	-
Debt Service	-	46,740	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	(152,806)	1,598	305,077	(17,510)	7,622
TOTAL NET ASSETS	**$ (152,806)**	**$ 317,641**	**$ 965,806**	**$ (13,459)**	**$ 11,133**

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

	Governmental Activities	
	Total Enterprise Funds	Internal Service Funds
	$ 454,428	$ 47,267
	150,154	57,827
	96	15,390
	-	586
	116,934	2,057
	931	-
	-	142
	1,228	1,499
	40,776	9,426
	9,916	10,629
	774,463	**144,823**
	42,745	85,249
	-	9,286
	-	1,312
	17,269	794
	1,304,709	44,548
	199,307	30,234
	1,564,030	**171,423**
	2,338,493	**316,246**
	69	322
	7,515	2,640
	19,237	1,367
	2,452	328
	76,528	7,684
	7,040	-
	284,831	41
	4,381	10,613
	78,953	-
	11,620	-
	2,366	9
	1,228	1,499
	2,765	326
	23,000	7,655
	521,985	**32,484**
	2,079	48,669
	540	-
	24,039	4,703
	17,060	5,173
	8,923	1,017
	615,109	66,079
	20,443	779
	688,193	**126,420**
	1,210,178	**158,904**
	881,681	6,537
	48,943	-
	6,970	-
	46,740	-
	-	6,924
	143,981	143,881
	$ 1,128,315	**$ 157,342**

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

For the Fiscal Year Ended September 30, 2010

(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	$ 106,460	$ 179,677	$ 248,845	$ 33,222
Premiums and Contributions	402,008	-	-	-	14,471
Rents and Leases	-	-	-	-	621
Total Operating Revenues	**402,008**	**106,460**	**179,677**	**248,845**	**48,314**
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	487,542	48,619	484
Utilities and Communications	-	-	26,983	2,874	200
Professional Services	-	-	-	4,446	372
Supplies, Materials, and Operating Expenses	-	1,987	176,981	182,947	22,852
Interest	-	-	11,393	-	-
Depreciation	-	27,441	33,949	3,288	264
Claims and Benefits	1,316,570	-	-	-	21,368
Operations and Maintenance	-	59,641	-	-	-
General and Administrative	-	16,566	-	-	-
Other	-	-	143,157	11,827	9
Total Operating Expenses	**1,316,570**	**105,635**	**880,005**	**254,001**	**45,549**
Operating Income (Loss)	**(914,562)**	**825**	**(700,328)**	**(5,156)**	**2,765**
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	10,558	3,901
Grants	784,981	102	391,385	250	119
Investment Income	-	(1,045)	3,570	-	47
Other Nonoperating Revenues	9,139	14,000	7,043	4,414	197
Interest Expense	-	(12,640)	-	-	(91)
Other Nonoperating Expenses	(6,488)	(5,277)	(17,128)	-	-
Total Nonoperating Revenues (Expenses)	**787,632**	**(4,860)**	**384,870**	**15,222**	**4,173**
Income (Loss) Before Contributions and Transfers	**(126,930)**	**(4,035)**	**(315,458)**	**10,066**	**6,938**
Capital Contributions	-	5,598	26,211	-	-
Contributions to Endowments	-	-	102	-	-
Special Items	-	(9,147)	-	-	-
Transfers In	5,755	53	361,511	379	-
Transfers Out	(9,366)	(54)	-	(13,441)	(9,687)
Increase (Decrease) in Net Assets	**(130,541)**	**(7,585)**	**72,366**	**(2,996)**	**(2,749)**
Total Net Assets, October 1, 2009, as Restated	(22,265)	325,226	893,440	(10,463)	13,882
Total Net Assets, September 30, 2010	**$ (152,806)**	**$ 317,641**	**$ 965,806**	**$ (13,459)**	**$ 11,133**

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

	Governmental Activities	
	Total Enterprise Funds	Internal Service Funds
	$ 568,204	$ 68,768
	416,479	52,048
	621	18,346
	985,304	**139,162**
	536,645	33,618
	30,057	22,120
	4,818	11,716
	384,767	40,993
	11,393	3,231
	64,942	5,844
	1,337,938	17,674
	59,641	-
	16,566	-
	154,993	6,913
	2,601,760	**142,109**
	(1,616,456)	**(2,947)**
	14,459	-
	1,176,837	84
	2,572	5,051
	34,793	412
	(12,731)	(102)
	(28,893)	(145)
	1,187,037	**5,300**
	(429,419)	**2,353**
	31,809	-
	102	-
	(9,147)	-
	367,698	10,390
	(32,548)	(164)
	(71,505)	**12,579**
	1,199,820	144,763
	$ 1,128,315	**$ 157,342**

STATEMENT OF CASH FLOWS
Proprietary Funds

For the Fiscal Year Ended September 30, 2010
(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	$ 401,489	$ 105,281	$ 148,468	$ 245,813	$ 52,238
Receipts from Interfund Services	-	-	-	23	8
Receipts from Operating Grants	1,041,327	-	148,916	-	-
Receipts from Interfund Reimbursements	7,052	-	-	-	-
Receipts from Other Operating Activities	9,139	-	27,028	15,416	309
Payments for Goods Held for Resale	-	-	-	(164,666)	(23,129)
Payments for Other Goods & Services	-	(50,735)	(203,328)	(20,779)	(21,537)
Payments for Employees Services	-	(30,804)	(487,543)	(46,049)	(465)
Payments for Taxes, Fines, Penalties, & Similar Fees	(1,044)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,768)	(5)
Payments for Other Operating Activities	-	-	(143,646)	(1,937)	-
Payments for Claims	(1,325,398)	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	**132,565**	**23,742**	**(510,105)**	**26,053**	**7,419**
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	5,755	-	254,781	-	-
Transfers from Other Funds for Noncapital Financing	-	-	340,907	445	-
Payments for Noncapital Financing Grants & Donations	(6,052)	-	(181)	-	-
Transfers to Other Funds for Noncapital Financing	(9,198)	-	-	(10,890)	(9,689)
Net Cash Provided By (Used In) Noncapital Financing Activities	**(9,495)**	**0**	**595,507**	**(10,445)**	**(9,689)**
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	15,100	19,033	-	-
Receipts from Capital Grants & Contributions	-	5,826	27,089	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	5,758	242	18	101
Payments to Acquire, Construct, & Improve Capital Assets	-	(30,480)	(79,336)	(1,441)	(490)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(7,165)	(16,450)	-	(71)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(14,809)	(12,361)	-	(91)
Bond Issuance Cost	-	-	(253)	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**0**	**(25,770)**	**(62,036)**	**(1,423)**	**(551)**
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	7,865	61,099	-	-
Receipts from Interest & Dividends on Investments & Loans	608	1,111	1,472	-	47
Purchase of Investments	-	(10)	(57,436)	-	(104)
Collateral on interest rate swap	-	(6,220)	-	-	-
Net Cash Provided By (Used In) Investing Activities	**608**	**2,746**	**5,135**	**0**	**(57)**
Net Increase (Decrease) In Cash and Cash Equivalents	**123,678**	**718**	**28,501**	**14,185**	**(2,878)**
Cash Balance as Restated, October 1, 2009	8,182	6,841	246,844	14,006	14,282
Cash Balance, September 30, 2010	**131,860**	**7,559**	**275,345**	**28,191**	**11,404**
Add: Warrants Payable	-	-	-	69	-
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 131,860**	**$ 7,559**	**$ 275,345**	**$ 28,260**	**$ 11,404**

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

	Governmental Activities	
	Total Enterprise Funds	Internal Service Funds
	$ 953,289	$ 35,752
	31	106,468
	1,190,243	-
	7,052	-
	51,892	4,307
	(187,795)	(13,963)
	(296,379)	(62,454)
	(564,861)	(32,439)
	(1,044)	(168)
	(1,773)	(5,443)
	(145,583)	(4,872)
	(1,325,398)	(20,630)
	(320,326)	**6,558**
	260,536	-
	341,352	9,718
	(6,233)	-
	(29,777)	(148)
	565,878	**9,570**
	34,133	29,125
	32,915	-
	6,119	315
	(111,747)	(4,196)
	(23,686)	(7,140)
	(27,261)	(31,253)
	(253)	-
	(89,780)	**(13,149)**
	68,964	176,703
	3,238	2,888
	(57,550)	(214,634)
	(6,220)	-
	8,432	**(35,043)**
	164,204	**(32,064)**
	290,155	79,009
	454,359	**46,945**
	69	322
	$ 454,428	**$ 47,267**

Continued on next page...

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

For the Fiscal Year Ended September 30, 2010

(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)	**$ (914,562)**	**$ 825**	**$ (700,328)**	**$ (5,156)**	**$ 2,765**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	-	-	-	1	8
Accounts Receivable	(1,500)	(1,128)	(14,628)	(323)	9
Inventory	-	785	(715)	(513)	(15)
Other Assets	-	111	(2,085)	-	-
Capital Assets	-	-	-	-	-
Salaries Payable	-	-	-	(63)	(8)
Due to Other Funds	-	-	-	(2,994)	(95)
Due to Component Units	-	-	-	(810)	-
Accounts Payable	254,576	(7,288)	(1,737)	13,799	48
Due to Other Governments	-	-	-	802	-
Claims Payable	-	-	-	-	197
Amounts Held Pending Distribution	-	-	-	-	-
Unearned Revenue	-	-	12,446	-	12
Funds Held in Escrow	-	-	(874)	6	-
Compensated Absences	-	-	-	(72)	(1)
Other Post-employment Benefits	-	-	-	2,542	24
Other Liabilities	-	(746)	(750)	-	-
Investment Income	-	-	-	-	-
Operating Interest Expense	-	-	-	-	-
Depreciation	-	27,441	33,949	3,288	264
Amortization Expense	-	279	-	-	-
Nonoperating Revenues	794,051	-	153,224	15,546	4,211
Nonoperating Expenses	-	3,463	11,393	-	-
Total Adjustments	1,047,127	22,917	190,223	31,209	4,654
Net Cash Provided (Used) by Operating Activities	**$ 132,565**	**$ 23,742**	**$ (510,105)**	**$ 26,053**	**$ 7,419**
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	-	-	-	303	-
Capital Assets Acquired by Capital Lease or Other Debt	-	-	700	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	(29,674)	(1,380)	(101)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	608	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	2,156	-	-	-
Transfers In (Out)	-	-	-	2,567	-

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

Total Enterprise Funds	Governmental Activities Internal Service Funds
$ (1,616,456)	**$ (2,947)**
9	(1,297)
(17,570)	1,221
(458)	1,175
(1,974)	(296)
-	116
(71)	(66)
(3,089)	(1,001)
(810)	-
259,398	(613)
802	(167)
197	(126)
-	349
12,458	(381)
(868)	192
(73)	(144)
2,566	1,306
(1,496)	-
-	56
-	3,240
64,942	5,844
279	-
967,032	117
14,856	(20)
1,296,130	9,505
$ (320,326)	**$ 6,558**
303	5,906
700	1,343
(31,155)	(5,248)
-	(1,091)
608	(524)
2,156	(1,605)
2,567	(656)

STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds

September 30, 2010
(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 41,313	$ 5,578	$ 180,736
Investments			
Time Deposits	-	132	2,420
U.S. Treasury Securities	1,384,342	157,368	41,740
U.S. Agency Securities	758,860	29,742	-
State and Local Government Securities	-	202	8,390
Mortgage Backed Securities	606,554	68,462	6,120
Corporate Stocks	11,651,792	79,239	-
Corporate Bonds	4,939,570	85,079	3,810
Real Estate	2,819,301	840	-
Commercial Paper	890,431	540	-
International Stocks	3,737,327	28,981	-
International Bonds	-	2,190	-
Mutual and Money Market Funds	331,556	710,563	103
Commingled Funds	-	7,567	-
Receivables			
Due from Other Funds	-	21	129
Employer Contributions Receivable	95,207	-	-
Member Contributions Receivable	41,109	-	-
Investment Sales Receivable	1,348,441	-	-
Accounts Receivable	15,738	356	26
Interest and Dividends Receivable	96,687	2,912	-
Securities Lending Collateral	3,203,312	999	2,117
Other Assets	3,231	-	-
Capital Assets, Net of Accumulated Depreciation	151,144	-	-
Capital Assets Not Depreciated	7,620	-	-
TOTAL ASSETS	**32,123,535**	**1,180,771**	**245,591**
LIABILITIES			
Warrants Payable	$ 30,663	$ 302	$ 22,539
Investment Purchases Payable	1,094,023	-	-
Salaries Payable	2,160	22	-
Due to Other Funds	2	34	-
Accounts Payable	3,863	36,677	619
Due to Other Governments	5	267	4,112
Claims Payable	49,699	-	-
Securities Lending Obligation	3,203,312	999	2,117
Deferred Revenue	2,158	-	-
Amounts Held in Custody for Others	-	-	216,204
Compensated Absences	4,438	50	-
Other Post-employment Benefits	3,288	51	-
TOTAL LIABILITIES	**4,393,611**	**38,402**	**245,591**
NET ASSETS			
Held in Trust for Beneficiaries	-	1,142,369	-
Held in Trust for Pension and Other Employee Benefits	27,729,924	-	-
TOTAL NET ASSETS	**$ 27,729,924**	**$ 1,142,369**	**$ 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, 2010
(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	$ 755,697	$ 231,088
Employer	1,601,807	-
Medicare Part D Retiree Drug Subsidy	34,753	-
Total Contributions	2,392,257	231,088
Investment Earnings		
Investment Interest and Dividends	909,743	26,706
Net Increase (Decrease) in Fair Value of Investments	1,432,477	77,667
Securities Lending Income	19,862	167
Total Investment Earnings	2,362,082	104,540
Less:		
Investment Expense	8,053	-
Securities Lending Interest and Fees	8,959	53
Net Investment Income	2,345,070	104,487
Other Additions		
Licenses and Fees	3,193	-
Miscellaneous	4,164	259
Total Other Additions	7,357	259
Total Additions	**4,744,684**	**335,834**
DEDUCTIONS		
Benefit Payments and Refunds	3,048,810	320,383
Administrative Expense	35,336	7,997
Transfers Out	1	51
Total Deductions	**3,084,147**	**328,431**
Changes in Net Assets	**1,660,537**	**7,403**
Net Assets Held in Trust for Beneficiaries, October 1, 2009, as Restated	26,069,387	1,134,966
Net Assets Held in Trust for Beneficiaries, September 30, 2010	**$ 27,729,924**	**$ 1,142,369**

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

STATEMENT OF NET ASSETS
Component Units

September 30, 2010
(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	$ 631,774	$ 96,002	$ 3,006	$ 84,527	$ 371,230
Investments	-	1	754,530	87,857	2,636,520
Due from Primary Government	15,491	173,600	-	6,032	-
Due from Component Units	-	71,289	-	-	-
Accounts Receivable	3	2	-	217	337,219
Due from Other Governments	38,812	2,018	-	510,169	-
Interest and Dividends Receivable	-	-	13,192	2,262	413
Mortgages, Notes, and Loans Receivable	-	-	288,625	-	107,958
Securities Lending Collateral	436	3,410	-	652	-
Inventory	-	2,093	-	-	20,881
Restricted Assets	-	-	-	-	-
Other Assets	6,684	109	25,555	18,069	89,794
Capital Assets, Net of Accumulated Depreciation	10,788	22,055	-	15	2,599,524
Capital Assets Not Depreciated	-	1,590	-	-	230,284
Deferred Outflows	-	-	-	-	-
TOTAL ASSETS	**703,988**	**372,169**	**1,084,908**	**709,800**	**6,393,823**
LIABILITIES					
Warrants Payable	563	747	-	-	-
Salaries Payable	-	13,012	-	-	-
Due to Primary Government	-	9,335	-	406	-
Due to Component Units	-	3	-	-	71,248
Accounts Payable	22,377	53,076	109	7	277,829
Interest Payable	36,626	78	18,104	1,662	-
Due to Other Governments	7,889	3,053	-	62,111	24,007
Securities Lending Obligation	436	3,410	-	652	-
Unearned Revenue	-	-	15,651	608	285,383
Amounts Held in Custody for Others	-	-	230,329	100	18,207
Noncurrent Liabilities:					
Due Within One Year	70,180	1,509	58,661	27,545	38,481
Due In More Than One Year	2,541,889	55,049	458,997	295,541	1,523,236
TOTAL LIABILITIES	**2,679,960**	**139,272**	**781,851**	**388,632**	**2,238,391**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	10,788	16,482	-	15	1,444,891
Restricted for:					
Permanent - Expendable	-	-	-	-	553,392
Permanent - Non-expendable	-	-	-	-	574,606
Debt Service	-	-	232,097	321,153	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,986,760)	216,415	70,960	-	1,582,543
TOTAL NET ASSETS	**$ (1,975,972)**	**$ 232,897**	**$ 303,057**	**$ 321,168**	**$ 4,155,432**

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
$ 70,747	$ 177,552	$ 4,907	$ 7,768	$ 627,937	$ 2,075,450
1,141,112	432,081	80,723	180,096	290,658	5,603,578
-	-	-	748	871	196,742
-	-	-	4	-	71,293
46,483	71,356	7,948	1,041	224,593	688,862
-	-	-	-	241,697	792,696
2,820	-	13	809	4,816	24,325
52,856	4,701	-	-	90,370	544,510
-	-	213	16,860	2,224	23,795
4,006	-	-	-	8,235	35,215
-	26,860	-	-	4,656	31,516
5,296	21,066	3,411	573	40,554	211,111
1,035,324	358,739	-	2,440	667,812	4,696,697
101,609	114,405	-	-	310,872	758,760
-	4,171	-	-	-	4,171
2,460,253	**1,210,931**	**97,215**	**210,339**	**2,515,295**	**15,758,721**
-	-	18	3	287	1,618
5,441	-	194	385	4,749	23,781
-	-	420	550	2,891	13,602
-	-	-	41	1	71,293
46,703	28,742	223	5,069	57,502	491,637
9,124	-	-	-	6,342	71,936
-	-	-	-	28,159	125,219
-	-	213	16,860	2,224	23,795
140,181	34,500	-	9,746	146,306	632,375
19,296	-	-	-	23,078	291,010
36,600	14,334	76,374	55,450	119,522	498,656
565,505	453,887	783	1,276	919,216	6,815,379
822,850	**531,463**	**78,225**	**89,380**	**1,310,277**	**9,060,301**
616,821	202,240	-	2,440	566,296	2,859,973
157,634	81,173	-	-	108,103	900,302
269,249	198,445	-	-	113,930	1,156,230
-	-	-	-	164,783	718,033
-	-	-	-	14,261	14,261
593,699	197,610	18,990	118,519	237,645	1,049,621
$ 1,637,403	**$ 679,468**	**$ 18,990**	**$ 120,959**	**$ 1,205,018**	**$ 6,698,420**

STATEMENT OF ACTIVITIES
Component Units

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	**$ 380,405**	**$ 865,389**	**$ 74,207**	**$ 38,320**	**$ 3,298,467**
Program Revenues					
Charges for Services	308	28,132	48,713	19,016	2,079,319
Operating Grants and Contributions	-	45,492	-	29,196	774,087
Capital Grants and Contributions	-	-	-	-	83,228
Total Program Revenues	**308**	**73,624**	**48,713**	**48,212**	**2,936,634**
Net (Expense) Revenue	**(380,097)**	**(791,765)**	**(25,494)**	**9,892**	**(361,833)**
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	7,103	-	-	-
Investment Earnings	43,848	17	62,668	6,389	219,047
Miscellaneous	-	52,227	-	3,413	10,362
Contributions to Permanent Funds and Endowments	-	-	-	-	22,888
Payments from State of Alabama	171,822	790,468	-	695	477,548
Extraordinary Items	-	-	-	-	3,089
Total General Revenues, Special Items, and Transfers	**215,670**	**849,815**	**62,668**	**10,497**	**732,934**
Change in Net Assets	**(164,427)**	**58,050**	**37,174**	**20,389**	**371,101**
Net Assets, October 1, 2009, as Restated	(1,811,545)	174,847	265,883	300,779	3,784,331
Net Assets, September 30, 2010	**$ (1,975,972)**	**$ 232,897**	**$ 303,057**	**$ 321,168**	**$ 4,155,432**

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

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
$ 827,659	**$ 608,196**	**$ 789,269**	**$ 439,229**	**$ 1,136,131**	**$ 8,457,272**
414,433	411,620	763,255	460,769	502,261	4,727,826
204,666	37,225	5	8	270,023	1,360,702
47,598	20,292	-	-	23,420	174,538
666,697	**469,137**	**763,260**	**460,777**	**795,704**	**6,263,066**
(160,962)	**(139,059)**	**(26,009)**	**21,548**	**(340,427)**	**(2,194,206)**
-	-	-	-	1	7,104
50,797	35,549	295	7,905	27,696	454,211
-	24,959	-	2	5,467	96,430
166	4,909	-	-	4	27,967
257,210	107,850	-	-	412,561	2,218,154
-	-	-	-	-	3,089
308,173	**173,267**	**295**	**7,907**	**445,729**	**2,806,955**
147,211	**34,208**	**(25,714)**	**29,455**	**105,302**	**612,749**
1,490,192	645,260	44,704	91,504	1,099,716	6,085,671
$ 1,637,403	**$ 679,468**	**$ 18,990**	**$ 120,959**	**$ 1,205,018**	**$ 6,698,420**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

3. Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the blended component units, there are other legally separate, tax exempt organizations that are discretely presented component units of the universities. These organizations generally exist to raise funds to benefit a specific university. Although the university may not control the timing or amount of receipts from these foundations, the majority of resources that the foundations hold and invest are restricted to benefit the activities of the universities by the donors. Because the resources are held for the benefit of the universities, the foundations are considered the discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 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 was historically through the General Fund, so the Authority is subject to full budgetary control. The Authority has received no funding for a number of years so is currently inactive.

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

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

5. Excluded Organizations

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

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

6. Sources of Information

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

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

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

a. Primary Government

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

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

b. Discretely Presented Component Units

- Alabama Agricultural & Mechanical University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission

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

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental 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, hospital assessment fees, nursing facility tax, pharmaceutical services tax, federal grants, oil and gas royalties, investment sales receivables, and interest. Also, a one time receivable for Medicaid reimbursements from the Alabama Hospital Association is accrued.

2. Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

D. Fiscal Year

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2010 ended on September 26. The difference in fiscal years had no material effect on the financial statements.

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

1. Cash and Cash Equivalents
Cash and Cash Equivalents, as reported on the financial statements (the government-wide and the fund financial statements), are under the control of the State Treasurer or other administrative bodies as determined by law. The cash in all funds operating from the State Treasury is pooled as treasury cash and invested by the State Treasurer. The State Treasurer has statutory authority to invest treasury cash in demand accounts or time deposit-open accounts with any qualified public depository. The State Treasurer can also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. 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 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.

The second 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 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.

The most significant Accounts Receivable is recorded in Medicaid. The Medicaid receivable was for a one-time reimbursement from the Alabama Hospital Association for the Prepaid Hospital Plan which will be replaced by a new program in fiscal year 2011. The second most significant Accounts Receivable is recorded in the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore waters. The primary government has minimal amounts of Notes and Loans Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable. Investment Sales Receivable consists of amounts receivable for investments sold but the transaction was not settled before year-end.

For component units, about half of Mortgages, Notes, and Loans Receivable consist of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to various Universities and 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
Assets required to be held and/or used as specified in bond covenants, other debt agreements, donor specifications, and court settlements have been recorded as "Restricted Assets." These assets consist primarily of cash and cash equivalents, U.S. Treasury obligations and certificates of deposit.

7. Capital Assets
Capital assets, which include buildings, land, equipment, intangibles, and infrastructure (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Most capital assets are defined by the State as assets with an initial cost of at least $5,000 and have initial useful lives extending beyond a single reporting period. Software and other intangibles must have an initial cost of at least $100,000. 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
Software	10

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 reported are for unused, matured leave amounts payable to employees whose employment was

terminated by September 30. These amounts are paid to the employees during the first month after the end of the fiscal year so those actual payments were used to compute the amount payable. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net 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	0.84	0.46
State Employees	0.77	0.34

9. Long-Term Obligations

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

10. Net Assets and Fund Balances

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

F. Proprietary Fund Operating Revenues and Expenses

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

G. New Accounting Pronouncements

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

- GASB Statement No. 51: Accounting and Financial Reporting for Intangible Assets
- GASB Statement No. 53: Accounting and Financial Reporting for Derivative Instruments
- GASB Statement No. 58: Accounting and Financial Reporting for Chapter 9 Bankruptcies

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports $5 billion of restricted net assets for the primary government, of which $296 million is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Assets as of October 1, 2009 have been restated for certain accounting changes necessary to conform to GAAP. No major primary government governmental funds were restated, nor were any fiduciary funds restated. However, fund balance for The Public Health Care Authority, a Nonmajor Debt Service Fund, was restated by $317,000 from $307,000 to $624,000 for a receivable not reported in 2009. Internal Service Funds were restated by $2,307,000, primarily because receivables and capital assets were understated.

Net assets for the Port Authority were restated by $13,912,000 to book a derivative in conjunction with the implementation of GASB Statement 53. Net assets for the Alabama College System were restated by $3,417,000, the largest portion of which was $2,405,000 increase in capital assets. Net Assets for nonmajor enterprise funds decreased $1,352,000 while internal service funds increased by the same amount because a fund was reclassified when it ceased to do business with external users.

On the government-wide financial statements, beginning net assets for governmental activities were restated down from $22,083,318 to $22,077,358, a decrease of $5,960,000. Included in this restatement was ($13,379,000) in governmental long-term debt restatements for capital leases which were not reported in the previous year. Governmental capital assets were restated in total by $5,932,000, of which $777,000 was associated with the implementation of GASB Statement 51.

The Alabama Public School and College Authority, a major component unit, was restated by $75,560,000 from a deficit of 1,735,985,000 to a deficit of 1,811,545,000 as part of the implementation of GASB Statement 53 on accounting for derivatives.

The University of Alabama, a major component unit, was restated down by $64,097,000 because the University of Alabama Birmingham Hospital incorporated in 2010 the operations of an entity previously considered to be an affiliated organization. Nonmajor Component Units were restated up $781,000.

The University of South Alabama, a major component unit, was restated down by $8,015,000 resulting from the implementation of GASB Statement 53 on accounting for derivatives.

C. Fund Balance/Net Assets Deficits

1. Primary Government

The Education Trust Fund, a major governmental fund, had a deficit in unreserved, undesignated fund balance of $247,559,000, and a total deficit in fund balance of $244,526,000. Tax shortfalls caused the budget of the fund to undergo 9.5 percent proration in 2010. The fund still owes the Alabama Trust Fund $437.4 million that was borrowed from the Rainy Day Trust Account in fiscal year 2009 under the provisions of Amendment 803 of the *Constitution of Alabama of 1901.*

The Unemployment Compensation Trust, a major proprietary fund, had a deficit in unrestricted net assets of $152,806,000. The deficit is the result of a $283,671,000 advance from the Federal Government which is included in "Due to Other Governments."

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of $17,510,000, with a total net asset deficit of $13,459,000. 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 profits.

The Building Renovation Finance Authority, an internal service fund, had a deficit balance of $5,167,000 in net assets invested in capital assets, net of related debt. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them. The fund had overall positive net assets of $8,173,000.

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net assets of $1,510,000 because of liabilities to employees for health care and dependent care reimbursements. The fund does not break even until the end of December because it operates on a calendar year basis.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of $1,986,760,000 causing a deficit in total net assets of $1,975,972,000. 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 $7,754,000 in unrestricted net assets, but overall net assets are a positive $79,611,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of $6,994,000 and positive overall net assets of $35,417,000. 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 $101,529,000 with an overall deficit in total net assets of $92,811,000. 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 $21,000, with positive total net assets of $3,042,000.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of $8,387,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues pledged by the primary government.

NOTE 3 - ASSETS

A. Cash Deposits

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

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975,* as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires State treasury cash to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975,* Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Also, all other public funds not managed by the State Treasurer are required to be deposited in a qualified public depository or placed through a qualified public depository which arranges for the funds to be deposited in federally insured banks or savings associations so that the funds and accrued interest earned on them are fully insured by the

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

B. Investments

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

1. Primary Government

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

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

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

Alabama College Education Savings (ACES) Plan – The Board of Trustees administers the program. The Board of Trustees has entered into a contract with UBT 529 Services (Union Bank), a division of Union Bank and Trust Company. 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 in consultation with the Program Manager, Union Bank, and day-to-day administration has been delegated to the State Treasurer.

2. Fiduciary Funds

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

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

3. Component Units

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

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

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

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, 2010, are as follows:

Investment Types and Fair Value
(Amounts in Thousands)

Investment Types	Governmental Activities	Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	$ 16,323	$ -	$ 321	$ 17,343
Other U S Government Guaranteed Securities	596,023	5,889	1,593,360	523,050
U S Agency Securities	424,533	6,441	794,161	614,355
State and Local Government Securities	8,946	679	11,770	3,915
Mortgage Backed Securities	787,788	1,016	681,137	709,254
Commercial Paper	27,385	-	890,971	241,823
Corporate Bonds	630,988	264	2,580,935	339,573
Private Placements	269	-	2,447,525	42,475
Repurchase Agreements	80,298	-	3,669	94,913
International Bonds	160	-	2,190	99,482
Bond Mutual Funds	2,076	6,440	515,897	973,151
Domestic Equities	640,744	1,721	11,731,031	429,178
International Equities	198,114	148	3,766,307	6,443
Other Mutual Funds	135,349	1,067	496,219	1,345,385
Real Estate	15,214	214	2,820,141	404,488
Commingled Funds	23,751	-	7,567	209,049
Guaranteed Investment Contracts	-	-	-	34,656
	$ 3,587,961	$ 23,879	$ 28,343,201	$ 6,088,533
Reconciliation to the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets				
Investments Per Investment Note	$ 3,587,961	$ 23,879	$ 28,343,201	$ 6,088,533
Certificates of Deposit †	17,821	86,443	2,526	37,938
Other Cash Equivalents †	(291,160)	82,577	11,163	(381,880)
Repurchase Agreements ††	(80,298)	-	(3,669)	(85,867)
Investments Classified as Restricted Assets	5	-	-	-
Foundations and pooled investments §	-	-	-	(55,146)
Investments per Statements	$ 3,234,329	$ 192,899	$ 28,353,221	$ 5,603,578

† 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, 2010 are presented below.

Ratings of Fixed Maturities (Amounts in Thousands)

Moody's	Standard & Poor's	Governmental Activities	Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Component Units
Aaa		$ 695,008	$ 10,340	$ 934,426	$ 552,788	$ 1,780,124
	AAA	31,320	402	-	1,435	64,580
Aa1		20,776	27	44,459	29,057	11,995
	AA+	444	-	-	-	-
Aa2		44,982	34	158,493	51,269	2,149
	AA	2,895	-	-	-	150,617
Aa3		26,403	124	28,142	13,177	730
	AA-	7,645	-	-	-	-
Aa		-	-	-	627	20,302
A1		63,945	72	244,867	86,673	36,526
	A+	7,778	-	-	65	-
A2		81,920	5,093	318,265	95,194	3,791
	A	22,323	-	-	-	117,638
A3		53,415	40	241,290	72,759	3,288
	A-	3,415	-	-	106	-
A		-	-	8,475	4,086	27
P1		6,834	-	222,224	98,981	60,730
P2		21,995	-	580,415	310,016	153,993
Baa1		57,803	36	427,247	107,192	4,937
	BBB+	6,809	-	34,103	5,462	-
Baa2		98,070	58	267,402	75,636	3,604
	BBB	8,469	-	-	-	59,795
Baa3		47,960	9	126,145	39,533	2,415
	BBB-	29,584	-	-	-	-
Baa		-	16	-	-	26
Ba1		15,231	-	81,679	28,470	664
	BB+	752	-	-	-	-
Ba2		9,027	-	55,734	6,522	383
	BB	2,980	-	-	-	11,901
Ba3		8,868	-	63,435	16,682	659
	BB-	25	-	-	45	-
B1		5,345	-	29,853	10,178	299
	B+	17	-	-	-	-
B2		2,663	-	419	929	-
	B	638	-	-	-	665
B3		2,469	-	-	2,132	246
	B-	132	-	-	13	-
Caa1		1,817	-	-	1,345	-
	CCC+	297	-	-	-	-
Caa2		5,121	-	993	6,438	-
	CCC	4,240	-	-	350	-
Caa3		9,523	-	-	2,017	-
Ca		6,079	-	-	493	-
C		74	-	-	247	247
U S Govt Guaranteed Securities		552,465	3,365	1,110,079	411,261	443,097
Withdrawn Rating		-	-	-	137	221
Not Rated †		607,909	1,113	2,285,374	227,102	826,043
		$ 2,575,465	$ 20,729	$ 7,263,519	$ 2,258,417	$ 3,761,692

† 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% of the index duration. The portfolio is benchmarked against the Barclays Capital 1 - 3 Year Government Index.

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

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

As of September 30, 2010 the State had the following investments and maturities:

Governmental Activities
(Amounts in Thousands)

	Maturity in Years at Fair Value				
Investment Type	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**
U S Treasury Strips	$ -	$ 15,242	$ 1,081	$ -	$ 16,323
Other U S Government Guaranteed Securities	34,993	405,713	84,432	70,885	596,023
U S Agency Securities	30,784	180,148	100,213	113,388	424,533
State and Local Government Securities	-	512	676	7,758	8,946
Mortgage Backed Securities	7,977	61,899	75,670	642,242	787,788
Commercial Paper	27,385	-	-	-	27,385
Corporate Bonds	37,619	219,612	247,191	126,566	630,988
Private Placements	-	-	269	-	269
Repurchase Agreements	80,298	-	-	-	80,298
International Bonds	-	-	160	-	160
Bond Mutual Funds	1,444	632	-	-	2,076
Total	$ 220,500	$ 883,758	$ 509,692	$ 960,839	$ 2,574,789

Business-Type Activities
(Amounts in Thousands)

	Maturity in Years at Fair Value				
Investment Type	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**
U S Government Guaranteed Securities	$ 1,952	3,027	$ 33	$ 877	$ 5,889
U S Agency Securities	1,555	2,283	2,468	135	6,441
State and Local Government Securities	392	287	-	-	679
Mortgage Backed Securities	115	785	30	86	1,016
Corporate Bonds	7	105	126	26	264
Bond Mutual Funds	6,112	196	90	42	6,440
Total	$ 10,133	$ 6,683	$ 2,747	$ 1,166	$ 20,729

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

	Maturity in Years at Fair Value				
Investment Type	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**
U S Government Guaranteed Securities	$ 564	$ 539,868	$ 440,290	$ 56,235	$ 1,036,957
U S Agency Securities	53,112	218,627	231,235	71,303	574,277
Mortgage Backed Securities	198	4,618	23,071	438,740	466,627
Commercial Paper	580,415	-	-	-	580,415
Corporate Bonds	141,600	646,104	836,390	360,746	1,984,840
Private Placements	137,870	234,455	145,356	1,880,498	2,398,179
Bond Mutual Funds	222,224	-	-	-	222,224
Total	$ 1,135,983	$ 1,643,672	$ 1,676,342	$ 2,807,522	$ 7,263,519

Other Fiduciary Funds
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value
U S Treasury Strips	$ 243	$ 78	$ -	$ -	$ 321
U S Government Guaranteed Securities	13,986	296,824	217,649	27,944	556,403
U S Agency Securities	31,240	72,174	92,633	23,837	219,884
State and Local Government Securities	1,400	1,935	2,225	3,032	8,592
Mortgage Backed Securities	820	10,451	14,233	192,184	217,688
Commercial Paper	310,556	-	-	-	310,556
Corporate Bonds	35,424	216,292	252,048	92,331	596,095
Private Placements	2,421	17,856	10,078	18,991	49,346
Repurchase Agreements	3,669	-	-	-	3,669
International Bonds	-	1,942	30	218	2,190
Bond Mutual Funds	103,591	28,213	161,869	-	293,673
Total	$ 503,350	$ 645,765	$ 750,765	$ 358,537	$ 2,258,417

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

Investment Type	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value
U S Treasury Strips	$ 8,866	$ 2,041	$ 6,436	$ -	$ 17,343
Other U S Government Guaranteed Securities	87,544	92,614	94,990	1,987	277,135
U S Agency Securities	98,270	281,922	167,871	66,292	614,355
State and Local Government Securities	-	1,044	-	777	1,821
Mortgage Backed Securities	2,728	10,011	28,693	612,175	653,607
Commercial Paper	214,723	-	-	-	214,723
Corporate Bonds	4,155	13,589	9,228	3,117	30,089
Private Placements	303	-	990	-	1,293
Repurchase Agreements	86,455	-	8,458	-	94,913
Guaranteed Investment Contracts	34,656	-	-	-	34,656
Bond Mutual Funds	155,583	23,712	20,979	276,896	477,170
Total	$ 693,283	$ 424,933	$ 337,645	$ 961,244	$ 2,417,105

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

University of Alabama System Pool
(Amounts in Thousands)

Investment Type	Fair Value	Effective Duration
Endowment Fund:		
U S Government Guaranteed Securities	$ 33,787	3.4
Mortgage Backed Securities	911	2.3
Collateralized Mortgage Obligations	1,526	2.2
Corporate Bonds	31,889	6.4
Commingled Bond Funds	125,899	5.8
Prime Fund:		
U S Government Guaranteed Securities	19,534	3.3
Mortgage Backed Securities	566	2.2
Collateralized Mortgage Obligations	1,901	1.6
Corporate Bonds	21,568	6.0
Commingled Bond Funds	132,011	5.2
Intermediate Fund:		
U S Government Guaranteed Securities	192,237	3.0
Mortgage Backed Securities	19,764	2.9
Collateralized Mortgage Obligations	30,979	1.6
Corporate Bonds	265,878	2.0
Bond Mutual Funds	108,160	2.4
Total	$ 986,610	

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 exposure to emerging market securities shall be limited to 20% of the market value of the international portfolio. Not more than 5% of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than 7% in any one corporation at market. Not more than 5% of the outstanding shares of any one company may be held by the portfolio.

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

The State's exposure to foreign currency risk at September 30, 2010 was as follows:

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

	Governmental-Type Activities			Business-Type Activities	RSA (Fiduciary Component Units)	Other Fiduciary Funds	
	Cash	International Equities	International Bond	International Equities	International Equities	International Equities	International Bonds
Australian Dollar	$ 39	$ 6,322	$ -	$ -	$ 281,159	$ 10,118	$ -
Bermudian Dollar	-	2,457	-	-	-	-	-
Brazilian Real	-	3,702	-	-	-	-	-
British Pound Sterling	150	52,287	160	21	679,082	26,936	-
Canadian Dollar	16	8,161	-	-	-	2,058	-
Cayman Dollar	-	564	-	-	-	-	-
Chinese Yuan	-	4,991	-	-	-	629	-
Danish Krone	10	5,484	-	-	32,879	1,744	-
Emerging Markets	-	155	-	-	294,098	-	-
Euro	83	55,955	-	-	1,055,062	39,580	-
Hong Kong Dollar	9	7,427	-	-	92,408	2,863	-
Hungarian Forint	9	-	-	-	-	-	-
Indonesian Rupiah	-	199	-	-	-	-	-
Israeli New Shekel	148	594	-	9	24,396	1,120	-
Japanese Yen	12	31,614	-	18	709,672	26,722	-
Mexican Peso	-	940	-	-	-	-	-
Neth Antilles Guilder	-	18	-	-	-	-	-
New Turkish Lira	8	1,260	-	-	-	-	-
New Zealand Dollar	-	129	-	-	2,449	75	-
Norwegian Krone	16	570	-	-	28,535	1,727	-
Russian Rouble	-	-	-	-	-	-	2,190
Singapore Dollar	19	1,849	-	-	53,985	2,256	-
South African Rand	149	1,026	-	-	-	-	-
South Korean Won	-	2,101	-	-	-	-	-
Swedish Krona	32	3,873	-	-	106,248	4,516	-
Swiss Franc	191	6,430	-	-	263,227	10,606	-
Taiwan New Dollar	-	6	-	-	-	-	-
Thai Baht	4	-	-	-	-	-	-
Currency Index Funds	-	-	-	100	-	12,157	-
Totals	$ 895	$ 198,114	$ 160	$ 148	$ 3,623,200	$ 143,107	$ 2,190

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

Retirement Systems of Alabama (RSA) – The RSA's custodial credit risk policy requires the custodial agent to hold or direct its agents or 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-Type Activities	Fiduciary Funds Other Than RSA	Discretely Presented Component Units
U S Treasury Strips	$ -	$ 321	$ -
Other U S Government Guaranteed Securities	1,153	25,486	203
U S Agency Securities	50,212	480	-
State and Local Government Securities	-	8,390	-
Mortgage Backed Securities	6,862	6,120	-
Corporate Bonds	1,773	-	1,835
Bond Mutual Funds	-	-	25,461
Repurchase Agreements	80,298	3,669	85,867
Other Mutual Funds	-	-	1,768
	$ 140,298	$ 44,466	$ 115,134

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 1% of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than 15% is invested in one industry, and no more than 5% of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2010, there were no investments that exceeded the 5% 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 range for real estate may not exceed 15% of the book value of each System's portfolio. As of September 30, 2010, the Teachers' Retirement System (TRS) and Employees' Retirement System (ERS) owned debt and equity securities of Raycom Media Corporation which represented approximately 6.15% and 6.86%, respectively, of the TRS and the ERS investments and Goldman Sachs which represented approximately 6.63% of the TRS investments and 6.06% of the ERS 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 (State Street), administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and some other funds of the State. Certain securities are loaned to borrowers approved by the RSA. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of 102% or 105% of the fair value of the

loaned securities, or such other value, but not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral for TRS, ERS, and JRF is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2010, the average term of the loans secured by QDF was 8, 8, and 9 days, respectively for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's guidelines. The QDF's average effective duration is restricted to 90 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be 2.5 years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 18 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

Cash collateral administered by State Street for ATF is invested in the State Street Global Securities Lending Trust (SSGSLT). As of September 30, 2010, the average term of the loans secured by SSGSLT was 10 days. Cash collateral investments in the SSGSLT 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 SSGSLT's investment policy guidelines. The investment manager shall maintain the dollar-weighted average maturity of SSGSLT in a manner that the investment manager believes is appropriate to the objective of maintaining a stable net asset value per share; provided that (i) in no event shall any security be acquired with a remaining maturity of greater than 397 calendar days and (ii) the dollar-weighted average maturity of SSGSLT shall in no event exceed 90 days. SSGSLT will endeavor to maintain sufficient liquidity to support collateral return obligations under securities loan transactions.

The Bank of New York Mellon (BNYM) administers a portion of the securities lending program for the ATF. Certain securities from ATF are loaned to borrowers approved by the ATF Board of Trustees. Approved borrowers of securities provide acceptable cash collateral in the form of Federal funds or New York Clearing House funds as applicable for a particular loan. All security loans are open loans and can be terminated on demand by the ATF, BNYM, or the borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102% 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% of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BNYM shall, in accordance with BNYM's reasonable and customary practices, mark loaned securities to their fair value each business day based upon the fair value of the loaned securities as of the close of the preceding business day, employing the most recently available pricing information, and receive and deliver collateral in order to maintain the value of cash collateral at no less than the collateral requirement. The ATF cannot pledge or sell collateral securities received unless the borrower defaults. As of September 30, 2010, the average term of the loans was 52 days. Cash collateral investments are matured as needed to fulfill loan obligations. All approved investments shall be for the account and risk of ATF. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, ATF agrees to pay BNYM on demand cash in an amount equal to such deficiency.

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

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

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, BNYM, 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 BNYM has provided loss indemnification to the PACT Program in the event that the borrower does not return the market value of the securities loaned. The PACT program exited this program in June 2010.

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

Type of Investment Lent	Governmental-Type Activities	Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral					
Domestic Fixed Maturities	207,137	1,204	1,296,080	287,239	23,327
Domestic Equity	44,686	-	1,265,709	74,609	-
International Equity	4,872	-	199,331	8,749	-
Total Lent for Cash Collateral	$ 256,695	$ 1,204	$ 2,761,120	$ 370,597	$ 23,327
For Non-cash Collateral					
Domestic Fixed Maturities	120,564	951	590,055	172,465	17,813
Domestic Equity	8,965	-	231,007	12,068	-
International Equity	-	-	423,902	15,506	-
Total Lent for Non-Cash Collateral	$ 129,529	$ 951	$ 1,244,964	$ 200,039	$ 17,813
Total Securities Lent	$ 386,224	$ 2,155	$ 4,006,084	$ 570,636	$ 41,140
Type of Collateral Received					
Cash Collateral					
Cash Collateral - Invested in					
State Street Quality D Fund	-	-	2,827,602	258,573	-
State Street Global Securities Lending Trust	178,679	1,228	-	120,253	23,795
BNYM Investments	85,086	-	-	-	-
Total Cash Collateral	$ 263,765	$ 1,228	$ 2,827,602	$ 378,826	$ 23,795
Non-Cash Collateral					
For Lent Domestic Fixed Maturities					
Securities Collateral - US Dollars	123,276	972	607,930	177,084	21,265
For Lent Domestic Equity Securities					
Securities Collateral - US Dollars	-	-	240,006	12,496	-
For Lent International Equity Securities					
Securities Collateral					
US Dollar	9,413	-	449,101	16,368	-
Total Non-Cash Collateral	$ 132,689	$ 972	$ 1,297,037	$ 205,948	$ 21,265
Total Collateral Received	$ 396,454	$ 2,200	$ 4,124,639	$ 584,774	$ 45,060

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 Alabama Trust Fund (ATF) invests in TBA (to be announced) purchase commitments, pursuant to which it agrees to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in 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, 2010, the ATF had investments in TBA mortgage-backed securities in the amounts of $58,530,000. Included in investment purchases payable on the Statement of

Net Assets is a liability related to the cost of acquiring these securities. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF would be obligated for those amounts should the securities be delivered.

F. Capital Assets

Historical costs for infrastructure assets are included in this report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2010, the capital assets for the Primary Government and the Component Units are presented in the following tables:

GOVERNMENTAL-TYPE ACTIVITIES
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 242,590	$ 39,256	$ 135	$ 281,711
Historical Exhibits	2,658	-	-	2,658
Construction in progress	122,347	83,007	60,316	145,038
Construction in progress - Infrastructure	4,916,622	313,915	186,589	5,043,948
Infrastructure	12,354,313	186,589	-	12,540,902
Total capital assets not being depreciated	**17,638,530**	**622,767**	**247,040**	**18,014,257**
Capital assets being depreciated:				
Buildings	1,257,465	11,604	1,753	1,267,316
Equipment	605,332	61,389	38,862	627,859
Software and Other Intangible Assets	2,658	5,815	1,127	7,346
Total capital assets being depreciated	**1,865,455**	**78,808**	**41,742**	**1,902,521**
Less accumulated depreciation:				
Buildings	550,105	29,885	1,092	578,898
Equipment	353,708	50,315	26,989	377,034
Software and Other Intangible Assets	1,881	1,133	1,127	1,887
Total accumulated depreciation	**905,694**	**81,333**	**29,208**	**957,819**
Total capital assets being depreciated, net	**959,761**	**(2,525)**	**12,534**	**944,702**
Governmental-type activities capital assets, net	**$ 18,598,291**	**$ 620,242**	**$ 259,574**	**$ 18,958,959**

Depreciation Expense for the current year is charged as follows:

Economic Development and Regulation	2,647
Social Services	5,708
Education and Cultural Resources	3,294
Natural Resources and Recreation	7,066
Health	8,501
General Government	8,467
Protection of Persons & Property	21,849
Transportation	23,801
Total Depreciation Expense	**$ 81,333**

BUSINESS-TYPE ACTIVITIES:
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 82,621	$ 2,665	$ 2,596	$ 82,690
Historical Exhibits	2,350	-	-	2,350
Construction in progress	224,977	39,482	150,202	114,257
Inexhaustible Intangible Assets	10	-	-	10
Total capital assets not being depreciated	**309,958**	**42,147**	**152,798**	**199,307**
Capital assets being depreciated:				
Buildings	1,397,718	161,643	4,618	1,554,743
Equipment	485,879	48,947	1,380	533,446
Software and Other Intangible Assets	3,248	-	-	3,248
Total capital assets being depreciated	**1,886,845**	**210,590**	**5,998**	**2,091,437**
Less accumulated depreciation				
Buildings	470,710	42,167	3,831	509,046
Equipment	253,699	22,693	1,174	275,218
Software and Other Intangible Assets	2,383	81	-	2,464
Total accumulated depreciation	**726,792**	**64,941**	**5,005**	**786,728**
Total capital assets being depreciated, net	**1,160,053**	**145,649**	**993**	**1,304,709**
Business-type activities capital assets, net	**$ 1,470,011**	**$ 187,796**	**$ 153,791**	**$ 1,504,016**

Depreciation Expense for the current year is charged as follows:

State Port Authority	27,441
Alabama College System	33,950
Alcoholic Beverage Control Board	3,287
Other Nonmajor Enterprise Funds	263
Total Depreciation Expense	**$ 64,941**

COMPONENT UNITS
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 198,345	$ 9,994	$ 1,609	$ 206,730
Historical Exhibits	92,844	10,842	104	103,582
Construction in progress	516,094	444,971	512,617	448,448
Total capital assets not being depreciated	**807,283**	**465,807**	**514,330**	**758,760**
Capital assets being depreciated:				
Buildings	5,943,900	596,139	73,601	6,466,438
Equipment	1,853,441	115,905	43,479	1,925,867
Software and Other Intangibles	21,986	1,306	-	23,292
Total capital assets being depreciated	**7,819,327**	**713,350**	**117,080**	**8,415,597**
Less accumulated depreciation				
Buildings	2,183,209	166,124	45,215	2,304,118
Equipment	1,310,385	130,557	34,853	1,406,089
Software and Other Intangible Assets	6,363	2,330	-	8,693
Total accumulated depreciation	**3,499,957**	**299,011**	**80,068**	**3,718,900**
Total capital assets being depreciated, net	**4,319,370**	**414,339**	**37,012**	**4,696,697**
Component Units capital assets, net	**$ 5,126,653**	**$ 880,146**	**$ 551,342**	**$ 5,455,457**

Depreciation Expense for the current year is charged as follows:

Alabama Public School and College Authority	369
Mental Health	1,374
Water Pollution Control Authority	21
University of Alabama	178,889
Auburn University	49,472
University of South Alabama	29,329
State Employee Insurance Board	181
Other Nonmajor Component Units	39,376
Total Depreciation Expense	**$ 299,011**

G. Derivatives

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. The counterparty exercised its option on July 18, 2006 and 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 Authority may be exposed to various risks such as credit risk and interest rate risk through the interest rate swap. As the interest rate swap is a liability at September 30, 2010 and 2009, the impact of credit risk is minimized. The swap agreement is based on an original notional amount of $60,125,000, valued at $59,950,000 at September 30, 2010, and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority issued variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. As of September 30, 2010, the interest rate swap had a negative fair value of approximately $16,069,000 and is recorded in the accompanying financial statements in accordance with GASB Statement No. 53 as an investment derivative instrument. The interest rate 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 - In January 2008, the University of South Alabama entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling $9,328,000, which was recorded as a liability, in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively. The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University. If the counterparty exercises its options in 2016 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently $41,125,000 and $100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University's advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds. If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaptions would be canceled and the University would have no further obligation under this agreement. A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaptions represents the fair value resulting from the fact that the fixed rate stated in the swaptions is greater that the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The values of the derivative and borrowings at the date of execution of this transaction are embedded derivatives $918,000 for 2004 bonds and $3,343,000 for 2006 bonds and borrowings of $1,070,000 for 2004 bonds and $3,997,000 for 2006 bonds. The values of the borrowings are included in long-tem debt on the University's 2010 and 2009 statements of net assets. Interest is being accreted on, and added to, the borrowing through the expiration date of the option. The fair values of the embedded investment derivatives are reported as noncurrent liabilities. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in net assets. At September 30, 2010, the fair values of the derivatives are approximately $(13,327,000) and are included in other long-term liabilities in the accompanying statements of net assets. For the year ended September 30, 2010, the changes in the fair value of the derivatives were $(3,344,000).

Fair Value. At September 30, 2010, the embedded derivatives had fair values of $(13,327,000). The fair values of the embedded derivatives were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the instruments, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

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, 2009, the swap counterparty was rated Aa2 by Moody's Investors Services and AA by Standard and Poors Rating Services.

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, 2010, no events of termination have occurred.

Alabama Public School and College Authority (Authority) - The Authority and JPMorgan Chase Bank (JPMorgan) entered into a Master Agreement dated March 13, 2002 (the "Swap Option Agreement"), with respect to the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds, and Series 1999-D Bonds (collectively, the "Swap Bonds"). The Swap Option Agreement was subsequently amended on January 16, 2003. Under the terms of the Swap Option Agreement, the Authority received certain lump sum payments in the amount of $12,587,000 from JPMorgan in return for an option to enter into fixed payer interest rate swaps with respect to each of the Swap Bonds in the notional amounts of $283,715,000 with respect to the Series 1998 Bonds, $18,675,000 with respect to the Series 1999-A Bonds, $254,125,000 with respect to the Series 1999-C Bonds and $153,700,000 with respect to the Series 1999-D Bonds. Such option is exercisable by JPMorgan upon 150 days prior written notice on November 1 in the years 2008 through 2011 for the Series 1998 Bonds, September 1 in the years 2009 and 2010 for the Series 1999-A Bonds, July 1 in the years 2009 through 2011 for the Series 1999-C Bonds, and on August 1 in the years 2009 through 2011 for the Series 1999-D Bonds. JPMorgan notified the Authority of its intention to exercise its option with respect to the Series 1998 Bonds, effective November 1, 2008, the effect of which under the Swap Option Agreement would have been to require the Authority to issue variable rate bonds for the purpose of refunding the Series 1998 Bonds. The Swap Option Agreement is currently in litigation and no payments have been made and accepted. (See Litigation Note) By letter dated May 14, 2009, JPMorgan notified the Authority that it was seeking $122,008,804 in termination payments allegedly due under the Swap Option Agreement. As of September 30, 2010, the Swap Option Agreement had a value of approximately $(32,412,152). The valuations were calculated mathematical approximations of market values derived from proprietary models as of September 30, 2010. The valuations were calculated on a mid-market basis and do not include bid/offer spread that would be reflected in an actual price quotation. The fair value is reported in other noncurrent liabilities on the Statement of Net Assets. The change in the fair market values of the derivative of $43,147,714 gain is reported on the Statement of Activities as investment earnings.

The Retirement Systems of Alabama (RSA) - The RSA enters into call and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivatives are based on market prices. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C..

The following table presents the investment derivative instruments outstanding as of September 30, 2010 (in thousands), as reported in the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets:

Investment Derivative Instruments

	Changes in Fair Value		Fair Value		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
TRS					
Domestic Options Written	Investment Income	$ 160	Domestic Equity	$ (50)	$ 9,228
International Options Written	Investment Income	207	International Equity	(228)	85,157
Total Options Written		$ 367	Totals	$ (278)	$ 94,385
ERS					
Domestic Options Written	Investment Income	$ 86	Domestic Equity	$ (27)	$ 4,973
International Options Written	Investment Income	99	International Equity	(109)	40,672
Total Options Written		$ 185	Totals	$ (136)	$ 45,645
JRF					
International Options Written	Investment Income	3	International Equity	(3)	1,271
Total Options Written		$ 3	Totals	$ (3)	$ 1,271

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

GASB Statement No. 53 requires that the fair value of the financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either an investment derivative or a hedge derivative. All of the ATF's derivative exposures as of September 30, 2010, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 are not applicable.

All derivative instruments are presented in the financial statements and are reported at fair value. ATF's custodian Bank of New York Mellon (BNYM) uses market prices when available. BNYM used two vendors to value derivatives when market values are not available. The two vendors used by BNYM are *Markit,* and *SuperDerivatives.* Both vendors consider their valuation process to be proprietary and not available for disclosure. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C..

The following table presents the derivatives instruments outstanding as of September 30, 2010 for ATF:

Investment Derivative Instruments

	Changes in Fair Value		Fair Value as of September 30, 2010	
	Classification	**Amount**	**Amount**	**Notional**
Credit Default Swaps	Investment Income	$ 2,025	$ 55,105	$ (6,714,991)
Interest Rate Swaps	Investment Income	(2,190,524)	(2,186,906)	(23,507,000)
Total Swaps		$ (2,188,499)	$ (2,131,801)	$ (30,221,991)
Futures	Investment Income	78,335	56,427	3,921,562
Total Futures		$ 78,335	$ 56,427	$ 3,921,562
Forwards	Investment Income	(611,748)	(611,748)	(20,848,039)
Total Forwards		$ (611,748)	$ (611,748)	$ (20,848,039)

GASB Statement No. 53 requires the disclosure of the maximum amount of loss due to credit risk, based on the fair value of the instrument at the end of the fiscal year. The maximum amount of loss associated with all derivatives held by the ATF is $987,533.32. GASB Statement No. 53 also requires additional interest rate risk disclosures for investment derivatives that are highly sensitive to interest rate fluctuations. Presented below are all applicable derivative instruments.

Type	Fair Value	Notional Amount	Maturity Date	Reference Rate
Interest Rate Swap	$ (214,936)	$ (3,140,000)	9/16/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(227,942)	(3,330,000)	9/17/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(211,514)	(3,090,000)	9/18/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(229,584)	(2,400,000)	3/17/2020	Pay 3.6% Receive LIBOR 3 Month rate
Interest Rate Swap	(256,831)	(2,142,000)	2/15/2025	Zero Coupon US 3 Month rate
Interest Rate Swap	(99,646)	(830,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(101,021)	(810,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(248,843)	(2,030,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(132,678)	(1,060,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(334,973)	(2,790,000)	11/15/2027	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(128,938)	(1,885,000)	7/26/2040	Pay 3.69% Receive LIBOR 3 Month rate
Totals	$ (2,186,906)	$ (23,507,000)		

NOTE 4 - LIABILITIES

A. Commitments

1. Construction Projects

a. Primary Government
At September 30, 2010, the Department of Transportation had construction and maintenance contracts of $2,997,478,000. The amount already performed was $2,645,030,000, leaving an outstanding balance of $352,448,000. The funding sources for this amount are 83 percent Federal funds and 17 percent state and local funds.

The Public Health Care Authority had total contracts for construction and repair of county health department buildings of $1,805,000 at September 30, 2010.

The State Port Authority has contracts for several projects with estimated costs to complete of approximately $52 million.

b. Component Units
The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2010 of approximately $68,621,000, 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 $703,000,000. At September 30, 2010, the estimated remaining cost to complete the projects was approximately $317,000,000 payable from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2010. The estimated remaining costs to complete the facilities was approximately $68,400,000 million which is expected to be financed from private gifts, grants, bond proceeds and University funds.

At September 30, 2010, Jacksonville State University had commitments on construction projects of $1,549,000.

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 $308,343,000 as of September 30, 2010. It is expected that in fiscal year 2011, $23,752,000 of commitments will be paid from appropriations, $17,291,000 from prior year carry forward dollars, and $126,917,000 will be paid from existing general obligation bond proceeds. The remaining $140,383,000 is expected to be paid in fiscal year 2012 or later from appropriations.

b. Component Units
The Alabama Incentives Finance Authority, a component unit, has committed to economic development grants of $110,000 for fiscal year 2011 and $17,028,000 from fiscal year 2012 and beyond. The Alabama Public School and College Authority, a component unit, has committed $4,125,000 from fiscal year 2011. The Twenty-first Century Authority, a component unit, has committed to economic development grants of $3,046,000 for fiscal year 2011.

c. State Entity
The State as a whole has an additional $161,060,000 in economic development grant commitments to meet for which the funding source has not yet been decided, therefore they are not included above as either primary government or component unit. All of these grant commitments will be paid in 2012 or beyond.

4. Other Commitments
The Alabama Housing Finance Authority, a component unit, has designated $69,640,000 of its unrestricted net assets for fiscal year September 30, 2010 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 paid each University the final payment of $1,000,000 this year, so the total amount outstanding is $0. The Education Trust Fund was used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay BellSouth $4,767,000 for the next year in the form of actual payments and tax credits. The amount outstanding is $4,767,000. The General Fund is being used to liquidate this debt.

C. Conduit Debt

Troy University, a component unit, issued Special Limited Obligation Revenue Bonds Series 1997 to provide athletic facility improvements for Sartain Hall and Memorial Stadium. The total amount of outstanding conduit debt as of September 30, 2010 is $4,110,000. The bonds are limited obligations of the City of Troy and are payable entirely from the amounts received under the indenture. The bonds do not constitute a debt or pledge of faith and credit of the University or the State of Alabama, and it is not reflected in the accompanying financial statements.

Revenue bonds were issued by Alabama Housing Financing Authority, a component unit, which constituted conduit debt outstanding at year-end totaling $201,060,000 to provide multifamily housing for the citizens of Alabama. The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds. Multifamily mortgage loans are collateralized by varying methods, including first-liens on multifamily residential rental properties located within the State of Alabama, letters of credit, surety bonds and guarantees provided by third parties. These bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State of Alabama, and accordingly, have not been reported in the accompanying financial statements.

D. 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 also enters into lease purchase agreements which are reported in accordance with generally accepted accounting principles as capital lease debt or notes payable.

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

2. General Obligation Bonds – Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing major capital projects for: state waterways, State Port Authority's facilities, prisons, roads, bridges, mental hospitals, Mobile harbor, state parks, youth services facilities, state buildings, the State Coliseum, conservation and preservation projects, educational television, forensic sciences laboratories, agricultural development, diagnostic and research laboratories, and historical projects. General obligation bonds also finance grant programs for public school and college buildings, as well as economic development grants to industry and local government. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2011	$ 25,390,000	$ 34,161,088	$ 59,551,088
2012	32,145,000	32,689,609	64,834,609
2013	41,790,000	31,397,122	73,187,122
2014	43,075,000	29,571,514	72,646,514
2015	44,705,000	27,567,001	72,272,001
2016-2020	252,890,000	105,079,360	357,969,360
2021-2025	205,650,000	47,930,269	253,580,269
2026-2030	80,620,000	11,358,575	91,978,575
2031-2035	14,985,000	1,132,000	16,117,000
Total	741,250,000	**$ 320,886,538**	**$ 1,062,136,538**
Unamort Prem	34,643,057		
Unamort Loss	(6,562,781)		
	$ 769,330,276		

GENERAL OBLIGATION BONDS PAYABLE

General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Series 2001				
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	4,025,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	64,840,000
Series 2002				
Series A - Economic Development	09/01/02	09/01/22	3.0% to 5.0%	37,880,000
Series 2005				
Series A - Universities and Economic Development	02/01/05	08/01/25	3.0% to 5.0%	84,675,000
Series 2006 - Economic Develop. & Industry Recruitment	02/01/06	02/01/26	3.5% to 5.0%	54,370,000
Series 2007 - Economic Develop. & Industry Recruitment	08/01/07	08/01/27	3.5% to 5.0%	273,430,000
Series 2010				
Series A - Refunding Bonds	03/23/10	06/01/21	3.0% to 5.0%	37,765,000
Series B - Refunding Bonds	03/23/10	06/01/21	3.0% to 4.0%	12,180,000
Series C - Refunding Bonds	05/11/10	06/01/21	3.3% to 5.0%	62,085,000
Series D - Economic Development	05/11/10	06/01/32	3.0% to 5.0%	110,000,000
Sub-total General Obligation Bonds				741,250,000
‡ Plus: Unamortized Premiums				34,643,057
†† Less: Unamortized Loss				(6,562,781)
Total General Obligation Bonds				**$ 769,330,276**

‡ Unamortized premiums were $546,141 for Series 2001-E, $618,004 for Series 2002-A, $3,931,230 for Series 2005-A, $868,352 for Series 2006, $7,932,795 for Series 2007-A, $3,771,805 for Series 2010-A, $648,915 for Series 2010-B, $6,419,620 for Series 2010-C and $9,906,195 for Series 2010-D.

†† Unamortized accounting losses were $1,004,488 for Series 2010-A, $294,463 for Series 2010-B, and $5,263,832 for Series 2010-C. Series 2010-C.

3. Revenue Bonds

a. Primary Government – Governmental Activities

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

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

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

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

The Alabama Public Health Care Authority issues bonds for the purpose of funding the acquisition, construction, and equipping of buildings located in each county for the use of the Department of Public Health. Transfers received from the Department of

Public Health, along with income from investing idle funds, and a Municipal Bond Insurance Policy are used for the payment of principal and interest on the bonds.

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

PRIMARY GOVERNMENT **Governmental Activities** **Revenue Bonds**	**Date Issued**	**Final Maturity Date**	**Interest Rates**	**Bonds Payable Sept. 30, 2010**
Alabama Corrections Institution Finance Authority				
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	$ 5,470,000
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%	16,715,000
Alabama Building Renovation Finance Authority				
Series 2006	08/01/06	09/01/31	4.00% to 5.00%	28,380,000
Series 2010	07/21/10	09/01/24	2.50% to 4.00%	26,990,000
Alabama Judicial Building Authority				
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%	27,405,000
Alabama Public Health Care Authority				
Series 2005	09/28/05	09/01/35	4.00% to 4.50%	52,410,000
Alabama Federal Aid Highway Finance Authority				
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%	110,360,000
Sub-total Revenue Bonds Payable				271,730,000
‡ Less: Unamortized Discounts				(421,592)
§ Plus: Unamortized Premiums				5,943,968
†† Less: Unamortized Loss				(2,969,214)
Net Primary Government Revenue Bonds Payable, Governmental Activities				**$ 274,283,162**

‡ Unamortized Discount $421,592 for Public Health Care Authority.

§ Unamortized premium is $1,416,436 for Federal Aid Highway Finance Authority, $946,527 for Montgomery Downtown Redevelopment Authority, $199,347 for Alabama Corrections Institution Finance Authority, $2,473,810 for Building Renovation Finance Authority and $907,848 for Judicial Building Authority.

†† Unamortized accounting losses were $1,213,388 for the Alabama Building Renovation Finance Authority, $557,977 for Montgomery Downtown Redevelopment Authority, $75,312 for Alabama Corrections Institution Finance Authority $792,837 for Public Health Care Authority, and $329,700 for Judicial Building Authority.

b. Primary Government – Business-Type Activities

The Alabama State Port Authority issued bonds for the construction and maintenance of a wharf, warehouse, open storage area, and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of the Authority derived from charges made by the Authority for all services provided. At September 30, 2010, the outstanding principal balance of the 2008-A bonds was $60,815,000. 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 9/30/10 was 1.17%. At September 30, 2010, the outstanding principal balance of the 2008-B bond anticipation note was $50,000,000. The Series 2008-B bonds will bear interest at a rate of 50 basis points plus LIBOR. The rate at 9/30/10 was 2.56%. At September 30, 2010, the outstanding principal balance of the 2009-A bond anticipation note was $29,298,000. The rate at 9/30/10 was 2.26%. The Authority issued Series 2010 Docks Facilities Revenue Bonds during

December 2010. The Series 2010 debt has refunded the 2008-B and 2009-A debt with long-term debt, and as such, the 2008-B and 2009-A debt is shown as long-term as of September 30, 2010.

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.

PRIMARY GOVERNMENT **Business-Type Activities** **Revenue Bonds, Proprietary Funds**	**Date Issued**	**Final Maturity Date**	**Interest Rates**	**Bonds Payable Sept. 30, 2010**
State Port Authority				
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	$ 147,610,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	59,485,000
Series 2006-D	12/07/06	10/01/30	Variable	21,600,000
Series 2008-A	04/01/08	10/01/21	Variable	60,815,000
Series 2008-B	07/09/08	12/10/10	Variable	50,000,000
Series 2009-A	11/03/09	12/01/10	Variable	29,298,000
Alabama College System	Various	Various	1.60% to 7.65%	274,255,000
Sub-total Revenue Bonds Payable, Proprietary Funds				643,063,000
§ Less: Unamortized Premium				4,235,839
†† Less: Unamortized Loss				(9,189,613)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				**$ 638,109,226**

§ Unamortized premium $4,235,839 for Alabama State Port Authority.

†† Unamortized accounting losses were $9,189,613 for Alabama State Port Authority.

Revenue Bonds
Debt Service Requirements to Maturity

	Governmental Activities		**Business-type Activities**	
Maturity	**Principal**	**Interest**	**Principal**	**Interest**
2011	$ 27,040,000	$ 12,336,563	$ 23,000,000	$ 28,282,589
2012	28,265,000	11,036,060	24,065,000	27,566,180
2013	29,535,000	9,689,020	24,270,000	26,672,759
2014	24,715,000	8,230,631	28,200,000	26,945,749
2015	25,850,000	6,990,566	28,560,000	25,235,432
2016-2020	71,295,000	20,160,133	128,995,000	107,152,101
2021-2025	26,350,000	11,979,438	128,625,000	80,072,106
2026-2030	21,230,000	6,875,775	87,470,000	55,709,824
2031-2035	17,450,000	2,235,600	81,945,000	34,236,497
2036-2040	0	0	87,933,000	14,480,802
Total	271,730,000	**$ 89,533,786**	643,063,000	**$ 426,354,039**
Unamort Prem	5,943,968		4,235,839	
Unamort Loss	(2,969,214)		(9,189,613)	
Unamort Disc	(421,592)		0	
	$ 274,283,162		**$ 638,109,226**	

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 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.

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, 2010, the outstanding principal balance of the 2009-A bonds was $4,400,000. The interest rate is variable and equal to 70% of LIBOR plus 3%, but at no time less than 4.3%. The interest rate was 4.3% as of September 30, 2010.

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, 2010, the rate for the 2006-A1 was 0.106% and the rate for the 2006-A2 was 0.455%.

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 Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Alabama Incentives Finance Authority				
Series 2009-A	09/17/09	09/01/29	3.00% to 4.00%	$ 23,605,000
Series 2009-B	09/17/09	09/01/29	1.93% to 4.97%	98,945,000
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	17,800,000
Alabama Public School and College Authority				
Series 2001-A	05/15/01	02/01/21	4.50% to 5.63%	34,095,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	75,285,000
Series 2002-B	12/01/02	12/01/28	4.00% to 5.00%	26,800,000
Series 2003	12/01/03	02/01/23	2.00% to 5.00%	97,110,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	69,690,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	46,360,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	1,003,595,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	45,980,000
Series 2009-A	10/21/09	05/01/24	5.00% to 5.00%	422,605,000
Series 2009-B	10/21/09	05/01/19	3.00% to 5.00%	159,040,000
Series 2009-C	10/21/09	05/01/29	3.00% to 4.00%	35,705,000
Series 2009-D	12/03/09	12/15/25	5.76% to 5.76%	145,880,000
Series 2010-A	04/14/10	05/01/19	4.00% to 5.00%	109,775,000
Series 2010-B	04/14/10	05/01/14	5.00% to 5.00%	70,980,000
Series 2010-Q	09/14/10	03/01/27	5.15% to 5.15%	154,727,000
State Industrial Development Authority				
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	650,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	7,010,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	33,780,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	80,985,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	8,330,000
Sub-Total Revenue Bonds, Component Units				$ 2,768,732,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Sub-Total from previous page				**$ 2,768,732,000**
Alabama Housing Finance Authority				
Single family Bond Programs	1999-2010	2015-2039	Various	514,357,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	9,900,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	43,370,000
Revolving Fund Loan Bonds, Series 2002-A	01/15/02	08/15/24	3.00% to 5.10%	24,155,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	23,105,000
Revolving Fund Loan Bonds, Series 2003-A	01/01/03	08/15/26	3.00% to 5.00%	30,680,000
Revolving Fund Loan Bonds, Series 2003-B	01/01/03	02/15/16	3.00% to 4.38%	28,780,000
Revolving Fund Loan Bonds, Series 2003-C	08/01/03	08/15/15	2.50% to 4.25%	5,385,000
Revolving Fund Loan Bonds, Series 2004-A	04/01/04	08/15/16	2.00% to 4.00%	18,330,000
Revolving Fund Loan Bonds, Series 2008	02/01/08	08/15/29	3.00% to 4.00%	38,715,000
Revolving Fund Loan Bonds, Series 2010-A	06/21/10	08/15/23	3.00% to 4.00%	36,440,000
Revolving Fund Loan Bonds, Series 2010-B	08/02/10	08/15/21	2.00% to 3.00%	64,750,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	21,080,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	5,550,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	3,750,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	18,300,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	25,765,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	33,705,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,625,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	41,490,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	10,500,000
Series 2009-A	09/25/10	09/01/29	4.33% to 4.33%	4,400,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006-A1	11/27/06	03/01/33	Variable	18,775,000
Student Loan Revenue Bonds, Series 2006-A2	11/27/06	11/01/41	Variable	56,325,000
Sub-total Revenue Bonds Payable, Component Units				$ 3,870,964,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Sub-Total from previous page				$ 3,870,964,000
Higher Education				
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	543,185,000
University of Alabama - Birmingham	1993	2041	2.50% to 5.75%	715,020,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	86,226,000
Alabama A&M University	1980	2033	3.00% to 5.38%	60,040,000
Alabama State University	1965	2038	1.90% to 8.50%	165,957,000
Auburn University	1978	2038	1.40% to 6.00%	544,988,772
Jacksonville State University	1993	2023	2.25% to 5.00%	82,265,000
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	2,155,000
University of Montevallo	1985	2030	3.00% to 4.60%	19,399,000
University of North Alabama	1999	2035	1.35% to 5.40%	21,145,000
University of South Alabama	1999	2038	2.00% to 5.25%	330,574,000
Troy University	1998	2028	2.75% to 6.50%	102,880,000
Total Revenue Bonds Payable				6,544,798,772
Less: Unamortized Discounts				(11,787,041) †
Less: Unamortized Loss				(56,077,685) ‡
Plus: Unamortized Premium				144,139,990 §
Net Revenue Bonds Payable, Component Units				**$ 6,621,074,036**

† Unamortized discounts were $9,649,517 for the University of Alabama - Birmingham, $55,000 for the University of South Alabama, $101,902 for the University of Montevallo, $714,984 for the Drinking Water Authority, $275,306 for Auburn University, $15,000 for State Industrial Development Authority, $246,091 for the University of North Alabama, and $729,241 for Alabama State University.

‡ Unamortized accounting loss was $3,664,506 for Alabama State University, $487,983 for the Alabama Space and Science Commission, $5,953,845 for the Water Pollution Control Authority, $32,858,923 for the Public School and College Authority, $2,146,881 for the University of Alabama - Tuscaloosa, $5,681,638 for Auburn University, $250,482 for the Mental Health Finance Authority, $540,000 for the University of South Alabama, $1,578,805 for Incentives Financing Authority and $2,914,623 for Alabama A & M University.

§ Unamortized premiums were $1,819,125 for the University of Alabama - Tuscaloosa, $10,838,886 for Auburn University, $1,122,484 for the Alabama Twenty-first Century Authority, $112,303,268 for Alabama Public School and College Authority, $7,656,000 for the University of South Alabama, $2,651,637 for the Water Pollution Control Authority, $404,022 for the Mental Health Finance Authority, $1,076,412 for Alabama State University, $3,829,972 for Incentives Financing Authority and $2,438,184 for Alabama A& M University.

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal		Interest	Total
2011	$ 321,783,610		$ 291,954,734	$ 613,738,344
2012	343,664,833		282,837,215	626,502,048
2013	322,952,538		270,788,707	593,741,245
2014	325,889,349		256,815,879	582,705,228
2015	303,070,361		242,628,840	545,699,201
2016-2020	1,517,696,606		1,003,994,929	2,521,691,535
2021-2025	1,211,911,475		667,519,361	1,879,430,836
2026-2030	1,193,797,000		372,062,187	1,565,859,187
2031-2035	595,787,000		193,417,942	789,204,942
2036-2040	377,286,000		51,079,705	428,365,705
2041-2045	30,960,000		1,585,903	32,545,903
Total	6,544,798,772	†	**$ 3,634,685,402**	**$ 10,179,484,174**
Unamort Disc	(11,787,041)			
Unamort Loss	(56,077,685)			
Unamort Prem	144,139,990			
	$ 6,621,074,036			

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

4. Refunded Bonds

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

In March 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-A (bonds) in the amount of $37,765,000. An original issue premium of $3,771,805 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, the General Obligation Bonds Series 2001-A bonds with an aggregate outstanding principal amount of $40,185,000. As a result of the refunding, the State of Alabama recognized an economic gain of $4,687,849 and a reduction in the cash flows required to service the new debt compared to the cash flows to service the old debt of $7,729,940.

In March 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-B (bonds) in the amount of $12,180,000. An original issue premium of $648,915 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, the General Obligation Series 2001-B bonds with an aggregate outstanding principal amount of $12,425,000. As a result of the refunding, the State of Alabama recognized an economic gain of $1,372,075 and a reduction in the cash flows required to service the new debt compared to the cash flows required to service the old debt of $2,066,893.

In May 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-C (bonds) in the amount of $62,085,000. An original issue premium of $6,419,621 was received on the sale of the bonds. The bond proceeds together with $11,646,870 of remaining General Obligation 2001-C funds were used to refund, on an advance basis, the General Obligation Bonds Series 2001-C bonds with an aggregate outstanding principal amount of $74,415,000. As a result of the refunding, the State of Alabama recognized an economic gain of $5,568,512 and a reduction of reduction in the cash flows required to service the new debt compared to the cash flows required to service the old debt of $12,543,646.

On October 28, 2009, the Alabama Public School and College Authority (APSCA) issued Capital Improvement Refunding Bonds Series 2009-A in the amount of $467,325,000. An original issue premium of $34,459,604.70 was received on the sale of the

bonds. The Series 2009-A bond proceeds were used to refund, on a current basis, the APSCA Series 1998 bonds maturing fiscal years 2010 through 2017 with an aggregate principal amount outstanding of $212,720,000, Series 1999-A bonds with an aggregate principal amount outstanding of $18,360,000, and Series 1999-C bonds with an aggregate outstanding principal amount of $250,000,000. The APSCA had an economic gain related to the refunding of $23,206,829 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $7,922,939.

On October 28, 2009, the APSCA issued Capital Improvement Pool Refunding Bonds Series 2009-B in the amount of $174,960,000. An original issue premium of $12,193,548.45 was received on the sale of the bonds. The Series 2009-B bonds were used to refund, on a current basis, the Series 1999-D bonds with an aggregate principal amount outstanding of $151,170,000 and to refund, on an advance basis, the Series 1999-C maturing 2014 through 2018 with an aggregate principal amount outstanding of $27,815,000. The APSCA had an economic gain related to the refunding of $14,676,246 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $28,033,133.

On April 22, 2010, the APSCA issued Capital Improvement Bonds Series 2010-A in the amount of $109,775,000. An original issued premium of $12,259,295 was received on the sale of the bonds. The Series 2010-A bonds were used to refund, on an advance basis, Series 1998 bonds maturing in November 2017 and 2018 with an aggregate principal amount outstanding of $66,190,000 and Series 2009-A Series bonds maturing in 2025 through 2029 with an aggregate principal amount outstanding of $44,720,000. The APSCA had an economic gain related to the refunding of $7,258,276 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $34,437,176.

On April 22, 2010, the APSCA issued Capital Improvement Bonds Series 2010-B in the amount of $70,980,000. An original issue premium of $7,926,803 was received on the sale of the bonds. The Series 2010-B bonds were used to refund, on an advance basis, Series 2001-C bonds maturing 2010 through 2013 with an aggregate principal amount outstanding of $74,900,000. The APSCA had an economic gain related to the refunding of $3,107,981 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $6,518,540.

On June 21, 2010, the Alabama Water Pollution Control Authority issued the 2010-A Revolving Fund Loan Refunding Bonds in the amount of $36,440,000 with interest rates ranging from 3% to 4%. The 2010-A bonds were used to refund $42,615,000 of the Series 1999 bonds. The refunding resulted in an accounting loss of approximately $795,521. The Authority reduced its aggregate debt service by approximately $16.6 million and obtained an economic gain of approximately $7.4 million.

On August 2, 2010, the Water Pollution Control Authority issued the 2010-B Revolving Fund Loan Refunding Bonds in the amount of $64,750,000 with interest rates ranging from 2% to 3%. The 2010-B bonds were used to refund $39,535,000 of the Series 1998-A bonds and $40,410,000 of the Series 1998-B bonds. The refunding resulted in an accounting loss of approximately $1,030,734. The Authority reduced its aggregate debt service by approximately $23 million and obtained an economic gain of approximately $11.7 million.

On July 21, 2010, The Alabama Building Renovation Finance Authority issued the Series 2010 Revenue Refunding Bonds in the amount of $26,990,000 with interest rates from 2.5% to 4%. The 2010 bonds were used to currently refund $27,915,000 of the Series 1999 bonds. The refunding resulted in an accounting loss of $1,213,388. The Authority had an economic gain related to the refunding of $5,048,164 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $5,666,403.

On December 29, 2009, Auburn University issued $79,500,000 in General Fee bonds with interest rates ranging from 2% to 5% were issued to advance refund $79,450,000 of outstanding bonds with interest rates ranging from 4.45% to 6%. This refunding resulted in the University recognizing a loss of $6,121,267 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. The economic gain for the University is $4,352,046.

Defeased Bonds:

Component Units	Amount
University of Alabama in Tuscaloosa	$ 23,500,000
University of Montevallo	7,820,000

Primary Government	Amount
State Port Authority	$ 23,489,000

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, 2010, were as follows:

Component Units	Amount
Water Pollution Control Authority	$ 2,400,510
Housing Finance Authority	3,301,000

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	$ 720,025	$ 29,975
Federal Aid Highway Finance Authority	Based on amount received in federal funds		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	23,000	19,000	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 Toll Road, Bridge and Tunnel Authority	Based on Authority's construction of toll road, bridge or tunnel projects payable from tolls and other revenues		
Total Primary Government	**$ 931,000**	**$ 746,025**	**$ 184,975**
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-Pool Bonds	Unlimited		
Alabama Public School and College Authority-Capital Improvement Bonds	241,500	-	241,500
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	300,000	175,000	125,000
Total Component Units	**765,500**	**297,655**	**467,845**
Total Reporting Entity	**$ 1,696,500**	**$ 1,043,680**	**$ 652,820**

† 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 9/30/10, $650,000 was outstanding.

7. Derivative Transactions

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into a derivative transaction with Wachovia Bank, N.A. The derivative is a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that came into effect upon conversion of the construction loan into a permanent loan on May 1, 2008. The Corporation utilizes the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. 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 My 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 a fixed payment of 6.10% and receives a variable payment of the one-month LIBOR rate plus 0.85%. The Corporation paid $864,000 and $756,000 under the interest rate swap agreement for the years ended

September 30, 2010 and 2009, respectively, which is reflected as an increase in interest expense.

Fair Value. The interest rate swap had a fair value of $(4,171,030) at September 30, 2010. The changes in fair value are reported as a deferred outflow on the Statement of Net Assets since the interest rate swap is a hedging derivative instrument. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest Rate Risk. On the Corporation's "receive-variable, pay-fixed" interest rate swap, as LIBOR decreases, the net payment on the swap increases.

Credit Risk. As of September 30, 2010 the Corporation was not exposed to credit risk on the interest rate swap because it had a 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 Aa2 by Moody's Investors Services and AA by Standard & Poor's Ratings Services as of September 30, 2010.

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. At September 30, 2010, 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 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.

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

Maturity	Governmental Activities Principal	Business-Type Activities Principal	Component Units Principal
2011	$ 5,534,766	$ 2,764,887	$ 13,124,620
2012	4,800,031	3,549,073	8,367,332
2013	4,694,171	1,210,893	6,374,297
2014	5,253,463	776,865	13,089,697
2015	4,831,936	323,490	16,388,808
2016-2020	26,577,533	2,420,817	31,474,379
2021-2025	24,881,841	581,744	35,967,195
2026-2030	26,187,185	60,333	39,668,694
2031-2035	13,017,226	-	33,025,002
2036-2040	1,483,352	-	2,605,000
2041-2045	67,698	-	-
Total	117,329,202	11,688,102	200,085,024
Interest	(214,155)	-	(1,957,578)
Net	**$ 117,115,047**	**$ 11,688,102**	**$ 198,127,446**

At September 30, 2010 assets recorded under capital leases were as follows (amounts expressed in thousands):

	Governmental Activities
Buildings	$ 87,589
Equipment	1,431
Less: accumulated depreciation	(31,136)
Total	**$ 57,884**

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

9. Changes in Noncurrent Liabilities

(Amounts in Thousands)		Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government						
Governmental Activities:						
Bonds Payable:						
General Obligation Bonds		$ 687,336	$ 222,030	$ (140,036)	$ 769,330	$ 25,390
Revenue Bonds		298,712	26,990	(51,419)	274,283	27,040
Capital Leases/Notes/Mortgages		56,927	65,802	(5,614)	117,115	5,535
Claims & Judgments		80,956	24,083	(30,457)	74,582	16,449
Compensated Absences	†	291,608	14,396	(17,730)	288,274	2,147
Other Long-Term Liabilities	††	-	779	-	779	-
Other Post-Employment Benefits		272,074	188,290	(92,567)	367,797	-
Total Governmental Activities		**1,687,613**	**542,370**	**(337,823)**	**1,892,160**	**76,561**
Business-type Activities:						
Revenue Bonds		619,360	34,133	(15,384)	638,109	23,000
Capital Leases/Notes/Mortgages		14,275	700	(3,287)	11,688	2,765
Claims & Judgments		5,838	22,391	(21,769)	6,460	4,381
Compensated Absences	†	26,957	6,789	(7,341)	26,405	2,366
Other Long-Term Liabilities	‡	17,063	4,236	(855)	20,444	-
Other Post-Employment Benefits		12,839	8,299	(4,079)	17,059	-
Total Business-Type Activities		**696,332**	**76,548**	**(52,715)**	**720,165**	**32,512**
Total Primary Government		**$ 2,383,945**	**$ 618,918**	**$ (390,538)**	**$ 2,612,325**	**$ 109,073**
Component Units:						
Revenue Bonds		$ 6,254,679	$ 1,565,836	$ (1,199,441)	$ 6,621,074	$ 321,784
Arbitrage		17,671	-	(11,969)	5,702	-
Capital Leases/Notes/Mortgages		205,029	16,840	(23,742)	198,127	13,125
Compensated Absences	†	141,830	28,254	(38,183)	131,901	29,251
Claims & Judgments		128,213	1,217,009	(1,211,724)	133,498	133,496
Other Long-Term Liabilities	§	200,535	-	(12,889)	187,646	1,000
Other Post-Employment Benefits		27,192	17,494	(8,599)	36,087	-
Total Component Units		**$ 6,975,149**	**$ 2,845,433**	**$ (2,506,547)**	**$ 7,314,035**	**$ 498,656**

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

†† Other Long-term liabilities are payable as follows: Department of Finance, $779,000.

‡ Other Long-term liabilities are payable as follows: State Port Authority, $20,266,000, and Alabama College System, $178,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, $18,467,000, Auburn University, $32,993,000, University of Alabama at Huntsville, $178,000, University of South Alabama, $87,225,000, University of North Alabama, $258,000, University of Alabama at Birmingham, $13,527,000 and Public School and College Authority, $34,998,000.

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2010 consisted of (amounts in thousands):

	DUE FROM										
DUE TO	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Nonmajor Govern-mental	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Internal Service Funds	Fidu-ciary Funds	Total
General Fund	$ 0	$ 0	$ 0	$ 22	$ 0	$ 2,134	$ 11,290	$ 0	$ 20	$ 0	$ 13,466
Education Trust	1,568	-	-	-	-	403	585	-	-	-	2,556
Alabama Trust	161,566	437,391	-	-	-	527	-	-	-	-	599,484
Medicaid Fund	-	381	-	-	1,752	5,625	-	-	-	-	7,758
Public Road & Bridge Fund	7	-	-	-	44	198	-	-	139	-	388
Public Welfare Trust Fund	-	-	7,606	-	-	600	6,204	-	-	-	14,410
Nonmajor Governmental	3,075	5,500	23,661	1,581	2,819	19,169	329	641	976	-	57,751
Unemployment Compensation	-	-	-	-	-	49	-	-	-	-	49
Alcoholic Beverage Control Board	-	-	-	-	-	47	-	-	-	-	47
Internal Service Funds	1,819	772	468	1,254	2,243	17,685	188	-	232	15	24,676
Fiduciary Funds	71	-	-	18	7	33	-	-	-	21	150
Totals	$ 168,106	$ 444,044	$ 31,735	$ 2,875	$ 6,865	$ 46,470	$ 18,596	$ 641	$ 1,367	$ 36	$ 720,735

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

The Education Trust Fund has the most interfund payables, $444,044,000 in total. Of that amount, $437,391,000 is due to repay the Education Trust Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within six years after withdrawal.

The General Fund has the second most interfund payables, $168,106,000 in total. Of that amount, $161,566,000 is due to repay the General Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within ten years after withdrawal.

Nonmajor Governmental Funds have the third most interfund payables, totaling $46,470,000. Of that amount, $5,625,000 is owed to Medicaid, $19,169,000 is owed to other Nonmajor Governmental Funds, and $17,685,000 is owed to Internal Service Funds for goods and services.

Medicaid owed $7,606,000 to the Public Welfare Trust Fund and $23,661,000 to Nonmajor Governmental Funds. Of the latter amount, $12,608,000 is due to Public Health, $1,355,000 is due to Youth Services, $8,742,000 is due to Senior Services, and $943,000 is due to Rehabilitation Services. The Alcoholic Beverage Control Board (ABC) has interfund payables totaling $18,596,000. ABC owed $11,290,000 to the General Fund and $6,204,000 to the Public Welfare Trust Fund. ABC is required by

law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Alabama Trust Fund has the largest interfund receivable, the $437,391,000 due from the Education Trust Fund and $161,566,000 due from the General Fund as discussed previously. Nonmajor Governmental Funds rank second in receivables, at $57,751,000. The Internal Service Funds rank third in receivables, at $24,676,000. Risk Management, an Internal Service Fund, financed several buildings and building renovations for various Nonmajor Governmental Funds in the amount of $9,286,000 for a period of longer than one year. The remaining Internal Service Fund receivable of $15,390,000 generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year. The Public Welfare Trust Fund ranks fourth in receivables, at $14,410,000. Majority of that amount is due from Medicaid and ABC as discussed above.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2010, consisted of (amounts in thousands):

	PAYABLE TO				
PAYABLE BY	Public School & College Authority	Mental Health	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	$ 0	$ 9	$ 183	$ -	$ 192
Education Trust Fund	-	7	11	1	19
Medicaid Fund	-	37,767	-	5	37,772
Public Road and Bridge Fund	-	-	10	-	10
Public Welfare Trust Fund	-	315	66	-	381
Nonmajor Governmental	15,491	133,056	144	865	149,556
Alcoholic Beverage Control Board	-	2,424	2	-	2,426
Nonmajor Enterprise	-	-	26	-	26
Internal Service Funds	-	22	306	-	328
Totals	$ 15,491	$ 173,600	$ 748	$ 871	$ 190,710

The largest payable of $133,056,000 is a short term payable owed by Nonmajor Governmental Funds to Mental Health for tax revenues pledged by the primary government to support Mental Health programs. The second largest short term payable was $37,767,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. In addition to the above balances with component units, the financial statements report Water Pollution Control Authority has a long term receivable of $6,032,000 that is due from the primary government as a whole.

Balances owed to state funds by component units at September 30, 2010 consisted of (amounts in thousands):

	PAYABLE FROM					
PAYABLE TO	Mental Health	Water Pollution Control Authority	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	$ 0	$ 0	$ 0	$ 5	$ 0	$ 5
Education Trust Fund				2	-	2
Medicaid	8,241	-	-	-	-	8,241
Public Road and Bridge Fund				1	-	1
Public Welfare Trust Fund	544	-	-	2	-	546
Nonmajor Governmental	233	406	419	436	1,415	2,909
Alcoholic Beverage Control Board						-
Internal Service Funds	317	-	1	104	1,476	1,898
Totals	$ 9,335	$ 406	$ 420	$ 550	$ 2,891	$ 13,602

The component units of the State owe $13,602,000 to various funds of the State. The largest amount, $8,241,000, is owed by Mental Health to Medicaid to match federal dollars. Risk Management, an Internal Service Fund, financed building renovations for Crime Victims Compensation, a Nonmajor Component Unit in the amount of $1,312,000 for a period of longer than one year. The remaining Internal Service Fund receivable of $586,000 is owed for routine billings of services rendered. Nonmajor Component Units owe Nonmajor Governmental Funds $1,415,000. Of that amount, $1,158,000 is owed by the Drinking Water Finance Authority to the Department of Environmental Management primarily for payroll costs.

C. Balances Between Component Units

Balances owed between component units at September 30, 2010 consisted of (amounts in thousands):

	PAYABLE FROM				
PAYABLE TO	Mental Health	State Employees' Health Insurance	University of Alabama	Nonmajor Component Units	Total
Mental Health	$ 0	$ 41	$ 71,248	$ 0	$ 71,289
State Employee's Health Insurance	3	-	-	1	4
Totals	$ 3	$ 41	$ 71,248	$ 1	$ 71,293

The component units of the State had interfund payables due to other component units totaling $71,293,000. The largest amount, $71,248,000, is owed by the University of Alabama to Mental Health for the purchase of the Bryce Hospital property. State Employees' Health Insurance owes Mental Health $41,000 in refunds.

D. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2010 were as follows (amounts in thousands):

	TRANSFERS IN												
TRANSFERS OUT	General Fund	Education Trust Fund	Ala Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Non-major Govern-mental	Unemploy-ment Compen-sation	State Port Auth	Alabama College System	Alcoholic Beverage Control Board	Internal Service Funds	Total
General Fund	$ 0	$ 0	$ 0	$ 14,777	$ 0	$ 97,897	$ 110,218	$ 0	$ 0	$ 0	$ 0	$ 1,900	$ 224,792
Education Trust Fund	-	-	-	6,694	-	12,673	21,827	-	-	338,945	-	1,119	381,258
Alabama Trust	64,387	-	-	-	-	-	139,040	-	-	-	-	-	203,427
Medicaid	-	-	-	-	-	64,604	236,073	-	-	-	-	-	300,677
Public Road & Bridge Fund	-	-	-	-	-	-	58,764	-	53	-	-	-	58,817
Public Welfare Trust Fund	-	-	-	24,741	102	-	48,579	-	-	-	-	-	73,422
Nonmajor Governmental	31,697	382	6,104	67,740	837	1,385	206,202	5,755		22,566	379	7,350	350,397
Unemployment Compensation	-	-	-	-	-	-	9,366	-	-	-	-	-	9,366
State Port Auth	-	-	-	-	-	-	54	-	-	-	-	-	54
Alcoholic Beverage Control Board	12,766	-	-	-	-	430	245	-	-	-	-	-	13,441
Nonmajor Enterprise	-	-	-	-	-	-	9,687	-	-	-	-	-	9,687
Internal Service Funds	-	-	-	-	6	-	149	-	-	-	-	9	164
Fiduciary Funds	-	-	-	-	-	-	52	-	-	-	-	-	52
Totals	$ 108,850	$ 382	$ 6,104	$ 113,952	$ 945	$ 176,989	$ 840,256	$ 5,755	$ 53	$ 361,511	$ 379	$ 10,378	$ 1,625,554

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 $224,792,000 transferred to other funds by the General Fund, $204,913,000 was transferred in compliance with the appropriation acts. Of that amount, $97,897,000 was transferred to the Public Welfare Trust Fund, $61,307,000 was transferred to various Nonmajor Governmental Funds and $36,420,000 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 $381,258,000 transferred out of the Education Trust Fund, the appropriation acts as adjusted by proration required the transfer of $369,194,000 to other funds. Of that amount, $338,945,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive $1,119,000 to fund telephone and computer services and the Public Welfare Trust Fund received $12,673,000. The remaining Education Trust Fund transfers were made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred $12,766,000 to the General Fund and $430,000 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 $64,387,000, and the Nonmajor Governmental Funds received $139,040,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received $10,140,000, the County Government Capital Improvement Fund received $12,948,000, the Municipal Government Capital Improvement Fund received $12,948,000**,** the Alabama Capital Improvement Trust Fund received $49,313,000, the County and Municipal Capital Improvement Trust Fund received $52,720,000, and the Senior Services Trust Fund received $971,000.

Medicaid transferred out $64,604,000 to the Public Welfare Trust Fund, and $236,073,000 to Nonmajor Governmental Funds to fund services provided to Medicaid recipients. The Departments of Public Health, Youth Services, Senior Services, and Rehabilitation Services were the Nonmajor Governmental Fund recipients. The financial statements show $12,000 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 the deductible with a $1,000,000,000 limit. Payments received in fiscal years 2010, 2009, and 2008 for settlements in excess of deductibles totaled $2,273,9751, $14,166,000, and $14,655,000 respectively.

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

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 12,302	$ 7,871
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	6,538	12,113
Increase (Decrease) in provision for insured events of prior years	3,804	3,781
Total incurred claims and adjustment expenses	10,342	15,894
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(6,310)	(2,980)
Claims and adjustment expenses attributable to insured events of prior years	(6,242)	(8,483)
Total payments	(12,552)	(11,463)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 10,092	$ 12,302

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 the GLTF is currently without excess coverage. Payments received in fiscal years 2009 and 2010 for settlements in excess of deductibles for old claims (prior to April 2002) totaled $2,833,932 and $0, respectively.

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

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 28,721	$ 27,416
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	668	4,969
Increase (Decrease) in provision for insured events of prior years	4,643	3,996
Total incurred claims and adjustment expenses	5,311	8,965
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(654)	(1,376)
Claims and adjustment expenses attributable to insured events of prior years	(3,651)	(6,284)
Total payments	(4,305)	(7,660)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 29,727	$ 28,721

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,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 27,281	$ 25,767
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	4,304	2,376
Increase (Decrease) in provision for insured events of prior years	4,126	5,588
Total incurred claims and adjustment expenses	8,430	7,964
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,124)	(1,132)
Claims and adjustment expenses attributable to insured events of prior years	(5,327)	(5,318)
Total payments	(6,451)	(6,450)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 29,260	$ 27,281

The Department of Transportation finances its own risk for state employee injury compensation. This table includes the changes in claims liabilities for the Department of Transportation as well as Risk Management. The claims incurred but not reported at the beginning of the year for Transportation totaled $8,894,000, and total claims payments were $1,892,121 in 2010. The Department of Transportation had $9,795,787 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,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 48,982	$ 37,102
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	429,067	405,747
Adjustment to estimated claims incurred but not reported at end of year	726	8,804
Total incurred claims and adjustment expenses	429,793	414,551
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(391,773)	(372,651)
Claims and adjustment expenses attributable to insured claims of prior years	(31,552)	(30,020)
Total payments	(423,325)	(402,671)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 55,450	$ 48,982

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 $752 per participant for 2010 and 2009. 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. Note that $419,000 of unpaid claims at year-end is classified as due to the primary government.

The following table presents the changes in claims liabilities during 2010 and 2009:

(Amounts in Thousands)	September 30, 2010	September 30, 2009
Unpaid claims and claim adjustment expense at beginning of year	$ 78,547	$ 69,594
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	790,024	775,205
Increase (Decrease) in provision for insured events of prior years	(2,808)	(39)
Total incurred claims and adjustment expenses	787,216	775,166
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(713,231)	(696,658)
Claims and adjustment expenses attributable to insured events of prior years	(75,739)	(69,555)
Total payments	(788,970)	(766,213)
Total unpaid claims and adjustment expenses at end of year	$ 76,793	$ 78,547

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 an eight member Board of Directors. The plan provides major medical benefits limited to $1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling $3,901,000 and $3,829,000 in 2010 and 2009, 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, 2010 and 2009:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 3,503	$ 3,508
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	21,194	21,643
Increase (Decrease) in provision for insured events of prior years	173	102
Total incurred claims and adjustment expenses	21,367	21,745
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(19,374)	(19,912)
Claims and adjustment expenses attributable to insured events of prior years	(1,796)	(1,838)
Total payments	(21,170)	(21,750)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 3,700	$ 3,503

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. Each claim for a loss in excess of the $500,000 self-insured retention is covered without a policy limit. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2010 and 2009:

(Amounts in Thousands)	September 30, 2010	September 30, 2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 2,334	$ 1,815
Provision for claims	1,024	1,283
Total payments	(598)	(764)
Reported claims payable and estimated claims payable incurred but not reported at end of year	$ 2,760	$ 2,334

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 TRS provides retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The Board of Control has responsibility for the general administration and operation of the TRS.

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer defined benefit pension plan established as of October 1, 1945, under the provisions of the 1945 *Alabama Acts* 515. The ERS provides retirement allowances and other specified 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. The JRF provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

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

RSA issued a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2010. Copies may be obtained by writing to:

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

State 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, 2010, the number of participating employers in each system was as follows:

	TRS	ERS	JRF
Cities	-	287	-
Counties	-	65	67
Other Public Entities	-	517	-
Universities	13	-	-
Post-Secondary Institutions	30	-	-
City & County Boards of Education	132	-	-
State Agencies & Other	32	1	1
Total	**207**	**870**	**68**

2. Summary of Significant Accounting Policies

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

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

As of September 30, 2010, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 6.15 percent and 6.86 percent, respectively, of the TRS and ERS investments and Goldman Sachs which represented approximately 6.63% and 6.06%, 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, 2009 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 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, 2009 actuarial valuations for the TRS and the ERS. The remaining amortization period is 30 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 amortization method is level percent open for the September 30, 2009 actuarial valuation. The remaining amortization period is 30 years.

The required contribution rate of active plan members for TRS and ERS (excluding state policemen, and certified firefighters, police officers and correctional officers) is 5 percent of earnable compensation. State policemen are required to contribute 10 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 a portion of the interest upon retirement.

For fiscal year 2010, the required contribution rate of the employer for ERS (state employees) was 11.94 percent and the rate for TRS was 12.51 percent. The employer contribution rate for ERS state policemen and JRF was 30.57 percent and 24.20 percent, respectively.

a. TRS and JRF

A schedule of Annual Required Contributions (ARC) and the percentage contributed (%) for the TRS and JRF (Cost-sharing plans) is shown below (primary government is denoted by PG and discretely presented component units are denoted DPCU):

	Annual Required Contribution (ARC) *		
System	**2010**	**2009**	**2008**
TRS			
Primary Government	$ 55,361	$ 54,042	$ 51,638
Major Discretely Presented Component Units (DPCU)			
Auburn University	39,952	38,698	36,742
University of South Alabama	32,259	32,252	30,252
University of Alabama	134,517	128,725	123,671
JRF			
Primary Government	10,814	10,326	9,880

* Amounts in Thousands. In all instances, 100% of the ARC was contributed.

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	9/30/2009
Actuarial Accrued Liability (AAL)	$ 7,297,454
Actuarial Value of Assets	5,163,233
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,134,221
Funded Ratio	70.8%
Covered Payroll	$ 1,563,862
UAAL as a Percentage of Covered Payroll	136.5%

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 2010 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2007.

Actuarial Methods for ERS
Valuation Date: September 30, 2007
Actuarial Cost Method: Entry Age
Asset Valuation Method: 5 Yr Smoothed Market
Amortization Method: Level Percent Open
Remaining Amortization Period: State Employees 20 years, State Policemen 20 years

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
2008	$ 160,909,372	100	0
2009	191,837,980	100	0
2010	191,182,726	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, 2010, net assets of the plan totaled $1,332,540,000.

State employees may also participate in a plan administered by Great-West Retirement Services. 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). The retiree portion of the SEHIP is accounted for through the Alabama Retired State Employees' Health Care Trust and the retiree portion of the PEEHIP is accounted for through the Alabama Retired State Employees' Health Care Trust (see plan description). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' Retirement System of Alabama or from the Teachers' Retirement System of Alabama may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and the portion authorized to be expended by the SEHIP or PEEHIP for coverage of such retired employees. The State Employees' Insurance Board administers SEHIP, and the Public Education Employees' Insurance Board administers PEEHIP.

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

A. Plan Descriptions

The Alabama Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 192 participating employers.

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

The Public Education Employees' Health Insurance Board issued a stand-alone plan financial report for the Alabama Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2010. 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 issued a stand-alone financial report that includes the Alabama Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2010. 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. 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. The Medicare Part D subsidy for fiscal year 2010 was $27,959,472. Of this amount, $1,193,738 was an on-behalf payment for the primary government of the State of Alabama and $949,976 on-behalf payments of the major discretely presented component units of the State of Alabama. Most of the remaining amount was on-behalf payments for local school boards that are not part of the State's reporting entity.

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 not contributed during fiscal year 2010. The Medicare Part D retiree drug subsidy for fiscal year 2010 was $6,794,000.

1. Annual OPEB Cost and Net OPEB Obligation
Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires additional reporting and disclosures for OPEB plans.

The PEEHIP is a cost-sharing multiple-employer plan. Contribution requirements are determined by statute. In all instances, the state and its discretely presented component units paid 100% of the statutorily determined contribution requirements. Therefore, the State has no net OPEB obligation related to the PEEHIP.

The SEHIP is a single employer plan. The following OPEB amounts are for the SEHIP:

(Amounts in thousands)	Primary Government	Component Units	Fiduciary
Annual required contribution	$ 192,489	$ 17,129	$ 1,658
Interest on net OPEB obligation	14,330	1,275	124
Adjustment to ARC	(10,230)	(910)	(88)
Annual OPEB cost	196,589	17,494	1,694
Contributions made	(96,646)	(8,599)	(833)
Increase in net OPEB obligation	99,943	8,895	861
Net OPEB obligation, beginning of year	284,913	27,192	2,479
Net OPEB obligation, end of year	**$ 384,856**	**$ 36,087**	**$ 3,340**

Percentage of annual OPEB cost contributed: 49%

2. Funded Status and Funding Progress

The funded status of the plan for the retired state employees as of the most recent actuarial valuation dated September 30, 2009, was as follows:

(Amounts in thousands)	Retired State Employees' Health Care Trust (SEHIP)
Actuarial Valuation Date	09/30/2009
Actuarial Accrued Liability (AAL)	$ 4,142,076
Actuarial Value of Assets	88,588
Unfunded Actuarial Accrued Liability (UAAL)	$ 4,053,488
Funded Ratio	2%
Covered Payroll	$ 1,607,097
UAAL as a Percentage of Covered Payroll	252.2%

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 value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period.

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2010 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust	
Valuation Date:	September 30, 2007
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	30 Years
Period Closed/Open:	Open

Actuarial Assumptions for Retired State Employees' Health Care Trust	
Investment Rate of Return:	5.00%
Medical Cost Trend Rate:	
Medicare Eligible	9.50%
Pre-Medicare	11.00%
Ultimate Trend Rate:	
Medicare Eligible	5.00%
Pre-Medicare	5.00%
Year of Ultimate Trend Rate:	2016
Dental Trend Rate:	5.00%

*Includes Inflation at 4.5%

The assumed investment rate of return reflects the fact that although, as of September 30, 2007, the Plan does not have assets in trust solely to provide benefits to retirees and their beneficiaries, a trust has been established along with a policy to make regular contributions representing a partial payment toward the ARC each year. If the Plan starts fully pre-funding benefits, the discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins. This investment rate of return assumption is independent of the inflation assumption.

4. Trend Information

The following table details employer contributions to the Alabama Retired Education Employees' Health Care Trust:

	Annual Required Contribution*		
(Amounts in Thousands)	2010	2009	2008
Primary Government	$ 17,284	$ 15,033	$ 15,758
Major Discretely Presented Component Units			
Auburn University	9,214	8,903	8,130
University of South Alabama	6,078	5,598	4,935
University of Alabama	25,573	24,302	22,317

* 100% of the statutorily required contributions were contributed.

The employer contributions and annual OPEB cost of the SEHIP is presented in the table below.

(Amounts in thousands)

	Employer Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 137,498	$ 343,668	40%	$ 206,170
2009	105,967	214,381	49%	314,584
2010	106,078	215,777	49%	424,283

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 $119,000 and $135,000 to the Authority for fiscal year 2010 and fiscal year 2009, 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)

	2010	2009 *
Fund Balance	$ 212	$ 197
Revenues	337	388
Expenditures	322	364

*Revised

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

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had $339,000 in revenues in 2010.

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 $4,365,000 during the 2010 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately $1,932,000 for 2010.

An affiliation agreement documents the relationship between HSF and UAB. The operating revenues of UAB include approximately $39,668,000 of funding from HSF in 2010, 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 $6,313,000 during 2010 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 $1,128,000 for 2010.

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 $97.2 million in fiscal year 2010, $116.6 million in fiscal year 2009, $106.1 million in fiscal year 2008, $99.0 million in fiscal year 2007, $94.6 million in fiscal year 2006, $101.9 million in fiscal year 2005, $102.6 million in fiscal year 2004, $118.6 million in 2003 and $224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various state programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

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

Blaylock, et al. v. American Tobacco Co., et al., filed in the Circuit Court of Montgomery County is an arbitration proceeding concerning the Master Settlement Agreement (MSA) that was negotiated with the tobacco industry in 1998. The MSA was entered into as a settlement of litigation brought against the participating tobacco products manufacturers by the Attorney Generals of the signatory states to reimburse the states for health care expenses in treating their citizens affected by the use of tobacco products sold by the manufacturers. The MSA contains a provision that allows an adjustment to reduce the payments by

the tobacco industry if the MSA has been determined to be a significant factor in the loss of market share by the manufacturers. States will not be subject to a reduction in their payments if it is determined that they diligently enforced their escrow statutes. The 2003 payment has a potential adjustment of $1.2 billion nationwide that could be applied to the states that are determined not to have diligently enforced their escrow statutes during 2003. The question of whether the state was diligent will be determined by an arbitration panel consisting of three retired Article III federal judges. The arbitration commenced in the fall of 2010 with hearings on preliminary matters and is currently ongoing. Alabama's potential share of the adjustment could be as much as $100 million if Alabama is deemed to have not diligently enforced its escrow statutes during 2003. The states are attempting to work together in the negotiations and they are sharing in the preparations for the arbitration.

In March 2002 the Alabama Public School and College Authority (the "Authority") and JPMorgan Chase Bank ("JPMorgan") entered into a series of agreements (collectively, the "Swap Options") in connection with the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds and Series 1999-D Bonds (together, the "Authority Bonds"). The Swap Options were amended in 2003. Under the terms of the Swap Options the Authority received lump sum payments of approximately $12.6 million, and JPMorgan was granted an option to require the Authority to enter into fixed rate payer swaps in connection with variable rate refundings of the Authority Bonds. JPMorgan gave notice of exercise of the first option in June 2008 and has since given notice of the exercise of each of the other options. From July 2008 through October 2008, prior to the exercise date for the first Swap Option, the Authority initiated discussions with JPMorgan about the Swap Options and raised concerns about the structure and legality of the Swap Options. In October 2008 the Authority filed a declaratory judgment action in federal district court requesting the court to determine the rights and obligations of the parties under the Swap Options. This case was settled in December 2010. The parties filed a Joint Motion for Voluntary Dismissal and an Order was granted dismissing the case.

Lynch, et al. v. State of Alabama, et al., is a class action filed in the U.S. District Court, Northern District of Alabama, on March 13, 2008. This class action suit is brought on behalf of public school students who maintain that their civil rights have been violated by the manner in which Alabama's public schools are funded. The plaintiffs are seeking a declaratory judgment that the property tax restrictions in the Alabama Constitution violate Title VI of the Civil Rights Act, 42 U.S.C. Section 2000d et seq., and the Constitution of the United States. They also seek an injunction against enforcing the current property tax laws until the Governor and legislature enact tax reforms and adequate funding of education. The financial impact is not determinable at this time, but is potentially significant. A trial began in U. S. District Court on March 21, 2011 and is ongoing.

The State of Alabama has been involved in settling lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for potential refunds totaling $87,000,000 plus accumulated interest of $150 million to $200 million. The State Legislature enacted laws to remedy the significant loss of revenue.

On August 14, 2009, Colonial Bank failed and was taken over by the State Banking Department and the Federal Deposit Insurance Corporation. The State of Alabama Department of Revenue entered final tax assessments totaling $154,600,000 and recorded liens against various entities within the Colonial Bank family of entities. Appeals from those assessments are pending in the Administrative Law Division of the Department of Revenue, the Montgomery Bankruptcy Court, and in the FDIC receivership in Dallas, Texas.

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

Eugene Crum, Jr., et al. v. State of Alabama, et al., was an employment discrimination case filed in 1994 against various state agencies and the State Personnel Department. The Crum case alleges discrimination in all aspects of employment. In March 2006, the State filed a request to the Court for a ruling on the class certification issue citing, in part, the continuing financial burden that expert updates and responses has placed on the State. The Court granted the State's "Motion for a Ruling" in May 2006. The Court recently denied class certification to plaintiffs and defendants. Any individual lawsuits remaining are not considered a significant liability to the state.

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, 2010 was $45,714,000.

NOTE 15 - SUBSEQUENT EVENTS

Primary Government

On December 9, 2010, the Alabama State Port Authority issued $106,045,000 Series 2010 Docks Facilities Revenue Bonds. The interest rates on the bond range from 6% to 6.25% and will mature on October 1, 2040. The bonds refund the outstanding $79,298,000 of the 2008-B and 2009-A debt.

In November, 2010, Athens State University, a subsidiary of the Alabama College System, executed a private placement bond issue in the amount of $1,860,000 to purchase a strip mall located adjacent to campus.

Component Units

From October 1, 2010 through December 17, 2010, the Alabama Housing Finance Authority called approximately $30,960,000 of bonds prior to their scheduled maturities in the single family bond program.

The Housing Finance Agency Hardest Hit Fund (HHF) is funded through the U.S. Department of Treasury to provide funds to help families in states hit hardest by the foreclosure crisis in conjunction with high unemployment rates. Alabama, through the Alabama Housing Finance Authority, was added in the third round of potential funding in August 2010. In September 2010, the Authority submitted a proposal for $60.6 million of HHF funds. Subsequently, additional funds totaling $101.9 million were made available to the State of Alabama to be administered by the Authority. After initiating a pilot program in December 2010 the program is scheduled to begin in February 2011. The Authority is currently designing and planning its implementation. The Authority has drawn $8 million in HHF funds to be used to fund the program as of the date the financial statements were available to be issued.

Subsequent to year-end, Moody's Investor Services downgraded Pallas Capital Corporation's guaranteed investment contracts (GICs) below the Alabama Housing Finance Authority's contractual requirements. All amounts relating to Pallas' GICs have been sold and reinvested in money market funds, within each respective single-family bond issue.

On November 9, 2010, the University of Alabama at Tuscaloosa issued the Series 2010 B, C, and D General Revenue Bonds totaling $149,460,000. The proceeds from these bond issuances will fund various capital projects.

In November, 2010, the University of Alabama at Birmingham issued $54,650,000 Series 2010A General Revenue Bonds. The bonds pay interest at varying rates 2% to 4.25% with principal due annually through October 1, 2034. In November, 2010, the University issued $52,975,000 In Series 2010B General Revenue Bonds. The bonds pay interest at varying rates 1% to 5.2% with principal due annually through October 1, 2030. In November, 2010, the University issued $34,550,000 in Series 2010C General Revenue Bonds. The bonds pay interest at varying rates 2% to 4% with principal due annually through October 1, 2027.

In November, 2010, the Alabama Public School and College Authority issued $53,000,000 Series 2010-C Tax-Exempt Capital Improvement Direct Loan Bonds and $13,500,000 Series 2010-D Taxable Capital Improvement Direct Loan Bonds. The interest rates on the 2010-C and 2010-D bonds range from 2.48% to 3.77%. The bonds will be payable on December 1 each year. The maturity date of the bonds is December 1, 2020.

On November 30, 2010, the Alabama Water Pollution Control Authority issued $36,850,000 Series 2010-C Revolving Fund Loan Refunding Bonds. The interest rates on the bonds range from 2% to 4% and the bonds will mature on August 15, 2023. The bonds are issued for the purpose of refunding, on a current basis, $61,795,000 Series 2000 bonds.

On December 20, 2010, the Declaratory Judgment Action from 2008 in regard to the March 2002 interest swap agreement along with the 2003 amendments between Alabama Public School and College Authority and JP Morgan Chase Bank N.A., was settled. The Authority made a payment to JP Morgan of $19,000,000 in return for a full settlement of claims and mutual release from the swap agreement.

On October 29, 2010, the Alabama Higher Education Loan Corporation (AHELC), a nonmajor component unit, paid in full at par plus accumulated interest $75,100,000 Series 2006-A1 and Series 2006-A2 bonds. The Health Care and Education Reconciliation Act (HCERA) of 2010 was signed into law on March 30, 2010. HCERA eliminates the origination and/or guarantee of FFELP loans, effective July 1, 2010. HCERA does allow lenders to make subsequent disbursements on loans originated on or before June 30, 2010. Since the Corporation cannot fund any new FFELP loans after June 30, 2010, a strategic decision was made to sell the entire FFELP Loan Portfolio and utilize the proceeds of that sale and additional equity to redeem its outstanding bonds and eliminate all of the Corporation's debt. The loan portfolio was offered for sale through a competitively bid transaction. On October 19, 2010, the loans were sold to a reputable lender and servicer of FFELP loans who also agreed as a part of the transaction to honor all of the AHELC borrower benefits that were attached to the loans.

On November 17, 2010, the Alabama Revolving Loan Fund Authority issued $20,755,000 Series 2010 Special Obligation and Refunding Taxable Bonds. The interest rate on the bond ranges from 2.5% to 6% with principal due annually on March 1. The maturity date of the bonds is March 1, 2030. The bonds will refund $8,330,000 Series 2000 bonds.

Subsequent to September 30, 2010, the University of North Alabama refinanced $10,355,000 of the 1999-A General Fee Revenue Bonds and issued new debt in the amount of $25,290,000 in Build America Bonds for the purpose of constructing a Science and Engineering Technology Facility.

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
All Budgeted Funds
For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	$ 1,083,120	$ 1,045,683	$ 955,771	$ (89,912)
Licenses, Permits and Fees	174,205	168,184	153,723	(14,461)
Fines, Forfeits, and Court Settlements	27,396	26,449	24,175	(2,274)
Investment Income	26,572	25,654	23,448	(2,206)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	776	749	684	(65)
Total Revenues	**1,312,069**	**1,266,719**	**1,157,801**	**(108,918)**
EXPENDITURES				
Administrative Office of Courts	164,556	163,039	162,335	704
Agriculture and Industries	16,622	15,165	14,614	551
Attorney General	12,957	11,662	10,398	1,264
Auditor	861	775	704	71
Commission on Higher Education	-	-	-	-
Corrections	254,028	269,176	264,335	4,841
Economic and Community Affairs	18,861	16,201	11,545	4,656
Education	-	-	-	-
Emergency Management	8,591	7,715	5,631	2,084
Examiners of Public Accounts	13,343	12,009	11,888	121
Finance	13,815	12,433	8,987	3,446
Governor	4,473	5,243	4,140	1,103
Human Resources	-	-	-	-
Industrial Relations	2,553	2,297	2,072	225
Legislature	32,653	29,329	22,858	6,471
Medicaid	342,847	349,847	315,254	34,593
Mental Health	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	50,737	46,414	45,380	1,034
Public Safety	79,313	71,292	64,193	7,099
Public Service Commission	-	-	-	-
Rehabilitation Services	31	28	27	1
Revenue	102	92	72	20
Secretary of State	3,040	3,176	2,790	386
Transportation	-	-	-	-
Treasurer	2,712	2,441	2,007	434
Youth Services	15,644	14,080	13,580	500
Colleges and Universities	-	-	-	-
Other	234,470	216,625	196,301	20,324
Total Expenditures	**1,272,209**	**1,249,039**	**1,159,111**	**89,928**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**39,860**	**17,680**	**(1,310)**	**(18,990)**
OTHER FINANCING SOURCES (USES)				
Transfers In	306,015	295,437	270,034	(25,403)
Transfers Out	(345,875)	(313,136)	(313,039)	97
Bonds Issued	-	-	-	-
Insurance Recovery Proceeds	-	19	19	-
Total Other Financing Sources (Uses)	**(39,860)**	**(17,680)**	**(42,986)**	**(25,306)**
Net Change in Fund Balances	**$ 0**	**$ 0**	**(44,296)**	**$ (44,296)**

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
$ 5,747,706	$ 5,226,221	$ 5,216,220	$ (10,001)	$ 1,315,855	$ 1,598,772	$ 1,257,005	$ (341,767)
51	46	46	-	395,957	481,090	378,248	(102,842)
-	-	-	-	23,211	28,202	22,173	(6,029)
-	-	-	-	19,501	23,694	18,629	(5,065)
-	-	-	-	9,576,243	11,635,198	9,147,958	(2,487,240)
260	237	236	(1)	923,764	1,122,380	882,451	(239,929)
5,748,017	**5,226,504**	**5,216,502**	**(10,002)**	**12,254,531**	**14,889,336**	**11,706,464**	**(3,182,872)**
-	-	-	-	22,251	28,228	22,433	5,795
-	-	-	-	23,216	24,024	18,568	5,456
-	-	-	-	7,970	9,027	8,444	583
-	-	-	-	-	100	100	-
20,748	18,778	16,698	2,080	4,725	4,725	3,914	811
-	-	-	-	181,556	185,841	172,066	13,775
-	-	-	-	418,377	499,233	345,448	153,785
3,881,712	3,509,865	3,502,452	7,413	1,783,819	2,009,586	1,461,311	548,275
-	-	-	-	131,453	166,455	87,376	79,079
7,450	6,742	6,741	1	3,451	5,754	1,837	3,917
-	-	-	-	137,474	139,920	83,491	56,429
-	-	-	-	-	26	26	-
-	-	-	-	1,847,070	2,212,247	1,961,426	250,821
-	-	-	-	107,356	111,522	85,133	26,389
-	-	-	-	-	-	-	-
-	-	-	-	4,602,845	5,637,045	4,954,852	682,193
-	-	-	-	879,872	928,189	859,040	69,149
408,757	369,924	364,420	5,504	64,476	71,455	55,503	15,952
17,491	15,829	15,717	112	769,081	774,896	650,435	124,461
-	-	-	-	97,319	113,326	80,831	32,495
-	-	-	-	21,871	22,047	16,122	5,925
37,017	33,501	33,499	2	129,403	133,751	107,532	26,219
-	-	-	-	136,861	140,468	134,449	6,019
-	-	-	-	19,838	19,838	3,182	16,656
-	-	-	-	1,613,972	3,035,669	1,361,689	1,673,980
-	-	-	-	3,321	3,850	2,741	1,109
63,329	62,100	60,204	1,896	26,233	29,863	25,797	4,066
1,131,469	1,023,978	1,023,978	-	100,044	100,098	91,946	8,152
125,042	132,815	127,384	5,431	1,249,623	1,375,855	1,093,210	282,645
5,693,015	**5,173,532**	**5,151,093**	**22,439**	**14,383,477**	**17,783,038**	**13,688,902**	**4,094,136**
55,002	**52,972**	**65,409**	**12,437**	**(2,128,946)**	**(2,893,702)**	**(1,982,438)**	**911,264**
420	382	382	0	2,128,946	2,586,684	2,033,732	(552,952)
(55,422)	(53,354)	(53,354)	-	-	-	-	-
-	-	-	-	-	303,854	303,854	-
-	-	-	-	-	3,164	3,164	-
(55,002)	**(52,972)**	**(52,972)**	**0**	**2,128,946**	**2,893,702**	**2,340,750**	**(552,952)**
$ 0	**$ 0**	**12,437**	**$ 12,437**	**$ 0**	**$ 0**	**358,312**	**$ 358,312**

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	**$ (44,296)**	**$ 12,437**	**$ 358,312**	
Reconciliation to GAAP Basis:				
Perspective Differences:				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(358,312)	$ 5,125
Basis Differences:				
Accruals of revenues and other revenue adjustments	(86,026)	(38,047)		967
Accruals of expenditures, expenses and other non-budgeted items	(22,567)	324		-
To remove asset purchases treated as budgetary expenditures	13,800	-		-
To remove encumbrances recognized as expenditures	2,040	3,033		132
To recognize prior budget year expenditures/expenses	(3,707)	(861)		(81)
To remove budget expenditures/expenses not accrued as liabilities	1,424	129		-
Entity Differences:				
Add net operating results for funds not budgeted				172,027
Net Change in Fund Balances/Net Assets - GAAP Basis	**(139,332)**	**(22,985)**	**0**	**178,170**
Fund Balances/Net Assets, October 1, 2009, as Restated	**222,142**	**(221,541)**		**2,951,416**
Increase (Decrease) in Inventory	69	-		-
Fund Balances/Net Assets, September 30, 2010	**$ 82,879**	**$ (244,526)**		**$ 3,129,586**

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
$ 53,167	$ 132,217	$ 2,494	$ 156,728	$ (56,210)	$ (16,909)	$ (11,641)	$ (541)	$ 93,882
19,931	(45,408)	7,145	245,057	43	14,174	(366)	164	3,508
(31,201)	(86,360)	(12,955)	(144,835)	49,336	(4,805)	6,245	761	4,573
-	-	-	716	823	11,195	616	-	4,030
10,654	43,411	4,708	39,121	(150)	982	399	52	5,746
1,360	(6,576)	(2,385)	(71,885)	(134)	(691)	(224)	-	(274,995)
(7,670)	15,680	(178)	19,926	550	19	91	(22)	42,065
78	(930)	(29)	17,499	(65,763)	8,614	1,665,417	6,989	733,940
46,319	**52,034**	**(1,200)**	**262,327**	**(71,505)**	**12,579**	**1,660,537**	**7,403**	**612,749**
(8,355)	**418,452**	**83,872**	**1,246,600**	**1,199,820**	**144,763**	**26,069,387**	**1,134,966**	**6,085,671**
-	2,314	-	24	-	-	-	-	-
$ 37,964	**$ 472,800**	**$ 82,672**	**$ 1,508,951**	**$1,128,315**	**$ 157,342**	**$ 27,729,924**	**$ 1,142,369**	**$ 6,698,420**

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.

The General Fund appropriations were reduced as a result of proration in the amount of $184 million and then proration was reduced by $31 million later for a net proration of $153 million. Approximately $101 million of supplemental appropriations and $3 million of conditional and other appropriations were distributed to various agencies from the General Fund. The Department of Corrections and the Medicaid Agency received supplemental appropriations in the amounts of $52 million and $42 million, respectively. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill.

The Education Trust Fund appropriations were reduced twice as a result of proration in the amounts of $428 million and $114 million. During fiscal year 2010, $20 million of supplemental appropriations were distributed from the Education Trust Fund. Veterans Affairs received a supplemental appropriation of $14 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 $3.4 billion increase in the Earmarked Funds is increased federal funds.

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

Budgetary Control

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

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

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

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Within the Alabama Trust Fund, a General Fund Rainy Day Account and an Education Trust Fund Rainy Day Account have been created by constitutional amendment. If proration is declared for the General Fund or the Education Trust Fund, then oil and gas capital payments in the Alabama Trust Fund will be used to fund withdrawals from the Rainy Day Accounts. If proration is declared for the General Fund, Rainy Day withdrawals may not exceed the lesser of (a) ten percent of the previous fiscal year's General Fund appropriations less the total amount of any prior years' withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the General Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. If proration is declared for the Education Trust Fund, Rainy Day withdrawals may not exceed the lesser of (a) six and one-half percent of the previous fiscal year's Education Trust Fund appropriations less the total amount of any prior years' withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the Education Trust Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. The Rainy Day Accounts must be replenished within 10 years for the General Fund withdrawals and 6 years for the Education Trust Fund withdrawals. The General Fund was prorated by 12% and then reduced by 2% in 2010. The Education Trust Fund was prorated by 7.5% and then by an additional 2% in 2010. The General Fund has 10 years to pay back $162 million which was withdrawn in 2010, and the Education Trust Fund has 5 years to pay back $437 million which was withdrawn in 2009. At the end of fiscal year 2010 there were no funds left that could be drawn for either Rainy Day Accounts.

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, 2010

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

(Amounts in Thousands)	Fiscal and Accident Year Ended									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Premiums and investment revenue:										
Earned	$ 13,871	$ 11,785	$ 20,108	$ 26,051	$ 28,012	$ 28,682	$ 31,625	$ 31,505	$ 32,760	$ 32,489
Ceded	4,625	6,819	9,220	9,355	8,866	11,098	15,067	16,582	17,022	16,803
Net Earned	9,246	4,966	10,888	16,696	19,146	17,584	16,558	14,923	15,738	15,686
2. Unallocated Expenses	1,492	1,630	1,321	1,226	1,435	2,012	2,012	3,030	3,273	3,010
3. Estimated losses and expenses, end of accident year:										
Incurred	10,467	9,033	20,571	19,113	15,806	17,978	34,751	9,843	12,113	12,319
Ceded	580	1,042	6,950	5,857	990	89	23,973	-	-	5,781
Net incurred	9,887	7,991	13,621	13,256	14,816	17,889	10,778	9,843	12,113	6,538
4. Net paid (cumulative) as of:										
End of Accident Year	4,086	1,638	6,724	2,956	2,229	6,245	4,617	2,840	5,135	6,310
One Year Later	8,732	6,962	12,336	8,432	10,068	12,391	14,468	6,257	2,980	
Two Years Later	9,764	7,408	11,636	9,549	12,021	14,930	15,893	6,613		
Three Years Later	9,782	7,424	11,983	10,301	12,138	14,977	16,160			
Four Years Later	9,796	7,424	11,066	10,347	12,096	15,160				
Five Years Later	9,796	7,453	10,957	10,231	12,094					
Six Years Later	9,796	7,459	10,730	10,231						
Seven Years Later	9,746	7,278	10,730							
Eight Years Later	9,582	7,278								
Nine Years Later	9,673									
5. Reestimated ceded losses and expenses	446	2,221	6,173	23,158	15,668	87	16,293	-	-	5,781
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	9,887	7,991	13,621	13,255	14,816	17,889	10,778	9,843	15,975	6,538
One Year Later	9,726	7,716	13,058	10,602	13,801	16,170	16,661	7,535	12,113	
Two Years Later	10,103	7,687	12,054	10,662	13,247	15,133	16,120	7,240		
Three Years Later	10,021	7,471	11,999	10,623	12,292	15,160	16,160			
Four Years Later	9,846	7,449	11,113	10,347	12,096	15,160				
Five Years Later	9,796	7,513	10,957	10,231	12,094					
Six Years Later	9,796	7,459	10,730	10,231						
Seven Years Later	9,746	7,278	10,730							
Eight Years Later	9,582	7,278								
Nine Years Later	9,673									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(214)	(713)	(2,891)	(3,025)	(2,722)	(2,729)	5,382	(2,603)	-	-

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for Employees' Retirement System

For the Fiscal Year Ended September 30, 2010

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
9/30/2004	$ 4,922,875	$ 5,464,579	$ 541,704	90.1	$ 1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5
9/30/2008	5,262,934	7,102,856	1,839,922	74.1	1,582,712	116.3
9/30/2009	5,163,233	7,297,454	2,134,221	70.8	1,563,862	136.5

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, 2010. 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, 2010

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
9/30/2007	$ -	$ 2,984,796	$ 2,984,796	0.0%	$ 1,582,827	188.6%
9/30/2008	52,185	3,003,381	2,951,196	1.7%	1,623,879	181.7%
9/30/2009	88,588	4,142,076	4,053,488	2.1%	1,607,097	252.2%

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

Actuarial Valuation Date	Investment Rate of Return *	Medical Cost Trend Rate *		Ultimate Trend Rate *	Year of Ultimate Trend Rate
		Medicare Eligible	Pre-Medicare		
9/30/2007	5%	9.5%	11.0%	5%	2016
9/30/2008	5%	9.0%	11.0%	5%	2016
9/30/2009	5%	9.0%	10.5%	5%	2016

*Includes inflation at 4.50%.

The medical cost trend rate for Medicare-eligible retirees was changed from 9.5 percent to 9 percent for the 9/30/2008 valuation and for Pre-Medicare retirees was changed from 12 percent to 11 percent for the 9/30/2007 valuation. The investment rate of return was changed from 4 percent to 5 percent and the ultimate trend rate was changed from 6 percent to 5 percent for the 9/30/2006 valuation. Also, a Medicare Advantage Plan was established for Medicare-eligible retirees. The medical cost trend rate for pre-Medicare changed from 11% to 10.5% for the 9/30/2009 valuation. The effects of these changes are reflected in the actuarial valuations.

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and required supplementary information for the year ended September 30, 2010. 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 2010 include approximately 10,876 miles of state maintained highways and 5,368 of state maintained bridges and culverts.

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

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

Roads

Measurement Scale

The Alabama Department of Transportation uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. The smoothness is measured by the cumulative height the wheel of a vehicle travels vertically over a mile long section of roadway. For example, if the wheel of a vehicle travels vertically 1.0 inches every 0.01 miles, the IRI for that 1 mile section of roadway would be the sum of 100 measurements (0.01 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,					
	2010		2009		2008	
Category	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,163	83.90	7,192	79.50	7,197	83.12
Non-Interstate National Highway System	2,807	70.54	2,779	64.08	2,773	66.49
Interstate System	906	69.37	906	62.77	906	62.79
Summary Total and Weighted Average Rating	**10,876**	79.24	**10,877**	74.17	**10,876**	77.19

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,					
	2010		2009		2008	
Category	**Structures**	**Rating**	**Structures**	**Rating**	**Structures**	**Rating**
Non-Interstate Non-National Highway System	2,594	6.69	2,594	6.71	2,592	6.76
Non-Interstate National Highway System	1,629	6.84	1,625	6.91	1,621	6.91
Interstate System	1,151	6.10	1,149	6.08	1,149	6.11
Summary Total and Weighted Average Rating	**5,374**	6.60	**5,368**	6.64	**5,362**	6.67

Estimated and Actual Costs

In fiscal years 2010, 2009, 2008, 2007, and 2006, the State estimated it would need to spend $306.0, $310.0, $320.0, $277.7, and $247.1 million, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. The State spent $387,793,000 for roadway preservation and $47,020.000 for bridge preservation in fiscal year 2010. In fiscal year 2009, the State spent $316,082,000 for road preservation and $34,457,000 for bridge preservation. In fiscal year 2008, the State spent $265,160,000 for roadway preservation and $22,434,000 for bridge preservation. In fiscal year 2007, the State spent $293,253,000 for roadway preservation and $2,188,000 for bridge preservation. In fiscal year 2006, the State spent $259,823,000 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 $319,568,000 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
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
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, 2010
(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 995,524	$ 509	$ 155,592	$ 13,111	$ 1,164,736
Investments	472,760	300	70	56,694	529,824
Due from Other Funds	57,751	-	-	-	57,751
Due from Component Units	2,909	-	-	-	2,909
Investment Sales Receivable	845	-	-	-	845
Accounts Receivable	9,822	-	-	161	9,983
Due from Other Governments	157,732	-	-	-	157,732
Taxes Receivable	326,824	-	-	-	326,824
Interest and Dividends Receivable	3,020	-	2	192	3,214
Mortgages, Notes, and Loans Receivable	-	-	-	61	61
Securities Lending Collateral	39,068	-	3	8,171	47,242
Inventory	1,166	-	-	-	1,166
Restricted Assets	61,748	-	-	-	61,748
Other Assets	37	-	-	-	37
TOTAL ASSETS	**$ 2,129,206**	**$ 809**	**$ 155,667**	**$ 78,390**	**$ 2,364,072**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 39,273	$ 0	$ 6	$ 0	$ 39,279
Investment Purchases Payable	681	-	-	-	681
Salaries Payable	61,256	-	-	-	61,256
Due to Other Funds	46,464	-	-	6	46,470
Due to Component Units	149,556	-	-	-	149,556
Accounts Payable	118,212	3	2,328	52	120,595
Due to Other Governments	210,259	-	12	3	210,274
Securities Lending Obligation	39,068	-	3	8,171	47,242
Deferred Revenue	122,324	-	-	-	122,324
Amounts Held in Custody for Others	56,725	-	-	-	56,725
Compensated Absences	719	-	-	-	719
Total Liabilities	**844,537**	**3**	**2,349**	**8,232**	**855,121**
Fund Balances					
Reserved for:					
Encumbrances	43,116	-	-	-	43,116
Inventory	1,166	-	-	-	1,166
Restricted Assets	61,748	-	-	-	61,748
Long-term Receivables	208	-	-	-	208
Permanent Trust Principal	-	-	-	45,784	45,784
Unreserved, Designated for Capital Projects	-	-	153,318	-	153,318
Unreserved, Designated for Debt Service	-	806	-	-	806
Unreserved, Undesignated	1,178,431	-	-	24,374	1,202,805
Total Fund Balances	**1,284,669**	**806**	**153,318**	**70,158**	**1,508,951**
TOTAL LIABILITIES AND FUND BALANCES	**$ 2,129,206**	**$ 809**	**$ 155,667**	**$ 78,390**	**$ 2,364,072**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	$ 1,351,033	$ 0	$ 0	$ 0	$ 1,351,033
Licenses, Permits, and Fees	361,582	-	-	1,225	362,807
Fines, Forfeits, and Court Settlements	122,764	-	-	-	122,764
Investment Income	26,331	155	247	3,671	30,404
Federal Grants and Reimbursements	2,780,147	-	-	-	2,780,147
Other Revenues	363,540	2,138	282	1,460	367,420
Total Revenues	**5,005,397**	**2,293**	**529**	**6,356**	**5,014,575**
EXPENDITURES					
Current:					
Economic Development and Regulation	195,667	-	-	-	195,667
Education and Cultural Resources	1,723,887	-	-	757	1,724,644
Natural Resources and Recreation	177,635	-	-	-	177,635
Health	1,259,700	-	-	-	1,259,700
Social Services	346,358	-	-	14	346,372
Protection of Persons and Property	623,906	-	-	-	623,906
Transportation	237,453	-	-	-	237,453
General Government	717,055	-	-	-	717,055
Capital Outlay	-	-	42,525	-	42,525
Debt Service - Principal Retirement	1,149	44,316	-	-	45,465
Debt Service - Interest and Other Charges	2,703	47,180	816	-	50,699
Total Expenditures	**5,285,513**	**91,496**	**43,341**	**771**	**5,421,121**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(280,116)**	**(89,203)**	**(42,812)**	**5,585**	**(406,546)**
OTHER FINANCING SOURCES (USES)					
Transfers In	741,037	95,742	1,819	1,658	840,256
Bonds Issued	-	-	110,000	-	110,000
Refunding Bonds Issued	-	112,030	-	-	112,030
Other Debt Issued	62,136	-	-	-	62,136
Debt Issuance Premiums	-	10,840	9,906	-	20,746
Insurance Recovery Proceeds	1,127	-	-	-	1,127
Transfers Out	(336,478)	(2,663)	(10,560)	(696)	(350,397)
Payments to Refunded Bond Escrow Agent	-	(74,415)	-	-	(74,415)
Current Refunding to Bondholders	-	(52,610)	-	-	(52,610)
Total Other Financing Sources (Uses)	**467,822**	**88,924**	**111,165**	**962**	**668,873**
Net Change in Fund Balances	**187,706**	**(279)**	**68,353**	**6,547**	**262,327**
Fund Balances, October 1, 2009, as Restated	1,096,939	1,085	84,965	63,611	1,246,600
Increase (Decrease) in Inventory	24	-	-	-	24
Fund Balances, September 30, 2010	**$ 1,284,669**	**$ 806**	**$ 153,318**	**$ 70,158**	**$ 1,508,951**

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
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 taxes and other revenue sources which are shared with local governments and component units.

Other Medicaid Funds

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

Rehabilitation Services

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

Public School Fund

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

Children First Trust

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

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

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

Conservation and Natural Resources

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

Other Nonmajor Special Revenue Funds

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

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2010
(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	$ 66,665	$ 57,799	$ 26,476	$ 73,177	$ 1,516
Investments	-	-	-	-	-
Due from Other Funds	22,662	4,668	814	937	-
Due from Component Units	956	4	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	-	12	371	2	-
Due from Other Governments	15,493	92,677	27,659	-	-
Taxes Receivable	250	39	-	172,528	13,670
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	2,238	2,472	974	3,154	65
Inventory	-	-	268	-	-
Restricted Assets	-	-	7,230	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	**$ 108,264**	**$ 157,671**	**$ 63,792**	**$ 249,798**	**$ 15,251**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 150	$ 16,744	$ 12,747	$ 113	$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	18,151	3,827	1,127	-	-
Due to Other Funds	10,055	607	5,626	1,860	-
Due to Component Units	69	20	8	147,997	-
Accounts Payable	33,062	4,563	9,589	34	-
Due to Other Governments	94	88,763	12,172	96,626	-
Securities Lending Obligation	2,238	2,472	974	3,154	65
Deferred Revenue	-	-	148	14	-
Amounts Held in Custody for Others	-	-	-	-	-
Compensated Absences	105	21	1	-	-
Total Liabilities	**63,924**	**117,017**	**42,392**	**249,798**	**65**
Fund Balances					
Reserved for:					
Encumbrances	4,804	7,168	158	-	-
Inventory	-	-	268	-	-
Restricted Assets	-	-	7,230	-	-
Long-term Receivables	-	-	-	-	-
Unreserved, Undesignated	39,536	33,486	13,744	-	15,186
Total Fund Balances	**44,340**	**40,654**	**21,400**	**0**	**15,186**
TOTAL LIABILITIES AND FUND BALANCES	**$ 108,264**	**$ 157,671**	**$ 63,792**	**$ 249,798**	**$ 15,251**

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
$ 26,847	$ 5,838	$ 20,710	$ 13,213	$ 19,755	$ 68,145	$ 615,383	$ 995,524
-	-	-	-	3,502	16	469,242	472,760
1,747	-	32	9	1,326	650	24,906	57,751
-	-	-	5	-	-	1,944	2,909
-	-	-	-	-	-	845	845
164	-	6	2	130	5,860	3,275	9,822
-	-	-	-	4	-	21,899	157,732
-	128,020	-	8,033	-	275	4,009	326,824
-	-	-	-	1	-	3,019	3,020
1,147	252	893	570	844	2,937	23,522	39,068
165	-	-	-	-	584	149	1,166
-	-	-	-	-	-	54,518	61,748
-	-	-	-	-	-	37	37
$ 30,070	**$ 134,110**	**$ 21,641**	**$ 21,832**	**$ 25,562**	**$ 78,467**	**$ 1,222,748**	**$ 2,129,206**
$ 142	$ 0	$ 7	$ 319	$ 21	$ 206	$ 8,824	$ 39,273
-	-	-	-	-	-	681	681
3,169	-	73	6,852	5,009	4,756	18,292	61,256
1,576	-	569	1,648	1,696	1,107	21,720	46,464
231	-	305	-	7	1	918	149,556
9,226	-	2,416	2,992	916	5,638	49,776	118,212
268	-	95	8	26	336	11,871	210,259
1,147	252	893	570	844	2,937	23,522	39,068
-	106,910	-	-	-	6	15,246	122,324
-	-	-	55	-	202	56,468	56,725
19	-	-	13	75	5	480	719
15,778	**107,162**	**4,358**	**12,457**	**8,594**	**15,194**	**207,798**	**844,537**
908	-	1	3,424	471	4,889	21,293	43,116
165	-	-	-	-	584	149	1,166
-	-	-	-	-	-	54,518	61,748
-	-	-	-	-	-	208	208
13,219	26,948	17,282	5,951	16,497	57,800	938,782	1,178,431
14,292	**26,948**	**17,283**	**9,375**	**16,968**	**63,273**	**1,014,950**	**1,284,669**
$ 30,070	**$ 134,110**	**$ 21,641**	**$ 21,832**	**$ 25,562**	**$ 78,467**	**$ 1,222,748**	**$ 2,129,206**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	$ 3,012	$ 3,496	$ 0	$ 706,714	$ 282,950
Licenses, Permits, and Fees	30,753	941	-	30,758	-
Fines, Forfeits, and Court Settlements	-	4	1,981	96,446	-
Investment Income	-	2	11	-	-
Federal Grants and Reimbursements	429,472	1,281,091	342,278	2,346	-
Other Revenues	47,357	10,168	2,933	-	36,926
Total Revenues	**510,594**	**1,295,702**	**347,203**	**836,264**	**319,876**
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	120,621	-
Education and Cultural Resources	-	1,240,872	-	120,393	-
Natural Resources and Recreation	-	-	-	1,835	-
Health	678,031	-	-	192,188	270,408
Social Services	-	47,112	23,839	-	-
Protection of Persons and Property	-	-	30,486	766	-
Transportation	-	-	-	211,331	-
General Government	-	-	262,555	225,338	-
Debt Service - Principal Retirement	536	-	-	-	-
Debt Service - Interest and Other Charges	657	-	-	-	-
Total Expenditures	**679,224**	**1,287,984**	**316,880**	**872,472**	**270,408**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(168,630)**	**7,718**	**30,323**	**(36,208)**	**49,468**
OTHER FINANCING SOURCES (USES)					
Transfers In	206,220	2,356	10,202	36,208	1
Other Debt Issued	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-
Transfers Out	(38,515)	(2,152)	(39,920)	-	(38,051)
Total Other Financing Sources (Uses)	**167,705**	**204**	**(29,718)**	**36,208**	**(38,050)**
Net Change in Fund Balances	**(925)**	**7,922**	**605**	**0**	**11,418**
Fund Balances, October 1, 2009, as Restated	45,265	32,732	20,812	-	3,768
Increase (Decrease) in Inventory	-	-	(17)	-	-
Fund Balances, September 30, 2010	**$ 44,340**	**$ 40,654**	**$ 21,400**	**$ 0**	**$ 15,186**

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
$ 0	$ 168,363	$ 0	$ 118,037	$ 5,173	$ 9,889	$ 53,399	$ 1,351,033
-	-	-	3,658	251	26,908	268,313	361,582
1,400	-	-	-	46	1,111	21,776	122,764
-	-	-	-	98	760	25,460	26,331
68,495	-	12	924	69,858	18,101	567,570	2,780,147
1,363	4,952	48,958	5,750	2,852	46,984	155,297	363,540
71,258	**173,315**	**48,970**	**128,369**	**78,278**	**103,753**	**1,091,815**	**5,005,397**
-	-	-	-	-	-	75,046	195,667
7,938	195,104	-	-	-	-	159,580	1,723,887
-	-	-	-	-	108,450	67,350	177,635
-	-	5,405	-	-	-	113,668	1,259,700
89,298	-	18,198	-	68,266	-	99,645	346,358
-	-	9,506	-	10,916	-	572,232	623,906
-	-	-	-	-	-	26,122	237,453
-	-	3,780	119,511	-	-	105,871	717,055
-	-	-	4	-	-	609	1,149
13	533	-	1	-	-	1,499	2,703
97,249	**195,637**	**36,889**	**119,516**	**79,182**	**108,450**	**1,221,622**	**5,285,513**
(25,991)	**(22,322)**	**12,081**	**8,853**	**(904)**	**(4,697)**	**(129,807)**	**(280,116)**
27,874	538	-	7,029	11,149	16,593	422,867	741,037
-	-	-	-	-	-	62,136	62,136
10	-	-	-	-	304	813	1,127
(859)	-	(12,107)	(12,747)	(5,997)	(14,343)	(171,787)	(336,478)
27,025	**538**	**(12,107)**	**(5,718)**	**5,152**	**2,554**	**314,029**	**467,822**
1,034	**(21,784)**	**(26)**	**3,135**	**4,248**	**(2,143)**	**184,222**	**187,706**
13,221	48,732	17,309	6,240	12,720	65,394	830,746	1,096,939
37	-	-	-	-	22	(18)	24
$ 14,292	**$ 26,948**	**$ 17,283**	**$ 9,375**	**$ 16,968**	**$ 63,273**	**$ 1,014,950**	**$ 1,284,669**

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2010
(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
ASSETS					
Cash and Cash Equivalents	$ 61,921	$ 58,411	$ 43,952	$ 7,366	$ 727
Investments	200	8,532	7,634	-	3,542
Due from Other Funds	3,031	1,715	74	205	-
Due from Component Units	-	1,814	1	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	599	-	227	1	1,454
Due from Other Governments	119	208	-	15,470	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	2,567	1,624	1,310	318	-
Inventory	-	-	-	-	-
Restricted Assets	53,625	-	-	-	630
Other Assets	-	-	-	-	37
TOTAL ASSETS	**$ 122,062**	**$ 72,304**	**$ 53,198**	**$ 23,360**	**$ 6,390**
LIABILITIES AND FUND BALANCES					
Warrants Payable	$ 0	$ 696	$ 41	$ 1,014	$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	143	3,654	1,337	328	-
Due to Other Funds	886	9,988	391	158	-
Due to Component Units	-	859	2	-	-
Accounts Payable	5,138	11,197	2,245	251	1,025
Due to Other Governments	47	890	1	28	-
Securities Lending Obligation	2,567	1,624	1,310	318	-
Deferred Revenue	-	-	13,664	-	63
Amounts Held in Custody for Others	-	26	871	-	-
Compensated Absences	-	108	15	3	-
Total Liabilities	**8,781**	**29,042**	**19,877**	**2,100**	**1,088**
Fund Balances					
Reserved for:					
Encumbrances	420	6,411	806	263	-
Inventory	-	-	-	-	-
Restricted Assets	53,625	-	-	-	630
Long-term Receivables	-	208	-	-	-
Unreserved, Undesignated	59,236	36,643	32,515	20,997	4,672
Total Fund Balances	**113,281**	**43,262**	**33,321**	**21,260**	**5,302**
TOTAL LIABILITIES AND FUND BALANCES	**$ 122,062**	**$ 72,304**	**$ 53,198**	**$ 23,360**	**$ 6,390**

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	University Stabilization	Miscellaneous Special Revenue Funds	Totals
$ 6,705	$ 10,544	$ 0	$ 4,935	$ 9,461	$ 0	$ 411,361	$ 615,383
150	-	-	3,114	389,362	-	56,708	469,242
-	-	-	-	-	-	19,881	24,906
-	-	-	-	-	-	129	1,944
-	-	-	-	845	-	-	845
-	-	-	-	-	-	994	3,275
137	23	-	-	-	-	5,942	21,899
-	-	-	-	-	-	4,009	4,009
1	-	-	10	3,008	-	-	3,019
-	455	-	213	407	-	16,628	23,522
-	-	-	-	-	-	149	149
-	-	-	-	-	-	263	54,518
-	-	-	-	-	-	-	37
$ 6,993	**$ 11,022**	**$ 0**	**$ 8,272**	**$ 403,083**	**$ 0**	**$ 516,064**	**$ 1,222,748**
$ 0	$ 3,516	$ 0	$ 294	$ 0	$ 0	$ 3,263	$ 8,824
-	-	-	-	675	-	6	681
-	-	-	-	-	-	12,830	18,292
-	528	-	562	-	-	9,207	21,720
-	-	-	-	-	-	57	918
143	3	-	-	-	-	29,774	49,776
-	21	-	-	-	-	10,884	11,871
-	455	-	213	407	-	16,628	23,522
-	-	-	4	1,058	-	457	15,246
-	-	-	-	-	-	55,571	56,468
-	-	-	-	-	-	354	480
143	**4,523**	**0**	**1,073**	**2,140**	**0**	**139,031**	**207,798**
-	-	-	-	-	-	13,393	21,293
-	-	-	-	-	-	149	149
-	-	-	-	-	-	263	54,518
-	-	-	-	-	-	-	208
6,850	6,499	-	7,199	400,943	-	363,228	938,782
6,850	**6,499**	**0**	**7,199**	**400,943**	**0**	**377,033**	**1,014,950**
$ 6,993	**$ 11,022**	**$ 0**	**$ 8,272**	**$ 403,083**	**$ 0**	**$ 516,064**	**$ 1,222,748**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
REVENUES					
Taxes	$ 0	$ 8,475	$ 0	$ 0	$ 0
Licenses, Permits, and Fees	5,196	65,774	33,310	-	-
Fines, Forfeits, and Court Settlements	2,007	1,567	8,165	-	-
Investment Income	8	22	604	-	186
Federal Grants and Reimbursements	158,691	28,296	303	53,873	-
Other Revenues	20,945	22,430	1,463	38,092	9,759
Total Revenues	**186,847**	**126,564**	**43,845**	**91,965**	**9,945**
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	1,716	-	-
Education and Cultural Resources	-	-	-	-	9,723
Natural Resources and Recreation	-	-	-	-	-
Health	-	105,531	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	168,167	-	48,004	86,012	-
Transportation	-	-	-	-	-
General Government	-	-	30	-	-
Debt Service - Principal Retirement	-	409	-	-	-
Debt Service - Interest and Other Charges	314	1,119	-	-	-
Total Expenditures	**168,481**	**107,059**	**49,750**	**86,012**	**9,723**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**18,366**	**19,505**	**(5,905)**	**5,953**	**222**
OTHER FINANCING SOURCES (USES)					
Transfers In	21,245	10,370	1,021	7,493	-
Other Debt Issued	62,025	-	-	-	-
Insurance Recovery Proceeds	304	-	-	-	-
Transfers Out	-	(4,321)	(4,021)	(1,275)	(443)
Total Other Financing Sources (Uses)	**83,574**	**6,049**	**(3,000)**	**6,218**	**(443)**
Net Change in Fund Balances	**101,940**	**25,554**	**(8,905)**	**12,171**	**(221)**
Fund Balances, October 1, 2009, as Restated	11,341	17,708	42,226	9,089	5,523
Increase (Decrease) in Inventory	-	-	-	-	-
Fund Balances, September 30, 2010	**$ 113,281**	**$ 43,262**	**$ 33,321**	**$ 21,260**	**$ 5,302**

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	University Stabilization	Miscellaneous Special Revenue Funds	Totals
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,924	$ 53,399
-	245	-	-	-	-	163,788	268,313
-	-	-	-	-	-	10,037	21,776
17	15	4	(182)	24,352	-	434	25,460
-	2,314	-	-	-	91,945	232,148	567,570
-	-	-	430	-	-	62,178	155,297
17	**2,574**	**4**	**248**	**24,352**	**91,945**	**513,509**	**1,091,815**
-	-	-	1,460	-	-	71,870	75,046
-	-	-	-	-	91,945	57,912	159,580
-	38,538	2,531	-	-	-	26,281	67,350
4,918	-	-	1,998	-	-	1,221	113,668
-	-	-	-	-	-	99,645	99,645
-	-	-	-	-	-	270,049	572,232
-	-	-	-	-	-	26,122	26,122
-	-	-	14	208	-	105,619	105,871
-	-	-	-	-	-	200	609
-	-	-	-	-	-	66	1,499
4,918	**38,538**	**2,531**	**3,472**	**208**	**91,945**	**658,985**	**1,221,622**
(4,901)	**(35,964)**	**(2,527)**	**(3,224)**	**24,144**	**0**	**(145,476)**	**(129,807)**
3,478	10,139	-	49,313	52,720	-	267,088	422,867
-	-	-	-	-	-	111	62,136
76	-	-	-	-	-	433	813
(456)	(6,531)	(1,143)	(58,660)	(10,276)	-	(84,661)	(171,787)
3,098	**3,608**	**(1,143)**	**(9,347)**	**42,444**	**0**	**182,971**	**314,029**
(1,803)	**(32,356)**	**(3,670)**	**(12,571)**	**66,588**	**0**	**37,495**	**184,222**
8,653	38,855	3,670	19,770	334,355	-	339,556	830,746
-	-	-	-	-	-	(18)	(18)
$ 6,850	**$ 6,499**	**$ 0**	**$ 7,199**	**$ 400,943**	**$ 0**	**$ 377,033**	**$ 1,014,950**

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GREAT SEAL

Nonmajor Debt Service Funds

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

Corrections Institution Finance Authority

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

Public Health Care Authority

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

Judicial Building Authority

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

General Obligation Bonds

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

Federal Aid Highway Finance Authority

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

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2010

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	$ 461	$ 0	$ 0	$ 48
Investments	-	300	-	-
TOTAL ASSETS	**$ 461**	**$ 300**	**$ 0**	**$ 48**
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 0	$ 0	$ 0	$ 3
Total Liabilities	**0**	**0**	**0**	**3**
Fund Balances				
Unreserved, Designated for Debt Service	461	300	-	45
Total Fund Balances	**461**	**300**	**0**	**45**
TOTAL LIABILITIES AND FUND BALANCES	**$ 461**	**$ 300**	**$ 0**	**$ 48**

Federal Aid Highway Finance Authority	Totals
$ 0	$ 509
-	300
$ 0	**$ 809**
$ 0	$ 3
0	**3**
-	806
0	**806**
$ 0	**$ 809**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
REVENUES				
Investment Income	$ 0	$ 155	$ 0	$ 0
Other Revenues	2,138	-	-	-
Total Revenues	**2,138**	**155**	**0**	**0**
EXPENDITURES				
Debt Service - Principal Retirement	1,685	2,456	2,680	24,485
Debt Service - Interest and Other Charges	453	3,891	1,293	35,653
Total Expenditures	**2,138**	**6,347**	**3,973**	**60,138**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**0**	**(6,192)**	**(3,973)**	**(60,138)**
OTHER FINANCING SOURCES (USES)				
Transfers In	-	8,531	3,973	64,338
Refunding Bonds Issued	-	-	-	112,030
Debt Issuance Premiums	-	-	-	10,840
Transfers Out	-	(2,663)	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	(74,415)
Current Refunding to Bondholders	-	-	-	(52,610)
Total Other Financing Sources (Uses)	**0**	**5,868**	**3,973**	**60,183**
Net Change in Fund Balances	**0**	**(324)**	**0**	**45**
Fund Balances, October 1, 2009, as Restated	461	624	-	-
Fund Balances, September 30, 2010	**$ 461**	**$ 300**	**$ 0**	**$ 45**

Federal Aid Highway Finance Authority	Totals
$ 0	$ 155
-	2,138
0	**2,293**
13,010	44,316
5,890	47,180
18,900	**91,496**
(18,900)	**(89,203)**
18,900	95,742
-	112,030
-	10,840
-	(2,663)
-	(74,415)
-	(52,610)
18,900	**88,924**
0	**(279)**
-	1,085
$ 0	**$ 806**

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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.

Public Health Care Authority Capital

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

Judicial Building Authority Capital Projects

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

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, 2010
(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority
ASSETS				
Cash and Cash Equivalents	$ 133,046	$ 0	$ 15,842	$ 6,643
Investments	-	-	70	-
Interest and Dividends Receivable	-	-	2	-
Securities Lending Collateral	-	-	-	-
TOTAL ASSETS	**$ 133,046**	**$ 0**	**$ 15,914**	**$ 6,643**
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants Payable	$ 0	$ 0	$ 0	$ 6
Accounts Payable	837	-	1,491	-
Due to Other Governments	12	-	-	-
Securities Lending Obligation	-	-	-	-
Total Liabilities	**849**	**0**	**1,491**	**6**
Fund Balances				
Reserved for:				
Unreserved, Designated for Capital Projects	132,197	-	14,423	6,637
Total Fund Balances	**132,197**	**0**	**14,423**	**6,637**
TOTAL LIABILITIES AND FUND BALANCES	**$ 133,046**	**$ 0**	**$ 15,914**	**$ 6,643**

Other Capital Project Funds	Totals
$ 61	$ 155,592
-	70
-	2
3	3
$ 64	**$ 155,667**
$ 0	$ 6
-	2,328
-	12
3	3
3	**2,349**
61	153,318
61	**153,318**
$ 64	**$ 155,667**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority
REVENUES				
Investment Income	$ 212	$ 18	$ 0	$ 17
Other Revenues	282	-	-	-
Total Revenues	**494**	**18**	**0**	**17**
EXPENDITURES				
Capital Outlay	33,821	2,018	3,471	3,185
Debt Service - Interest and Other Charges	816	-	-	-
Total Expenditures	**34,637**	**2,018**	**3,471**	**3,185**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(34,143)**	**(2,000)**	**(3,471)**	**(3,168)**
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,819	-
Bonds Issued	110,000	-	-	-
Debt Issuance Premiums	9,906	-	-	-
Transfers Out	(8)	(10,552)	-	-
Total Other Financing Sources (Uses)	**119,898**	**(10,552)**	**1,819**	**0**
Net Change in Fund Balances	**85,755**	**(12,552)**	**(1,652)**	**(3,168)**
Fund Balances, October 1, 2009, as Restated	46,442	12,552	16,075	9,805
Fund Balances, September 30, 2010	**$ 132,197**	**$ 0**	**$ 14,423**	**$ 6,637**

Other Capital Project Funds	Totals
$ 0	$ 247
-	282
0	**529**
30	42,525
-	816
30	**43,341**
(30)	**(42,812)**
-	1,819
-	110,000
-	9,906
-	(10,560)
0	**111,165**
(30)	**68,353**
91	84,965
$ 61	**$ 153,318**

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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, 2010
(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 82	$ 44	$ 0	$ 12,985	$ 13,111
Investments	18,680	15,790	22,125	99	56,694
Accounts Receivable	161	-	-	-	161
Interest and Dividends Receivable	-	4	188	-	192
Mortgages, Notes, and Loans Receivable	-	-	-	61	61
Securities Lending Collateral	3,756	2	4,381	32	8,171
TOTAL ASSETS	**$ 22,679**	**$ 15,840**	**$ 26,694**	**$ 13,177**	**$ 78,390**
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	$ 0	$ 6	$ 0	$ 0	$ 6
Accounts Payable	30	21	1	-	52
Due to Other Governments	-	3	-	-	3
Securities Lending Obligation	3,756	2	4,381	32	8,171
Total Liabilities	**3,786**	**32**	**4,382**	**32**	**8,232**
Fund Balances					
Reserved for:					
Permanent Trust Principal	18,893	11,500	2,340	13,051	45,784
Unreserved, Undesignated	-	4,308	19,972	94	24,374
Total Fund Balances	**18,893**	**15,808**	**22,312**	**13,145**	**70,158**
TOTAL LIABILITIES AND FUND BALANCES	**$ 22,679**	**$ 15,840**	**$ 26,694**	**$ 13,177**	**$ 78,390**

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

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	$ 816	$ 0	$ 0	$ 409	$ 1,225
Investment Income	835	1,036	1,787	13	3,671
Other Revenues	-	-	1,456	4	1,460
Total Revenues	**1,651**	**1,036**	**3,243**	**426**	**6,356**
EXPENDITURES					
Current:					
Education and Cultural Resources	-	757	-	-	757
Social Services	-	-	14	-	14
Total Expenditures	**0**	**757**	**14**	**0**	**771**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**1,651**	**279**	**3,229**	**426**	**5,585**
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	971	687	1,658
Transfers Out	-	(5)	(691)	-	(696)
Total Other Financing Sources (Uses)	**0**	**(5)**	**280**	**687**	**962**
Net Change in Fund Balances	**1,651**	**274**	**3,509**	**1,113**	**6,547**
Fund Balances, October 1, 2009, as Restated	17,242	15,534	18,803	12,032	63,611
Fund Balances, September 30, 2010	**$ 18,893**	**$ 15,808**	**$ 22,312**	**$ 13,145**	**$ 70,158**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
EXPENDITURES:			
Administrative Office of Courts			
Administrative Services	5,261	5,166	95
Alabama Sentencing Commission	518	510	8
Court Operations	137,582	137,286	296
Drug Court	3,165	3,095	70
Juvenile Probation Officer Services	16,513	16,278	235
TOTAL Administrative Office of Courts	**163,039**	**162,335**	**704**
Agriculture and Industries			
Administrative Services	3,260	3,135	125
Agricultural Development Services	1,357	1,303	54
Agricultural Inspection Services	6,852	6,613	239
Lab Analysis and Disease Control	3,696	3,563	133
TOTAL Agriculture and Industries	**15,165**	**14,614**	**551**
Attorney General			
Fair Marketing Practices: Consumer Protection	574	560	14
Legal Advice and Legal Service: Attorney General - Operations	10,849	9,605	1,244
Legal Advice and Legal Service: Consumer Utility Fund	239	233	6
TOTAL Attorney General	**11,662**	**10,398**	**1,264**
Auditor			
Fiscal Management	775	704	71
TOTAL Auditor	**775**	**704**	**71**
Commission on Higher Education			
Alabama Teacher Recruitment Incentive	-	-	-
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 Support	13,622	13,349	273
Correctional Industries	-	-	-
Institutional Service Corrections	255,554	250,986	4,568
TOTAL Corrections	**269,176**	**264,335**	**4,841**
Economic and Community Affairs			
Administrative Support Service	292	203	89
Energy Management	590	88	502
Law Enforcement Planning and Development	649	539	110
Planning	9,856	6,883	2,973
Skills Enhancement/Employment Opportunities	868	662	206
Surplus Property	450	73	377
Water Resources	3,496	3,097	399
TOTAL Economic and Community Affairs	**16,201**	**11,545**	**4,656**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	5,261	5,166	95
-	-	-	-	-	-	518	510	8
-	-	-	22,851	18,603	4,248	160,433	155,889	4,544
-	-	-	-	-	-	3,165	3,095	70
-	-	-	5,377	3,830	1,547	21,890	20,108	1,782
-	**-**	**-**	**28,228**	**22,433**	**5,795**	**191,267**	**184,768**	**6,499**
-	-	-	3,599	3,038	561	6,859	6,173	686
-	-	-	1,898	1,063	835	3,255	2,366	889
-	-	-	12,780	9,564	3,216	19,632	16,177	3,455
-	-	-	5,747	4,903	844	9,443	8,466	977
-	**-**	**-**	**24,024**	**18,568**	**5,456**	**39,189**	**33,182**	**6,007**
-	-	-	-	-	-	574	560	14
-	-	-	9,027	8,444	583	19,876	18,049	1,827
-	-	-	-	-	-	239	233	6
-	**-**	**-**	**9,027**	**8,444**	**583**	**20,689**	**18,842**	**1,847**
-	-	-	100	100	-	875	804	71
-	**-**	**-**	**100**	**100**	**-**	**875**	**804**	**71**
1,381	296	1,085	-	-	-	1,381	296	1,085
2,985	2,467	518	-	-	-	2,985	2,467	518
6,273	5,934	339	3,015	2,627	388	9,288	8,561	727
2,695	2,557	138	1,635	1,287	348	4,330	3,844	486
5,444	5,444	-	75	-	75	5,519	5,444	75
18,778	**16,698**	**2,080**	**4,725**	**3,914**	**811**	**23,503**	**20,612**	**2,891**
-	-	-	6,194	6,193	1	19,816	19,542	274
-	-	-	25,770	16,110	9,660	25,770	16,110	9,660
-	-	-	153,877	149,763	4,114	409,431	400,749	8,682
-	**-**	**-**	**185,841**	**172,066**	**13,775**	**455,017**	**436,401**	**18,616**
-	-	-	10,484	9,856	628	10,776	10,059	717
-	-	-	66,065	18,385	47,680	66,655	18,473	48,182
-	-	-	66,564	36,655	29,909	67,213	37,194	30,019
-	-	-	288,000	223,616	64,384	297,856	230,499	67,357
-	-	-	56,724	49,384	7,340	57,592	50,046	7,546
-	-	-	2,200	1,880	320	2,650	1,953	697
-	-	-	9,196	5,672	3,524	12,692	8,769	3,923
-	**-**	**-**	**499,233**	**345,448**	**153,785**	**515,434**	**356,993**	**158,441**

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, 2010

(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	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	**-**	**-**	**-**
Emergency Management Agency			
Readiness and Recovery	7,715	5,631	2,084
TOTAL Emergency Management Agency	**7,715**	**5,631**	**2,084**
Examiners of Public Accounts			
Legislative Support - Audit Service	12,009	11,888	121
TOTAL Examiners of Public Accounts	**12,009**	**11,888**	**121**
Finance			
Administrative Support Service	-	-	-
Administrative Support Service: Director's Office	903	379	524
Executive Planning: Executive Planning	427	234	193
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,368	956	412
Fiscal Management: Comptroller's Office	5,140	4,781	359
Fiscal Management: Purchasing	1,993	1,635	358
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex Maintenance and Repair	-	-	-
General Services: Capitol	1,105	887	218
General Services: Space Management	1,370	-	1,370
Information Services	-	-	-
Legal Management	-	-	-
Legal Management: Legal Division	127	115	12
Risk Management	-	-	-
SMART Business Systems	-	-	-
TOTAL Finance	**12,433**	**8,987**	**3,446**
Governor			
Criminal Investigation: Law Enforcement Fund	70	6	64
Executive Direction: Governor's Contingency Fund	316	316	-
Executive Direction: Governor's Mansion	348	348	-
Executive Direction: Governor's Office	3,706	3,202	504
Executive Direction: Governor's Proclamation Expense	607	77	530
Executive Direction: National Governors' Conference	196	191	5
TOTAL Governor	**5,243**	**4,140**	**1,103**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
161,768	155,475	6,293	91,942	35,297	56,645	253,710	190,772	62,938
-	-	-	2,720	2,097	623	2,720	2,097	623
22,191	22,191	-	-	-	-	22,191	22,191	-
642	642	-	-	-	-	642	642	-
-	-	-	85,737	47,443	38,294	85,737	47,443	38,294
-	-	-	533	533	-	533	533	-
37,497	36,377	1,120	1,454,220	1,006,567	447,653	1,491,717	1,042,944	448,773
2,982,088	2,982,088	-	374,434	369,374	5,060	3,356,522	3,351,462	5,060
3,624	3,624	-	-	-	-	3,624	3,624	-
30,573	30,573	-	-	-	-	30,573	30,573	-
271,482	271,482	-	-	-	-	271,482	271,482	-
3,509,865	**3,502,452**	**7,413**	**2,009,586**	**1,461,311**	**548,275**	**5,519,451**	**4,963,763**	**555,688**
-	-	-	166,455	87,376	79,079	174,170	93,007	81,163
-	**-**	**-**	**166,455**	**87,376**	**79,079**	**174,170**	**93,007**	**81,163**
6,742	6,741	1	5,754	1,837	3,917	24,505	20,466	4,039
6,742	**6,741**	**1**	**5,754**	**1,837**	**3,917**	**24,505**	**20,466**	**4,039**
-	-	-	3,747	2,609	1,138	3,747	2,609	1,138
-	-	-	401	401	-	1,304	780	524
-	-	-	99	99	-	526	333	193
-	-	-	3,600	86	3,514	3,600	86	3,514
-	-	-	-	-	-	1,368	956	412
-	-	-	-	-	-	5,140	4,781	359
-	-	-	-	-	-	1,993	1,635	358
-	-	-	13,613	11,171	2,442	13,613	11,171	2,442
-	-	-	9,120	7,299	1,821	9,120	7,299	1,821
-	-	-	13,456	9,049	4,407	13,456	9,049	4,407
-	-	-	-	-	-	1,105	887	218
-	-	-	-	-	-	1,370	-	1,370
-	-	-	76,886	45,313	31,573	76,886	45,313	31,573
-	-	-	1,581	1,125	456	1,581	1,125	456
-	-	-	-	-	-	127	115	12
-	-	-	8,124	5,356	2,768	8,124	5,356	2,768
-	-	-	9,293	983	8,310	9,293	983	8,310
-	**-**	**-**	**139,920**	**83,491**	**56,429**	**152,353**	**92,478**	**59,875**
-	-	-	-	-	-	70	6	64
-	-	-	26	26	-	342	342	-
-	-	-	-	-	-	348	348	-
-	-	-	-	-	-	3,706	3,202	504
-	-	-	-	-	-	607	77	530
-	-	-	-	-	-	196	191	5
-	**-**	**-**	**26**	**26**	**-**	**5,269**	**4,166**	**1,103**

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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Human Resources			
Human Services	-	-	-
TOTAL Human Resources	**-**	**-**	**-**
Industrial Relations			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	2,142	2,041	101
Regulation Workers Compensation	-	-	-
Small Business Program	155	31	124
TOTAL Industrial Relations	**2,297**	**2,072**	**225**
Legislature			
Commission to Reduce Poverty	5	-	5
Legislative Operations and Support	29,324	22,858	6,466
TOTAL Legislature	**29,329**	**22,858**	**6,471**
Medicaid Agency			
Medical Assistance Through Medicaid: Administrative Cost	37,193	18,524	18,669
Medical Assistance Through Medicaid: Alternative Care	27,982	25,982	2,000
Medical Assistance Through Medicaid: Family Planning	1,504	213	1,291
Medical Assistance Through Medicaid: Health Support	21,837	19,111	2,726
Medical Assistance Through Medicaid: Hospital Care	90,235	88,778	1,457
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	10,481	9,231	1,250
Medical Assistance Through Medicaid: Pharmaceutical	86,516	84,516	2,000
Medical Assistance Through Medicaid: Physician Care	50,385	47,185	3,200
Medical Assistance Through Medicaid: Premiums	23,714	21,714	2,000
TOTAL Medicaid Agency	**349,847**	**315,254**	**34,593**
Mental Health			
Administrative Services	-	-	-
Institutional Treatment and Care of Intellectually Disabled	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Special Services	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,212,247	1,961,426	250,821	2,212,247	1,961,426	250,821
-	**-**	**-**	**2,212,247**	**1,961,426**	**250,821**	**2,212,247**	**1,961,426**	**250,821**
-	-	-	17,417	12,603	4,814	17,417	12,603	4,814
-	-	-	80,427	63,820	16,607	80,427	63,820	16,607
-	-	-	7,814	4,162	3,652	9,956	6,203	3,753
-	-	-	5,864	4,548	1,316	5,864	4,548	1,316
-	-	-	-	-	-	155	31	124
-	**-**	**-**	**111,522**	**85,133**	**26,389**	**113,819**	**87,205**	**26,614**
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	29,324	22,858	6,466
-	**-**	**-**	**-**	**-**	**-**	**29,329**	**22,858**	**6,471**
-	-	-	178,617	142,633	35,984	215,810	161,157	54,653
-	-	-	405,202	357,762	47,440	433,184	383,744	49,440
-	-	-	56,798	53,538	3,260	58,302	53,751	4,551
-	-	-	229,368	221,948	7,420	251,205	241,059	10,146
-	-	-	2,164,046	1,840,233	323,813	2,254,281	1,929,011	325,270
-	-	-	59,500	34,859	24,641	59,500	34,859	24,641
-	-	-	124,449	123,205	1,244	124,449	123,205	1,244
-	-	-	347,610	275,738	71,872	347,610	275,738	71,872
-	-	-	924,728	862,575	62,153	935,209	871,806	63,403
-	-	-	523,979	451,290	72,689	610,495	535,806	74,689
-	-	-	374,818	346,314	28,504	425,203	393,499	31,704
-	-	-	247,930	244,757	3,173	271,644	266,471	5,173
-	**-**	**-**	**5,637,045**	**4,954,852**	**682,193**	**5,986,892**	**5,270,106**	**716,786**
-	-	-	23,118	20,629	2,489	23,118	20,629	2,489
-	-	-	438,084	418,875	19,209	438,084	418,875	19,209
-	-	-	399,169	362,564	36,605	399,169	362,564	36,605
-	-	-	18,870	15,969	2,901	18,870	15,969	2,901
-	-	-	48,948	41,003	7,945	48,948	41,003	7,945
-	**-**	**-**	**928,189**	**859,040**	**69,149**	**928,189**	**859,040**	**69,149**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Postsecondary Education			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Industrial Training: AIDT/Workforce Development	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Mine Safety	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Technical Colleges: Truck Driver Training-CACC	-	-	-
Postsecondary-Two Year Colleges	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Two Year Colleges: Workforce Development	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
TOTAL Postsecondary Education	**-**	**-**	**-**
Public Health			
Administrative Services	10,042	9,819	223
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	36,372	35,561	811
TOTAL Public Health	**46,414**	**45,380**	**1,034**
Public Safety			
Administrative Services	5,593	4,790	803
Police Services	60,065	54,959	5,106
Public Safety Support Services	5,310	4,444	866
Readiness and Recovery	324	-	324
TOTAL Public Safety	**71,292**	**64,193**	**7,099**
Public Service Commission			
Regulatory Services	-	-	-
TOTAL Public Service Commission	**-**	**-**	**-**
Rehabilitation Services			
Direct Client Services-Handicap	28	27	1
TOTAL Rehabilitation Services	**28**	**27**	**1**
Revenue			
State Revenue Administration	92	72	20
TOTAL Revenue	**92**	**72**	**20**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,745	9,862	2,883	12,745	9,862	2,883
15,002	11,545	3,457	-	-	-	15,002	11,545	3,457
3,603	3,603	-	-	-	-	3,603	3,603	-
5,187	5,187	-	-	-	-	5,187	5,187	-
5,148	5,148	-	-	-	-	5,148	5,148	-
23,239	23,239	-	-	-	-	23,239	23,239	-
-	-	-	6,711	2,529	4,182	6,711	2,529	4,182
5,758	5,052	706	58	35	23	5,816	5,087	729
8,221	8,221	-	-	-	-	8,221	8,221	-
240	240	-	-	-	-	240	240	-
5,146	4,858	288	-	-	-	5,146	4,858	288
-	-	-	2,500	1,962	538	2,500	1,962	538
250	250	-	-	-	-	250	250	-
-	-	-	25,159	19,716	5,443	25,159	19,716	5,443
4,755	4,755	-	-	-	-	4,755	4,755	-
5,926	5,926	-	-	-	-	5,926	5,926	-
270,321	270,321	-	17,736	16,123	1,613	288,057	286,444	1,613
6,227	5,174	1,053	5,581	4,389	1,192	11,808	9,563	2,245
10,901	10,901	-	-	-	-	10,901	10,901	-
-	-	-	965	887	78	965	887	78
369,924	**364,420**	**5,504**	**71,455**	**55,503**	**15,952**	**441,379**	**419,923**	**21,456**
957	957	-	31,737	20,530	11,207	42,736	31,306	11,430
-	-	-	203,150	169,279	33,871	203,150	169,279	33,871
1,482	1,482	-	-	-	-	1,482	1,482	-
1,561	1,462	99	-	-	-	1,561	1,462	99
11,829	11,816	13	540,009	460,626	79,383	588,210	508,003	80,207
15,829	**15,717**	**112**	**774,896**	**650,435**	**124,461**	**837,139**	**711,532**	**125,607**
-	-	-	43,685	36,193	7,492	49,278	40,983	8,295
-	-	-	51,225	31,425	19,800	111,290	86,384	24,906
-	-	-	18,416	13,213	5,203	23,726	17,657	6,069
-	-	-	-	-	-	324	-	324
-	**-**	**-**	**113,326**	**80,831**	**32,495**	**184,618**	**145,024**	**39,594**
-	-	-	22,047	16,122	5,925	22,047	16,122	5,925
-	**-**	**-**	**22,047**	**16,122**	**5,925**	**22,047**	**16,122**	**5,925**
33,501	33,499	2	133,751	107,532	26,219	167,280	141,058	26,222
33,501	**33,499**	**2**	**133,751**	**107,532**	**26,219**	**167,280**	**141,058**	**26,222**
-	-	-	140,468	134,449	6,019	140,560	134,521	6,039
-	**-**	**-**	**140,468**	**134,449**	**6,019**	**140,560**	**134,521**	**6,039**

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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Secretary of State			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	326	292	34
Administrative Support Service: Printing of Acts/Journals	825	807	18
Administrative Support Service: Printing of Codes	180	176	4
Administrative Support Service: Secretary of State	1,788	1,507	281
Special Services: Training Elected Officials	57	8	49
TOTAL Secretary of State	**3,176**	**2,790**	**386**
Transportation			
Aviation Stimulus	-	-	-
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Roads and Transit Stimulus	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	**-**	**-**	**-**
Treasurer			
Fiscal Management	2,441	2,007	434
TOTAL Treasurer	**2,441**	**2,007**	**434**
Youth Services			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	9,847	9,585	262
Youth Services Camp Programs	4,233	3,995	238
TOTAL Youth Services	**14,080**	**13,580**	**500**
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: Fiscal Stabilization Fund	-	-	-
Support of State Universities: Urban Affairs and Non-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	**-**	**-**	**-**
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for the Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	**-**	**-**	**-**
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Total Alabama State University	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,827	1,733	2,094	3,827	1,733	2,094
-	-	-	15,400	1,073	14,327	15,400	1,073	14,327
-	-	-	-	-	-	326	292	34
-	-	-	-	-	-	825	807	18
-	-	-	-	-	-	180	176	4
-	-	-	611	376	235	2,399	1,883	516
-	-	-	-	-	-	57	8	49
-	**-**	**-**	**19,838**	**3,182**	**16,656**	**23,014**	**5,972**	**17,042**
-	-	-	23,004	5,828	17,176	23,004	5,828	17,176
-	-	-	164,116	118,113	46,003	164,116	118,113	46,003
-	-	-	31,338	19,508	11,830	31,338	19,508	11,830
-	-	-	1,044,798	286,979	757,819	1,044,798	286,979	757,819
-	-	-	1,772,413	931,261	841,152	1,772,413	931,261	841,152
-	**-**	**-**	**3,035,669**	**1,361,689**	**1,673,980**	**3,035,669**	**1,361,689**	**1,673,980**
-	-	-	3,850	2,741	1,109	6,291	4,748	1,543
-	**-**	**-**	**3,850**	**2,741**	**1,109**	**6,291**	**4,748**	**1,543**
4,724	4,724	-	-	-	-	4,724	4,724	-
6,997	6,982	15	1,094	407	687	8,091	7,389	702
50,379	48,498	1,881	28,769	25,390	3,379	88,995	83,473	5,522
-	-	-	-	-	-	4,233	3,995	238
62,100	**60,204**	**1,896**	**29,863**	**25,797**	**4,066**	**106,043**	**99,581**	**6,462**
264	264	-	-	-	-	264	264	-
1,200	1,200	-	-	-	-	1,200	1,200	-
362	362	-	-	-	-	362	362	-
30,860	30,860	-	-	-	-	30,860	30,860	-
-	-	-	3,360	3,360	-	3,360	3,360	-
3,558	3,558	-	-	-	-	3,558	3,558	-
36,244	**36,244**	**-**	**3,360**	**3,360**	**-**	**39,604**	**39,604**	**-**
9,147	9,147	-	-	-	-	9,147	9,147	-
25,611	25,611	-	-	-	-	25,611	25,611	-
7,419	7,419	-	-	-	-	7,419	7,419	-
42,177	**42,177**	**-**	**-**	**-**	**-**	**42,177**	**42,177**	**-**
39,178	39,178	-	-	-	-	39,178	39,178	-
-	-	-	3,260	3,260	-	3,260	3,260	-
39,178	**39,178**	**-**	**3,260**	**3,260**	**-**	**42,438**	**42,438**	**-**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Auburn University			
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Alabama Film Initiative Program	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
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: Fiscal Stabilization Fund	-	-	-
Support of State Universities: UAB Cancer Center	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-
University of North Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
University of South Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
Total University of South Alabama	-	-	-
University of West Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
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
152,701	152,701	-	-	-	-	152,701	152,701	-
22,843	22,843	-	-	-	-	22,843	22,843	-
29,320	29,320	-	-	-	-	29,320	29,320	-
31,108	31,108	-	-	-	-	31,108	31,108	-
-	-	-	25,884	22,945	2,939	25,884	22,945	2,939
235,972	**235,972**	**-**	**25,884**	**22,945**	**2,939**	**261,856**	**258,917**	**2,939**
453	453	-	-	-	-	453	453	-
-	-	-	3,344	3,344	-	3,344	3,344	-
35,575	35,575	-	-	-	-	35,575	35,575	-
36,028	**36,028**	**-**	**3,344**	**3,344**	**-**	**39,372**	**39,372**	**-**
-	-	-	4,599	4,599	-	4,599	4,599	-
44,112	44,112	-	-	-	-	44,112	44,112	-
44,112	**44,112**	**-**	**4,599**	**4,599**	**-**	**48,711**	**48,711**	**-**
-	-	-	54	-	54	54	-	54
3,436	3,436	-	-	-	-	3,436	3,436	-
-	-	-	24,912	22,221	2,691	24,912	22,221	2,691
4,088	4,088	-	-	-	-	4,088	4,088	-
248,562	248,562	-	-	-	-	248,562	248,562	-
256,086	**256,086**	**-**	**24,966**	**22,221**	**2,745**	**281,052**	**278,307**	**2,745**
-	-	-	4,184	2,928	1,256	4,184	2,928	1,256
43,073	43,073	-	-	-	-	43,073	43,073	-
43,073	**43,073**	**-**	**4,184**	**2,928**	**1,256**	**47,257**	**46,001**	**1,256**
-	-	-	14,699	14,699	-	14,699	14,699	-
138,541	138,541	-	-	-	-	138,541	138,541	-
138,541	**138,541**	**-**	**14,699**	**14,699**	**-**	**153,240**	**153,240**	**-**
-	-	-	1,615	1,507	108	1,615	1,507	108
17,408	17,408	-	-	-	-	17,408	17,408	-
17,408	**17,408**	**-**	**1,615**	**1,507**	**108**	**19,023**	**18,915**	**108**
-	-	-	2,214	2,034	180	2,214	2,034	180
24,562	24,562	-	-	-	-	24,562	24,562	-
24,562	**24,562**	**-**	**2,214**	**2,034**	**180**	**26,776**	**26,596**	**180**
-	-	-	10,769	9,990	779	10,769	9,990	779
97,860	97,860	-	-	-	-	97,860	97,860	-
97,860	**97,860**	**-**	**10,769**	**9,990**	**779**	**108,629**	**107,850**	**779**
-	-	-	1,204	1,059	145	1,204	1,059	145
12,737	12,737	-	-	-	-	12,737	12,737	-
12,737	**12,737**	**-**	**1,204**	**1,059**	**145**	**13,941**	**13,796**	**145**
1,023,978	**1,023,978**	**-**	**100,098**	**91,946**	**8,152**	**1,124,076**	**1,115,924**	**8,152**

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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, 2010

(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	127	87	40
Total Agricultural Museum Board	**127**	**87**	**40**
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	102	99	3
Agricultural Development Services: Livestock Coliseum	237	210	27
Agricultural Development Services: Operations	587	441	146
Total Agriculture Center Board	**926**	**750**	**176**
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	**-**	**-**	**-**
Alabama Boxing Commission			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Boxing Commission	**-**	**-**	**-**
Alabama Construction Recruitment			
Recruitment/Training Promotion	-	-	-
Total Alabama Construction Recruitment	**-**	**-**	**-**
Alabama Law Institute			
Support - Other Educational Activities	882	867	15
Total Alabama Law Institute	**882**	**867**	**15**
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	**-**	**-**	**-**
Alabama Security Regulatory Board			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Security Regulatory Board	**-**	**-**	**-**
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	19	18	1
Total Alabama Trust Fund	**19**	**18**	**1**
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	**-**	**-**	**-**
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	**-**	**-**	**-**
Archives and History			
Historical Resources Management	2,055	2,009	46
Total Archives and History	**2,055**	**2,009**	**46**
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,475	1,159	316	1,475	1,159	316
-	**-**	**-**	**1,475**	**1,159**	**316**	**1,475**	**1,159**	**316**
-	-	-	-	-	-	127	87	40
-	**-**	**-**	**-**	**-**	**-**	**127**	**87**	**40**
-	-	-	-	-	-	102	99	3
-	-	-	525	332	193	762	542	220
-	-	-	-	-	-	587	441	146
-	**-**	**-**	**525**	**332**	**193**	**1,451**	**1,082**	**369**
-	-	-	105	72	33	105	72	33
-	**-**	**-**	**105**	**72**	**33**	**105**	**72**	**33**
-	-	-	150	-	150	150	-	150
-	**-**	**-**	**150**	**-**	**150**	**150**	**-**	**150**
-	-	-	1,750	318	1,432	1,750	318	1,432
-	**-**	**-**	**1,750**	**318**	**1,432**	**1,750**	**318**	**1,432**
227	222	5	-	-	-	1,109	1,089	20
227	**222**	**5**	**-**	**-**	**-**	**1,109**	**1,089**	**20**
-	-	-	450	311	139	450	311	139
-	**-**	**-**	**450**	**311**	**139**	**450**	**311**	**139**
-	-	-	50	-	50	50	-	50
-	**-**	**-**	**50**	**-**	**50**	**50**	**-**	**50**
-	-	-	890	452	438	890	452	438
-	-	-	-	-	-	19	18	1
-	**-**	**-**	**890**	**452**	**438**	**909**	**470**	**439**
-	-	-	7,797	5,728	2,069	7,797	5,728	2,069
-	-	-	54,813	47,298	7,515	54,813	47,298	7,515
-	-	-	17,975	14,947	3,028	17,975	14,947	3,028
-	**-**	**-**	**80,585**	**67,973**	**12,612**	**80,585**	**67,973**	**12,612**
-	-	-	482	398	84	482	398	84
-	**-**	**-**	**482**	**398**	**84**	**482**	**398**	**84**
3,266	3,266	-	1,417	313	1,104	6,738	5,588	1,150
3,266	**3,266**	**-**	**1,417**	**313**	**1,104**	**6,738**	**5,588**	**1,150**
-	-	-	86	59	27	86	59	27
-	**-**	**-**	**86**	**59**	**27**	**86**	**59**	**27**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	**-**	**-**	**-**
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	**-**	**-**	**-**
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	**-**	**-**	**-**
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	**-**	**-**	**-**
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	12	9	3
Special Services: Death Claims-Board of Adjustment	1,037	1,014	23
Total Board of Adjustment	**1,049**	**1,023**	**26**
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	267	244	23
Total Building Commission	**267**	**244**	**23**
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	391	377	14
Total Children's Affairs	**391**	**377**	**14**
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	**-**	**-**	**-**
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	382	330	52
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	**382**	**330**	**52**
Clerk of the House			
Legislative Operations and Support	1,853	765	1,088
Total Clerk of the House	**1,853**	**765**	**1,088**
Commission on Uniform State Laws			
Special Services	68	19	49
Total Commission on Uniform State Laws	**68**	**19**	**49**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	51	9	42	51	9	42
-	**-**	**-**	**51**	**9**	**42**	**51**	**9**	**42**
-	-	-	51	48	3	51	48	3
-	**-**	**-**	**51**	**48**	**3**	**51**	**48**	**3**
-	-	-	195	166	29	195	166	29
-	**-**	**-**	**195**	**166**	**29**	**195**	**166**	**29**
-	-	-	16,248	12,950	3,298	16,248	12,950	3,298
-	**-**	**-**	**16,248**	**12,950**	**3,298**	**16,248**	**12,950**	**3,298**
-	-	-	-	-	-	12	9	3
-	-	-	-	-	-	1,037	1,014	23
-	**-**	**-**	**-**	**-**	**-**	**1,049**	**1,023**	**26**
-	-	-	140	125	15	140	125	15
-	**-**	**-**	**140**	**125**	**15**	**140**	**125**	**15**
-	-	-	127	121	6	127	121	6
-	**-**	**-**	**127**	**121**	**6**	**127**	**121**	**6**
-	-	-	128	112	16	128	112	16
-	-	-	1,749	1,411	338	2,016	1,655	361
-	**-**	**-**	**1,877**	**1,523**	**354**	**2,144**	**1,767**	**377**
-	-	-	8,972	8,280	692	8,972	8,280	692
-	**-**	**-**	**8,972**	**8,280**	**692**	**8,972**	**8,280**	**692**
-	-	-	2,835	2,590	245	2,835	2,590	245
-	**-**	**-**	**2,835**	**2,590**	**245**	**2,835**	**2,590**	**245**
-	-	-	959	303	656	959	303	656
18,188	17,301	887	190	174	16	18,769	17,852	917
18,188	**17,301**	**887**	**1,149**	**477**	**672**	**19,728**	**18,155**	**1,573**
-	-	-	536	322	214	536	322	214
-	**-**	**-**	**536**	**322**	**214**	**536**	**322**	**214**
-	-	-	186	146	40	568	476	92
-	**-**	**-**	**186**	**146**	**40**	**568**	**476**	**92**
-	-	-	-	-	-	1,853	765	1,088
-	**-**	**-**	**-**	**-**	**-**	**1,853**	**765**	**1,088**
-	-	-	-	-	-	68	19	49
-	**-**	**-**	**-**	**-**	**-**	**68**	**19**	**49**

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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, 2010

(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	3,847	3,536	311
Total Court of Civil Appeals	**3,847**	**3,536**	**311**
Court of Criminal Appeals			
Court Operations	4,599	4,046	553
Total Court of Criminal Appeals	**4,599**	**4,046**	**553**
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	2,002	1,958	44
Total Criminal Justice Information Center	**2,002**	**1,958**	**44**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	13,499	9,520	3,979	13,499	9,520	3,979
-	-	-	37,598	33,678	3,920	37,598	33,678	3,920
-	-	-	11,678	8,661	3,017	11,678	8,661	3,017
-	-	-	18,795	14,742	4,053	18,795	14,742	4,053
-	-	-	7,058	6,713	345	7,058	6,713	345
-	-	-	40,123	14,150	25,973	40,123	14,150	25,973
-	**-**	**-**	**128,751**	**87,464**	**41,287**	**128,751**	**87,464**	**41,287**
-	-	-	2,665	2,116	549	2,665	2,116	549
-	**-**	**-**	**2,665**	**2,116**	**549**	**2,665**	**2,116**	**549**
4,546	4,528	18	1,136	1,136	-	5,682	5,664	18
4,546	**4,528**	**18**	**1,136**	**1,136**	**-**	**5,682**	**5,664**	**18**
-	-	-	410	315	95	410	315	95
-	**-**	**-**	**410**	**315**	**95**	**410**	**315**	**95**
-	-	-	-	-	-	3,847	3,536	311
-	**-**	**-**	**-**	**-**	**-**	**3,847**	**3,536**	**311**
-	-	-	-	-	-	4,599	4,046	553
-	**-**	**-**	**-**	**-**	**-**	**4,599**	**4,046**	**553**
-	-	-	1,697	1,142	555	1,697	1,142	555
-	**-**	**-**	**1,697**	**1,142**	**555**	**1,697**	**1,142**	**555**
-	-	-	4,625	2,822	1,803	4,625	2,822	1,803
-	**-**	**-**	**4,625**	**2,822**	**1,803**	**4,625**	**2,822**	**1,803**
-	-	-	15,351	7,544	7,807	17,353	9,502	7,851
-	**-**	**-**	**15,351**	**7,544**	**7,807**	**17,353**	**9,502**	**7,851**

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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, 2010

(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: Alabama Building Renovation Fin Authority	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-B Refunding	1,871	1,871	-
Debt Service: GO 2001-A Agriculture Development Bond	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	547	547	-
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	**2,418**	**2,418**	**-**
Development Office			
Industrial Development: Alabama Development Office	3,814	3,591	223
Total Development Office	**3,814**	**3,591**	**223**
Dieteticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dieteticians and Nutritionists Examining Board	**-**	**-**	**-**
District Attorneys			
Court Operations	36,148	35,345	803
Total District Attorneys	**36,148**	**35,345**	**803**
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
-	-	-	54,955	50,280	4,675	54,955	50,280	4,675
-	-	-	7,675	7,674	1	7,675	7,674	1
-	-	-	4,145	4,145	-	4,145	4,145	-
6,006	6,006	-	5,481	1,845	3,636	11,487	7,851	3,636
-	-	-	3,973	3,973	-	3,973	3,973	-
-	-	-	4,934	2,906	2,028	4,934	2,906	2,028
-	-	-	2,171	2,138	33	2,171	2,138	33
-	-	-	1,460	1,460	-	1,460	1,460	-
-	-	-	3,527	3,515	12	3,527	3,515	12
-	-	-	1,871	-	1,871	3,742	1,871	1,871
-	-	-	4,604	1,004	3,600	4,604	1,004	3,600
-	-	-	1,369	294	1,075	1,369	294	1,075
-	-	-	8,490	1,383	7,107	9,037	1,930	7,107
-	-	-	473	473	-	473	473	-
-	-	-	4,776	4,776	-	4,776	4,776	-
-	-	-	24,535	24,535	-	24,535	24,535	-
6,006	**6,006**	**-**	**134,439**	**110,401**	**24,038**	**142,863**	**118,825**	**24,038**
-	-	-	1,910	1,430	480	5,724	5,021	703
-	**-**	**-**	**1,910**	**1,430**	**480**	**5,724**	**5,021**	**703**
-	-	-	150	111	39	150	111	39
-	**-**	**-**	**150**	**111**	**39**	**150**	**111**	**39**
-	-	-	120	120	-	36,268	35,465	803
-	**-**	**-**	**120**	**120**	**-**	**36,268**	**35,465**	**803**
6,742	6,714	28	715	566	149	7,457	7,280	177
6,742	**6,714**	**28**	**715**	**566**	**149**	**7,457**	**7,280**	**177**
-	-	-	428	307	121	428	307	121
-	**-**	**-**	**428**	**307**	**121**	**428**	**307**	**121**
-	-	-	334	314	20	334	314	20
-	**-**	**-**	**334**	**314**	**20**	**334**	**314**	**20**
-	-	-	138,905	109,126	29,779	138,905	109,126	29,779
-	**-**	**-**	**138,905**	**109,126**	**29,779**	**138,905**	**109,126**	**29,779**

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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, 2010

(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	-	-	-
Financial Assistance: Lee County Schools	-	-	-
Financial Assistance: Walker County School System	-	-	-
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	1,693	1,338	355
Total Ethics Commission	**1,693**	**1,338**	**355**
Farmers' Market Authority			
Agricultural Development Services	630	603	27
Total Farmers' Market Authority	**630**	**603**	**27**
Finance Special Appropriations			
Administration Service and Logistical Support: Removal of Prisoners	720	704	16
Criminal Investigation: Arrest of Absconding Felons	53	10	43
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: Cash Management Improvement Act	737	4	733
Institutional Service Corrections: Feeding of Prisoners	8,550	8,360	190
Legal Advice and Legal Service: Automatic Appeal Expense	35	-	35
Legal Advice and Legal Service: Court Assessed Cost not Provided	262	180	82
Legal Advice and Legal Service: Law Enforcement Legal Defense	3	-	3
Special Services: Court Assessed Cost not Provided	4,748	4,624	124
Special Services: Election Expenses	7,200	7,040	160
Special Services: Emergency Fund, Departmental	35	-	35
Special Services: Estate of Robert E Doyle	116	116	-
Special Services: Registration of Voters	2,450	2,394	56
Total Finance Special Appropriations	**24,923**	**23,446**	**1,477**
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	**-**	**-**	**-**
Forensic Sciences			
Forensic Science Services	12,240	11,857	383
Total Forensic Sciences	**12,240**	**11,857**	**383**

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	-
2,162	1,894	268	-	-	-	2,162	1,894	268
6,276	6,276	-	-	-	-	6,276	6,276	-
113	101	12	-	-	-	113	101	12
65	65	-	-	-	-	65	65	-
861	861	-	-	-	-	861	861	-
520	520	-	-	-	-	520	520	-
268	268	-	-	-	-	268	268	-
3,499	3,499	-	-	-	-	3,499	3,499	-
150	150	-	-	-	-	150	150	-
13,996	**13,716**	**280**	**-**	**-**	**-**	**13,996**	**13,716**	**280**
249	249	-	-	-	-	249	249	-
837	837	-	-	-	-	837	837	-
9,494	9,494	-	-	-	-	9,494	9,494	-
10,580	**10,580**	**-**	**-**	**-**	**-**	**10,580**	**10,580**	**-**
-	-	-	-	-	-	1,693	1,338	355
-	**-**	**-**	**-**	**-**	**-**	**1,693**	**1,338**	**355**
-	-	-	4,689	2,651	2,038	5,319	3,254	2,065
-	**-**	**-**	**4,689**	**2,651**	**2,038**	**5,319**	**3,254**	**2,065**
-	-	-	-	-	-	720	704	16
-	-	-	-	-	-	53	10	43
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	737	4	733
-	-	-	-	-	-	8,550	8,360	190
-	-	-	-	-	-	35	-	35
-	-	-	-	-	-	262	180	82
-	-	-	-	-	-	3	-	3
-	-	-	-	-	-	4,748	4,624	124
-	-	-	-	-	-	7,200	7,040	160
-	-	-	-	-	-	35	-	35
-	-	-	-	-	-	116	116	-
-	-	-	-	-	-	2,450	2,394	56
-	**-**	**-**	**-**	**-**	**-**	**24,923**	**23,446**	**1,477**
-	-	-	204,534	204,534	-	204,534	204,534	-
-	-	-	36,172	36,172	-	36,172	36,172	-
-	-	-	44	44	-	44	44	-
-	**-**	**-**	**240,750**	**240,750**	**-**	**240,750**	**240,750**	**-**
-	-	-	16,338	11,272	5,066	28,578	23,129	5,449
-	**-**	**-**	**16,338**	**11,272**	**5,066**	**28,578**	**23,129**	**5,449**

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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	**-**	**-**	**-**
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	**-**	**-**	**-**
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	**-**	**-**	**-**
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - General Fund Share	1,983	1,983	-
Total Fringe Benefit Accounts	**1,983**	**1,983**	**-**
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	16	15	1
Fine Arts: Music Hall of Fame	270	264	6
Historical Resources Management: Brierfield Ironworks Park	81	79	2
Historical Resources Management: Cahaba Advisory Committee	203	198	5
Historical Resources Management: Citizenship Trust	252	246	6
Historical Resources Management: Historic Blakeley Authority	182	178	4
Historical Resources Management: Historic Chattahoochee Commission	263	257	6
Historical Resources Management: Historic Ironworks Commission	153	150	3
Historical Resources Management: Men's Hall of Fame	16	15	1
Historical Resources Management: Sports Hall of Fame	164	161	3
Historical Resources Management: St. Stephens Historical Commission	212	207	5
Tourism and Travel Promotion: Motor Sports Hall of Fame	81	79	2
Water Resource Development: Bear Creek Development Authority	29	28	1
Water Resource Development: Choccolocco Creek Watershed	15	15	-
Water Resource Development: Tennessee-Tombigbee Waterway	122	119	3
Total General Fund Direct Disbursements	**2,059**	**2,011**	**48**
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	446	436	10
Non-State: Kidney Foundation, Inc	203	198	5
Non-State: Network of Children's Advocacy Centers	892	872	20
Total General Fund Non-State	**1,541**	**1,506**	**35**
Geological Survey			
Mineral, Energy, and Water Resources	3,637	2,823	814
Total Geological Survey	**3,637**	**2,823**	**814**
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	99	83	16
Total Governor's Office of Faith-Based and Community Initiatives	**99**	**83**	**16**
Governor's Office on Disability			
Executive Direction	313	150	163
Total Governor's Office on Disability	**313**	**150**	**163**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	200	86	114	200	86	114
-	**-**	**-**	**200**	**86**	**114**	**200**	**86**	**114**
-	-	-	36,535	28,876	7,659	36,535	28,876	7,659
-	**-**	**-**	**36,535**	**28,876**	**7,659**	**36,535**	**28,876**	**7,659**
-	-	-	7,628	6,638	990	7,628	6,638	990
-	**-**	**-**	**7,628**	**6,638**	**990**	**7,628**	**6,638**	**990**
-	-	-	-	-	-	1,983	1,983	-
-	**-**	**-**	**-**	**-**	**-**	**1,983**	**1,983**	**-**
-	-	-	268	209	59	268	209	59
-	**-**	**-**	**268**	**209**	**59**	**268**	**209**	**59**
-	-	-	1,919	1,263	656	1,919	1,263	656
-	**-**	**-**	**1,919**	**1,263**	**656**	**1,919**	**1,263**	**656**
-	-	-	-	-	-	16	15	1
-	-	-	-	-	-	270	264	6
-	-	-	-	-	-	81	79	2
-	-	-	-	-	-	203	198	5
-	-	-	-	-	-	252	246	6
-	-	-	-	-	-	182	178	4
-	-	-	-	-	-	263	257	6
-	-	-	-	-	-	153	150	3
-	-	-	-	-	-	16	15	1
-	-	-	-	-	-	164	161	3
-	-	-	-	-	-	212	207	5
-	-	-	-	-	-	81	79	2
-	-	-	-	-	-	29	28	1
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	122	119	3
-	**-**	**-**	**-**	**-**	**-**	**2,059**	**2,011**	**48**
-	-	-	-	-	-	446	436	10
-	-	-	-	-	-	203	198	5
-	-	-	-	-	-	892	872	20
-	**-**	**-**	**-**	**-**	**-**	**1,541**	**1,506**	**35**
-	-	-	3,967	2,374	1,593	7,604	5,197	2,407
-	**-**	**-**	**3,967**	**2,374**	**1,593**	**7,604**	**5,197**	**2,407**
129	113	16	3,582	2,067	1,515	3,810	2,263	1,547
129	**113**	**16**	**3,582**	**2,067**	**1,515**	**3,810**	**2,263**	**1,547**
-	-	-	-	-	-	313	150	163
-	**-**	**-**	**-**	**-**	**-**	**313**	**150**	**163**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Health Planning and Development			
Health Planning Development and Regulation	220	215	5
Total Health Planning and Development	**220**	**215**	**5**
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	**-**	**-**	**-**
Heating, Air Conditioning, and Refrigeration Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating, Air Conditioning, and Refrigeration Contractors Board	**-**	**-**	**-**
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	**-**	**-**	**-**
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Bellemont	-	-	-
Historical Resources Management: Birmingham Civil Rights Institute	-	-	-
Historical Resources Management: Birmingham Unity Breakfast	-	-	-
Historical Resources Management: Black Heritage	-	-	-
Historical Resources Management: Buffalo Soldier Memorial	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Civil Rights Foot Soldiers	-	-	-
Historical Resources Management: Collinsville Clock	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Donnell House	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Houston Memorial Library	-	-	-
Historical Resources Management: Jesse Owens Park	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Past Time Theatre	-	-	-
Historical Resources Management: Ralph Abernathy House	-	-	-
Historical Resources Management: Roxy Theatre	-	-	-
Historical Resources Management: Russell County Historical Commission	-	-	-
Historical Resources Management: Tallapoosa Historical Museum	-	-	-
Historical Resources Management: USS Alabama Battleship Commission	-	-	-
Historical Resources Management: Voting Rights Museum	-	-	-
Total Historical Commission	**-**	**-**	**-**
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	**-**	**-**	**-**
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	**-**	**-**	**-**
Homeland Security Office			
Readiness and Recovery	597	516	81
Total Homeland Security Office	**597**	**516**	**81**
Indian Affairs Commission			
Social Services	151	142	9
Total Indian Affairs Commission	**151**	**142**	**9**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,111	965	146	1,331	1,180	151
-	**-**	**-**	**1,111**	**965**	**146**	**1,331**	**1,180**	**151**
-	-	-	54	29	25	54	29	25
-	**-**	**-**	**54**	**29**	**25**	**54**	**29**	**25**
-	-	-	1,117	960	157	1,117	960	157
-	**-**	**-**	**1,117**	**960**	**157**	**1,117**	**960**	**157**
5,754	5,627	127	470	235	235	6,224	5,862	362
5,754	**5,627**	**127**	**470**	**235**	**235**	**6,224**	**5,862**	**362**
-	-	-	5,484	4,773	711	5,484	4,773	711
-	-	-	45	43	2	45	43	2
-	-	-	9	9	-	9	9	-
-	-	-	9	9	-	9	9	-
-	-	-	48	38	10	48	38	10
-	-	-	45	45	-	45	45	-
-	-	-	279	257	22	279	257	22
-	-	-	9	9	-	9	9	-
-	-	-	90	90	-	90	90	-
-	-	-	645	456	189	645	456	189
-	-	-	36	36	-	36	36	-
-	-	-	90	90	-	90	90	-
-	-	-	9	9	-	9	9	-
-	-	-	45	45	-	45	45	-
-	-	-	409	217	192	409	217	192
-	-	-	68	68	-	68	68	-
-	-	-	45	45	-	45	45	-
-	-	-	90	90	-	90	90	-
-	-	-	45	45	-	45	45	-
-	-	-	149	149	-	149	149	-
-	-	-	14	14	-	14	14	-
-	-	-	81	81	-	81	81	-
-	-	-	90	90	-	90	90	-
-	**-**	**-**	**7,834**	**6,708**	**1,126**	**7,834**	**6,708**	**1,126**
-	-	-	4,404	2,491	1,913	4,404	2,491	1,913
-	**-**	**-**	**4,404**	**2,491**	**1,913**	**4,404**	**2,491**	**1,913**
-	-	-	255	203	52	255	203	52
-	**-**	**-**	**255**	**203**	**52**	**255**	**203**	**52**
-	-	-	40,343	22,037	18,306	40,940	22,553	18,387
-	**-**	**-**	**40,343**	**22,037**	**18,306**	**40,940**	**22,553**	**18,387**
-	-	-	54	52	2	205	194	11
-	**-**	**-**	**54**	**52**	**2**	**205**	**194**	**11**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
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	883	467	416
Total Judicial Inquiry Commission	**883**	**467**	**416**
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: Knight vs Alabama 2 year Postsecondary	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama A&M	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
Total Knight vs. Alabama Financial Obligation	**-**	**-**	**-**
Labor			
Regulatory Services	608	394	214
Total Labor	**608**	**394**	**214**
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	**-**	**-**	**-**
Legislative Building Authority			
Legislative Operations and Support	135	-	135
Total Legislative Building Authority	**135**	**-**	**135**
Legislative Council			
Legislative Operations and Support	1,308	432	876
Total Legislative Council	**1,308**	**432**	**876**
Legislative Fiscal Office			
Legislative Operations and Support	2,383	1,684	699
Total Legislative Fiscal Office	**2,383**	**1,684**	**699**
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	162	158	4
Legislative Operations and Support: Legislative Reference Service	2,859	2,664	195
Total Legislative Reference Service	**3,021**	**2,822**	**199**
Lieutenant Governor			
Legislative Operations and Support	970	780	190
Total Lieutenant Governor	**970**	**780**	**190**
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	13,899	11,209	2,690	13,899	11,209	2,690
-	**-**	**-**	**13,899**	**11,209**	**2,690**	**13,899**	**11,209**	**2,690**
-	-	-	50	27	23	50	27	23
-	**-**	**-**	**50**	**27**	**23**	**50**	**27**	**23**
-	-	-	50	40	10	50	40	10
-	**-**	**-**	**50**	**40**	**10**	**50**	**40**	**10**
-	-	-	-	-	-	883	467	416
-	**-**	**-**	**-**	**-**	**-**	**883**	**467**	**416**
1,235	1,235	-	-	-	-	1,235	1,235	-
2,213	2,213	-	-	-	-	2,213	2,213	-
830	-	830	-	-	-	830	-	830
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	-	1,000	-	-	-	1,000	-	1,000
1,000	769	231	-	-	-	1,000	769	231
10,278	**8,217**	**2,061**	**-**	**-**	**-**	**10,278**	**8,217**	**2,061**
-	-	-	1,408	1,035	373	2,016	1,429	587
-	**-**	**-**	**1,408**	**1,035**	**373**	**2,016**	**1,429**	**587**
-	-	-	69	52	17	69	52	17
-	**-**	**-**	**69**	**52**	**17**	**69**	**52**	**17**
-	-	-	-	-	-	135	-	135
-	**-**	**-**	**-**	**-**	**-**	**135**	**-**	**135**
-	-	-	-	-	-	1,308	432	876
-	**-**	**-**	**-**	**-**	**-**	**1,308**	**432**	**876**
346	336	10	-	-	-	2,729	2,020	709
346	**336**	**10**	**-**	**-**	**-**	**2,729**	**2,020**	**709**
98	98	-	300	140	160	398	238	160
-	-	-	-	-	-	162	158	4
-	-	-	-	-	-	2,859	2,664	195
98	**98**	**-**	**300**	**140**	**160**	**3,419**	**3,060**	**359**
-	-	-	-	-	-	970	780	190
-	**-**	**-**	**-**	**-**	**-**	**970**	**780**	**190**
-	-	-	1,659	1,000	659	1,659	1,000	659
-	**-**	**-**	**1,659**	**1,000**	**659**	**1,659**	**1,000**	**659**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	**-**	**-**	**-**
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	**-**	**-**	**-**
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	**-**	**-**	**-**
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	**-**	**-**	**-**
Military			
Military Operations: Active Military Service	767	218	549
Military Operations: ANG Operations & Maintenance	949	928	21
Military Operations: BP Oil Spill	834	600	234
Military Operations: Bus Driver Training	714	213	501
Military Operations: Counter Drug	-	-	-
Military Operations: Dropping Allowance	-	-	-
Military Operations: Military- Army MCCA	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	584	558	26
Military Operations: Operations and Maintenance	5,332	3,232	2,100
Military Operations: Quartering Allowance to Headquarters	1,202	1,178	24
Military Operations: State Defense Force	13	9	4
Total Military	**10,395**	**6,936**	**3,459**
Nursing Board			
Professional and Occupational Licensure and Regulation	3	3	-
Total Nursing Board	**3**	**3**	**-**
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	1,004	984	20
Total Office of Prosecution Services	**1,004**	**984**	**20**
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	3,644	2,888	756
Total Oil and Gas Board	**3,644**	**2,888**	**756**
Pardons and Paroles			
Administration of Pardons and Paroles	35,127	33,286	1,841
Total Pardons and Paroles	**35,127**	**33,286**	**1,841**
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,961	1,795	2,166	3,961	1,795	2,166
-	**-**	**-**	**3,961**	**1,795**	**2,166**	**3,961**	**1,795**	**2,166**
-	-	-	30	30	-	30	30	-
-	**-**	**-**	**30**	**30**	**-**	**30**	**30**	**-**
-	-	-	150	118	32	150	118	32
-	**-**	**-**	**150**	**118**	**32**	**150**	**118**	**32**
1,041	1,041	-	400	-	400	1,441	1,041	400
1,041	**1,041**	**-**	**400**	**-**	**400**	**1,441**	**1,041**	**400**
-	-	-	-	-	-	767	218	549
-	-	-	6,119	5,485	634	7,068	6,413	655
-	-	-	257	257	-	1,091	857	234
-	-	-	-	-	-	714	213	501
-	-	-	78	14	64	78	14	64
-	-	-	-	-	-	-	-	-
-	-	-	52,968	38,376	14,592	52,968	38,376	14,592
-	-	-	1,004	556	448	1,004	556	448
-	-	-	-	-	-	584	558	26
438	438	-	37,439	23,773	13,666	43,209	27,443	15,766
-	-	-	-	-	-	1,202	1,178	24
-	-	-	-	-	-	13	9	4
438	**438**	**-**	**97,865**	**68,461**	**29,404**	**108,698**	**75,835**	**32,863**
233	233	-	8,460	8,289	171	8,696	8,525	171
233	**233**	**-**	**8,460**	**8,289**	**171**	**8,696**	**8,525**	**171**
-	-	-	115	79	36	115	79	36
-	**-**	**-**	**115**	**79**	**36**	**115**	**79**	**36**
-	-	-	135	111	24	135	111	24
-	**-**	**-**	**135**	**111**	**24**	**135**	**111**	**24**
-	-	-	4,975	3,778	1,197	5,979	4,762	1,217
-	**-**	**-**	**4,975**	**3,778**	**1,197**	**5,979**	**4,762**	**1,217**
-	-	-	1,062	486	576	4,706	3,374	1,332
-	**-**	**-**	**1,062**	**486**	**576**	**4,706**	**3,374**	**1,332**
-	-	-	13,668	12,534	1,134	48,795	45,820	2,975
-	**-**	**-**	**13,668**	**12,534**	**1,134**	**48,795**	**45,820**	**2,975**
-	-	-	600	465	135	600	465	135
-	**-**	**-**	**600**	**465**	**135**	**600**	**465**	**135**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	**-**	**-**	**-**
Personnel			
Administrative Support Service	-	-	-
Total Personnel	**-**	**-**	**-**
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	**-**	**-**	**-**
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	**-**	**-**	**-**
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	**-**	**-**	**-**
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	**-**	**-**	**-**
President Pro Tempore Senate			
Legislative Operations and Support	2,791	2,071	720
Total President Pro Tempore Senate	**2,791**	**2,071**	**720**
Proessional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Proessional Engineers Registration Board	**-**	**-**	**-**
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	**-**	**-**	**-**
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	**-**	**-**	**-**
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	**-**	**-**	**-**
Public Library Service			
APLS Special Grant Program	-	-	-
Public Library Services	-	-	-
Total Public Library Service	**-**	**-**	**-**
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	**-**	**-**	**-**
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	**-**	**-**	**-**
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
375	375	-	450	383	67	825	758	67
273	273	-	4,500	3,670	830	4,773	3,943	830
648	**648**	**-**	**4,950**	**4,053**	**897**	**5,598**	**4,701**	**897**
-	-	-	9,685	8,812	873	9,685	8,812	873
-	**-**	**-**	**9,685**	**8,812**	**873**	**9,685**	**8,812**	**873**
828	805	23	19	-	19	847	805	42
828	**805**	**23**	**19**	**-**	**19**	**847**	**805**	**42**
-	-	-	455	281	174	455	281	174
-	**-**	**-**	**455**	**281**	**174**	**455**	**281**	**174**
-	-	-	2,287	1,471	816	2,287	1,471	816
-	**-**	**-**	**2,287**	**1,471**	**816**	**2,287**	**1,471**	**816**
-	-	-	30	16	14	30	16	14
-	**-**	**-**	**30**	**16**	**14**	**30**	**16**	**14**
-	-	-	-	-	-	2,791	2,071	720
-	**-**	**-**	**-**	**-**	**-**	**2,791**	**2,071**	**720**
-	-	-	1,678	1,208	470	1,678	1,208	470
-	**-**	**-**	**1,678**	**1,208**	**470**	**1,678**	**1,208**	**470**
-	-	-	60	46	14	60	46	14
-	**-**	**-**	**60**	**46**	**14**	**60**	**46**	**14**
-	-	-	236	150	86	236	150	86
-	**-**	**-**	**236**	**150**	**86**	**236**	**150**	**86**
-	-	-	4,110	2,973	1,137	4,110	2,973	1,137
-	**-**	**-**	**4,110**	**2,973**	**1,137**	**4,110**	**2,973**	**1,137**
330	299	31	-	-	-	330	299	31
7,164	7,033	131	2,933	2,913	20	10,097	9,946	151
7,494	**7,332**	**162**	**2,933**	**2,913**	**20**	**10,427**	**10,245**	**182**
-	-	-	4	1	3	4	1	3
-	**-**	**-**	**4**	**1**	**3**	**4**	**1**	**3**
-	-	-	1,072	834	238	1,072	834	238
-	**-**	**-**	**1,072**	**834**	**238**	**1,072**	**834**	**238**
-	-	-	4,895	3,330	1,565	4,895	3,330	1,565
-	**-**	**-**	**4,895**	**3,330**	**1,565**	**4,895**	**3,330**	**1,565**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	**-**	**-**	**-**
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	**-**	**-**	**-**
Senior Services			
Elderly Medication Program	1,993	1,927	66
Medicaid Waiver Services	8,360	8,101	259
Planning and Advocacy for Elderly	6,218	5,620	598
Total Senior Services	**16,571**	**15,648**	**923**
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	-	-	-
Resource Conservation and Development	2,088	2,042	46
Water Resource Development	2,235	2,177	58
Total Soil and Water Conservation Commission	**4,323**	**4,219**	**104**
Speaker of the House			
Speaker of House, Office of	852	498	354
Total Speaker of the House	**852**	**498**	**354**
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	5,546	5,313	233
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	**5,546**	**5,313**	**233**
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	**-**	**-**	**-**
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	**-**	**-**	**-**
Supreme Court			
Court Operations	10,310	8,822	1,488
Total Supreme Court	**10,310**	**8,822**	**1,488**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	44,928	31,809	13,119	44,928	31,809	13,119
-	**-**	**-**	**44,928**	**31,809**	**13,119**	**44,928**	**31,809**	**13,119**
-	-	-	13,890	8,974	4,916	13,890	8,974	4,916
-	**-**	**-**	**13,890**	**8,974**	**4,916**	**13,890**	**8,974**	**4,916**
-	-	-	-	-	-	1,993	1,927	66
-	-	-	61,152	50,685	10,467	69,512	58,786	10,726
-	-	-	32,394	28,848	3,546	38,612	34,468	4,144
-	**-**	**-**	**93,546**	**79,533**	**14,013**	**110,117**	**95,181**	**14,936**
1,316	1,316	-	-	-	-	1,316	1,316	-
1,316	**1,316**	**-**	**-**	**-**	**-**	**1,316**	**1,316**	**-**
-	-	-	355	276	79	355	276	79
-	**-**	**-**	**355**	**276**	**79**	**355**	**276**	**79**
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	2,088	2,042	46
-	-	-	1,600	522	1,078	3,835	2,699	1,136
-	**-**	**-**	**1,605**	**524**	**1,081**	**5,928**	**4,743**	**1,185**
-	-	-	-	-	-	852	498	354
-	**-**	**-**	**-**	**-**	**-**	**852**	**498**	**354**
-	-	-	289	185	104	289	185	104
-	**-**	**-**	**289**	**185**	**104**	**289**	**185**	**104**
-	-	-	5,772	4,899	873	5,772	4,899	873
-	**-**	**-**	**5,772**	**4,899**	**873**	**5,772**	**4,899**	**873**
-	-	-	10,253	6,751	3,502	10,253	6,751	3,502
-	-	-	1,526	1,526	-	1,526	1,526	-
-	**-**	**-**	**11,779**	**8,277**	**3,502**	**11,779**	**8,277**	**3,502**
4,215	4,214	1	-	-	-	9,761	9,527	234
4,040	4,040	-	-	-	-	4,040	4,040	-
8,255	**8,254**	**1**	**-**	**-**	**-**	**13,801**	**13,567**	**234**
-	-	-	2,350	1,307	1,043	2,350	1,307	1,043
-	**-**	**-**	**2,350**	**1,307**	**1,043**	**2,350**	**1,307**	**1,043**
-	-	-	11,482	11,149	333	11,482	11,149	333
-	**-**	**-**	**11,482**	**11,149**	**333**	**11,482**	**11,149**	**333**
-	-	-	-	-	-	10,310	8,822	1,488
-	**-**	**-**	**-**	**-**	**-**	**10,310**	**8,822**	**1,488**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Supreme Court Law Library			
Court Operations	1,397	1,380	17
Total Supreme Court Law Library	**1,397**	**1,380**	**17**
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	**-**	**-**	**-**
Tourism			
Instructional Technical Assistance	-	-	-
Tourism and Travel Promotion	707	644	63
Total Tourism	**707**	**644**	**63**
Veterans Affairs			
Administration of Veterans Affairs	3,659	2,938	721
Student Financial Aid	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	**3,659**	**2,938**	**721**
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	**-**	**-**	**-**
Women's Commission			
Employment and Social Opportunities	55	36	19
Total Women's Commission	**55**	**36**	**19**
TOTAL Other	**216,625**	**196,301**	**20,324**
TOTAL EXPENDITURES	**$ 1,249,039**	**$ 1,159,111**	**$ 89,928**
TRANSFERS OUT:			
Education Trust Fund Transfers			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1,397	1,380	17
-	**-**	**-**	**-**	**-**	**-**	**1,397**	**1,380**	**17**
-	-	-	3,882	2,379	1,503	3,882	2,379	1,503
-	**-**	**-**	**3,882**	**2,379**	**1,503**	**3,882**	**2,379**	**1,503**
-	-	-	86	86	-	86	86	-
-	-	-	31,539	24,427	7,112	32,246	25,071	7,175
-	**-**	**-**	**31,625**	**24,513**	**7,112**	**32,332**	**25,157**	**7,175**
2,354	2,129	225	4,573	2,629	1,944	10,586	7,696	2,890
30,052	28,464	1,588	-	-	-	30,052	28,464	1,588
-	-	-	44,423	27,592	16,831	44,423	27,592	16,831
32,406	**30,593**	**1,813**	**48,996**	**30,221**	**18,775**	**85,061**	**63,752**	**21,309**
-	-	-	600	503	97	600	503	97
-	**-**	**-**	**600**	**503**	**97**	**600**	**503**	**97**
-	-	-	-	-	-	55	36	19
-	**-**	**-**	**-**	**-**	**-**	**55**	**36**	**19**
132,815	**127,384**	**5,431**	**1,375,855**	**1,093,210**	**282,645**	**1,725,295**	**1,416,895**	**308,400**
$ 5,173,532	**$ 5,151,093**	**$ 22,439**	**$17,783,038**	**$13,688,902**	**$ 4,094,136**	**$24,205,609**	**$19,999,106**	**$ 4,206,503**
514	514	-	-	-	-	514	514	-
1,549	1,549	-	-	-	-	1,549	1,549	-
1,706	1,706	-	-	-	-	1,706	1,706	-
1,119	1,119	-	-	-	-	1,119	1,119	-
12,673	12,673	-	-	-	-	12,673	12,673	-
26,637	26,637	-	-	-	-	26,637	26,637	-
345	345	-	-	-	-	345	345	-
533	533	-	-	-	-	533	533	-
8,278	8,278	-	-	-	-	8,278	8,278	-
53,354	**53,354**	**-**	**-**	**-**	**-**	**53,354**	**53,354**	**-**

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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, 2010

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
General Fund Transfers			
Alabama Bureau of Investigation Cost of Evidence	90	90	-
Child Abuse Board	1,276	1,276	-
Child Health Insurance Program	36,420	36,420	-
Children's Policy Council	18	18	-
Conservation and Natural Resources	647	647	-
Crime Victims Compensation Commission	81	81	-
Educational Television Commission	540	540	-
Environmental Management - Operations	4,911	4,911	-
Environmental Management-Hazardous Substance Fund	20	20	-
Environmental Management-Steel / Dust Sludge	324	227	97
Fair Trial Tax Transfer	40,371	40,371	-
Finance	2,244	2,244	-
Forestry Commission	13,242	13,242	-
Forestry Emergency Forest Fire	162	162	-
Historical Commission	3,831	3,831	-
Human Resources	97,897	97,897	-
Local Emergency Management Agency Assistance	152	152	-
Mental Health	103,714	103,714	-
Peace Officers Annuity & Benefit	81	81	-
Penny Trust Fund	343	343	-
Pollution Control Grant	1,092	1,092	-
Pollution Grant	419	419	-
Postsecondary Department	639	639	-
Revenue-Ad Valorem Equalization	203	203	-
Surface Mining Commission	434	434	-
Tourism and Travel Department	1,744	1,744	-
Treasurer-SAFE Program	201	201	-
Agriculture and Conservation Development Commission	2,040	2,040	-
TOTAL General Fund Transfers	**313,136**	**313,039**	**97**
TOTAL TRANSFERS OUT	**$ 313,136**	**$ 313,039**	**$ 97**
TOTAL EXPENDITURES AND TRANSFERS OUT	**$ 1,562,175**	**$ 1,472,150**	**$ 90,025**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	1,276	1,276	-
-	-	-	-	-	-	36,420	36,420	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	647	647	-
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	540	540	-
-	-	-	-	-	-	4,911	4,911	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	324	227	97
-	-	-	-	-	-	40,371	40,371	-
-	-	-	-	-	-	2,244	2,244	-
-	-	-	-	-	-	13,242	13,242	-
-	-	-	-	-	-	162	162	-
-	-	-	-	-	-	3,831	3,831	-
-	-	-	-	-	-	97,897	97,897	-
-	-	-	-	-	-	152	152	-
-	-	-	-	-	-	103,714	103,714	-
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	343	343	-
-	-	-	-	-	-	1,092	1,092	-
-	-	-	-	-	-	419	419	-
-	-	-	-	-	-	639	639	-
-	-	-	-	-	-	203	203	-
-	-	-	-	-	-	434	434	-
-	-	-	-	-	-	1,744	1,744	-
-	-	-	-	-	-	201	201	-
-	-	-	-	-	-	2,040	2,040	-
-	**-**	**-**	**-**	**-**	**-**	**313,136**	**313,039**	**97**
$ 53,354	**$ 53,354**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 366,490**	**$ 366,393**	**$ 97**
$ 5,226,886	**$ 5,204,447**	**$ 22,439**	**$17,783,038**	**$13,688,902**	**$ 4,094,136**	**$24,572,099**	**$20,365,499**	**$ 4,206,600**

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES
Governmental Funds in State Treasury
Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

TAXES		
General Sales Tax (4% on gross retail sale of merchandise)	$ 1,857,375	9.8%
General Use Tax	245,780	1.3%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	2,949,581	15.5%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	46,976	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	316,705	1.7%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	410,158	2.1%
Utilities Tax (6% telephone, 4% other)	436,765	2.4%
Insurance Premium Tax (1% to 6%)	256,786	1.3%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	104,802	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	137,737	0.7%
Corporation Taxes (privilege, 25¢ to $1.75 per $1,000 net worth; permit, entrance fees for filing)	39,064	0.2%
State Beer Tax (5¢ per 12 oz.)	55,368	0.3%
Public Utilities (2.2%)	143,742	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	137,234	0.7%
Tennessee Valley Authority (payments in-lieu of all state taxes)	122,653	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	62,235	0.3%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	81,969	0.4%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	18,874	0.1%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	55,730	0.3%
Coal Severance Tax (33.5¢ per ton)	6,445	0.0%
Forestry Severance Tax	4,964	0.0%
Inheritance Tax (amount of federal credit)	96	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	33,724	0.2%
Lodgings Tax (4% or 5% of charge)	43,312	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	1,727	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,823	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	2,104	0.0%
Court Cost Taxes	35,200	0.2%
Medicaid Taxes	269,627	1.4%
Cellular Telephones (6%)	105,918	0.6%
Ground Materials Severance Tax	831	0.0%
Miscellaneous Taxes	18,603	0.1%
TOTAL TAXES	**8,003,908**	**41.9%**

LICENSES AND FEES		
Conservation Licenses (fishing, hunting, boat registration, etc)	26,149	0.1%
Drivers Licenses and Fees	50,954	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,011	0.3%
Agricultural Licenses and Fees	11,091	0.1%
Wholesale Oil Company License	3,677	0.0%
Motor Vehicle License ($23.00 on auto; up to $845.00 on trucks and up to $210.00 on buses)	157,239	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	76,519	0.4%
Court Fees	80,346	0.4%
Alcoholic Beverage Licenses	2,489	0.0%
Insurance Corporation Licenses and Fees	1,369	0.0%
Miscellaneous License and Fees	153,648	0.8%
TOTAL LICENSES AND FEES	**623,492**	**3.3%**
FINES AND FORFEITS		
Court Fines and Forfeits	32,852	0.2%
Tobacco Settlement	97,266	0.5%
Miscellaneous Fines and Forfeits	15,803	0.1%
TOTAL FINES AND FORFEITS	**145,921**	**0.8%**
INVESTMENT INCOME	**63,001**	**0.3%**
FEDERAL REVENUES	**9,309,838**	**48.6%**
OTHER REVENUES		
Rents and Royalties	154,071	0.8%
Reimbursements	63,536	0.3%
Sales of Property or Services	50,757	0.3%
Contributions	102,576	0.5%
Intragovernmental Services	41,541	0.2%
Local Revenues	34,871	0.2%
Disproportionate Hospital Receipts (Medicaid)	434,250	2.3%
Miscellaneous Revenues	98,046	0.5%
TOTAL OTHER REVENUES	**979,648**	**5.1%**
TOTAL REVENUES	**$19,125,808**	**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, 2010

(Amounts in Thousands)

	Total Revenues	Admin-istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	$ 1,857,375	$ 40,574	$ 1,816,801	$ 61,425	$ 75,637	$ 0	$ 1,566,190	$ 0
General Use Tax	245,780	4,333	241,447	500	1,828	-	237,871	-
Income Tax	2,949,581	52,712	2,896,869	-	-	-	2,896,869	-
Property Tax Relief	46,976	-	46,976	6,938	19,224	20,814	-	-
General Property Tax	316,705	5,888	310,817	47,274	119,695	143,848	-	-
Gasoline Taxes	410,158	12,322	397,836	-	-	-	-	-
Utilities Tax	436,765	413	436,352	-	-	-	421,752	-
Insurance Premium Tax	256,786	-	256,786	-	219,943	-	31,041	-
Liquor & Wine Tax	104,802	-	104,802	37,592	52,401	-	-	-
Tobacco & Cigarette Taxes	137,737	475	137,262	3,092	119,056	-	-	-
Corporation Taxes	39,064	-	39,064	-	1,545	-	-	-
State Beer Tax	55,368	-	55,368	11,074	16,610	-	22,147	-
Public Utilities	143,742	-	143,742	-	21,706	-	-	-
Motor Fuel Tax	137,234	4,642	132,592	-	-	-	-	-
Tennessee Valley Authority	122,653	-	122,653	-	-	-	-	-
Leasing/Renting Personal Property	62,235	-	62,235	-	62,235	-	-	-
Production Privilege Tax	81,969	-	81,969	-	64,440	-	-	-
Financial Institutions Excise Tax	18,874	142	18,732	-	10,471	-	-	-
Documentary Filing Taxes	55,730	-	55,730	-	55,730	-	-	-
Coal Severance Tax	6,445	-	6,445	-	-	-	-	-
Forestry Severance Tax	4,964	314	4,650	-	-	-	-	-
Inheritance Tax	96	-	96	-	96	-	-	-
Contractors Gross Receipts Tax	33,724	50	33,674	5,038	-	-	-	-
Lodgings Tax	43,312	23	43,289	-	31,087	-	-	-
Hydroelectric Companies	1,727	1	1,726	-	-	-	725	-
Lubricating Oil Tax	1,823	14	1,809	-	608	-	-	-
Pari-mutuel Betting	2,104	-	2,104	-	2,104	-	-	-
Court Cost Taxes	35,200	-	35,200	-	10,039	-	-	-
Medicaid Provider Taxes	269,627	347	269,280	-	-	-	-	-
Cellular Telephone Tax	105,918	-	105,918	-	68,301	-	36,400	-
Ground Materials Severance Tax	831	-	831	-	-	-	-	-
Miscellaneous Taxes	18,603	89	18,514	12	4,403	89	-	-
TOTAL TAXES	**8,003,908**	**122,339**	**7,881,569**	**172,945**	**957,159**	**164,751**	**5,212,995**	**0**
LICENSES AND FEES								
Conservation Licenses	26,149	-	26,149	-	-	-	-	-
Drivers Licenses and Fees	50,954	-	50,954	-	33,121	-	-	-
Petroleum Products Inspection Fee	60,011	-	60,011	-	-	-	-	-
Agricultural License and Fees	11,091	-	11,091	-	-	-	-	-
Wholesale Oil Company License	3,677	-	3,677	-	3,677	-	-	-
Motor Vehicle License	157,239	1,676	155,563	-	42,278	-	-	-
Privilege License	76,519	1,623	74,896	-	11,121	-	2	-
Court Fees	80,346	-	80,346	-	57,070	-	-	-
Alcoholic Beverage Licenses	2,489	-	2,489	-	2,489	-	-	-
Insurance Corp Licenses and Fees	1,369	-	1,369	-	598	-	-	-
Miscellaneous License and Fees	153,648	358	153,290	445	3,450	-	44	-
TOTAL LICENSES AND FEES	**623,492**	**3,657**	**619,835**	**445**	**153,804**	**0**	**46**	**0**
FINES AND FORFEITS								
Court Fines and Forfeits	32,852	-	32,852	-	22,155	-	-	-
Tobacco Settlement	97,266	-	97,266	-	-	-	-	-
Miscellaneous Fines and Forfeits	15,803	-	15,803	-	2,025	-	-	-
TOTAL FINES AND FORFEITS	**145,921**	**-**	**145,921**	**0**	**24,180**	**-**	**0**	**0**
INVESTMENT INCOME	**63,001**	**-**	**63,001**	**-**	**23,453**	**-**	**-**	**13,285**
FEDERAL REVENUES	**9,309,838**	**712**	**9,309,126**	**1,647,118**	**-**	**-**	**-**	**-**
Disproportionate Public Hospital	434,250	-	434,250	-	-	-	-	-
Miscellaneous Revenues	545,398	5,756	539,642	9,021	1,044	4,203	238	123,713
TOTAL REVENUES	**$ 19,125,808**	**$ 132,464**	**$ 18,993,344**	**$ 1,829,529**	**$ 1,159,640**	**$ 168,954**	**$ 5,213,279**	**$ 136,998**

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
$ 4,674	$ 103,875	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,248	Conservation Dept.
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
176,979	-	-	216,356	-	-	-	4,501	Conservation 3.6M
-	-	-	-	14,600	-	-	-	
-	-	-	-	4,525	-	-	1,277	Insurance Dept
-	-	-	-	14,809	-	-	-	
754	2,300	-	-	8,950	-	-	3,110	State Parks
36,930	-	-	-	-	-	-	589	Secretary of State
5,537	-	-	-	-	-	-	-	
-	-	-	-	122,036	-	-	-	
2,353	-	-	130,239	-	-	-	-	
101,802	20,851	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
17,529	-	-	-	-	-	-	-	
8,261	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
3,846	-	-	-	-	-	-	2,599	
-	-	-	-	-	-	-	4,650	Forestry
-	-	-	-	-	-	-	-	
-	-	-	-	28,636	-	-	-	
1,835	-	-	-	-	-	-	10,367	Tourism
-	-	-	-	1,001	-	-	-	
661	-	-	540	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	3,458	-	21,703	Fair Trial Fd 18.6M
-	-	269,280	-	-	-	-	-	
-	1,217	-	-	-	-	-	-	
831	-	-	-	-	-	-	-	
234	-	-	36	-	-	-	13,740	ADEM 8.4M; Indus Rel 5.3M
362,226	**128,243**	**269,280**	**347,171**	**194,557**	**3,458**	**0**	**68,784**	
-	-	-	-	-	-	-	26,149	Conservation
775	-	-	-	-	-	-	17,058	Public Safety
9,565	-	-	47,483	-	-	-	2,963	Agriculture
-	-	-	-	-	-	-	11,091	Agriculture
-	-	-	-	-	-	-	-	
20,514	-	-	88,280	-	-	-	4,491	Corrections 3.6M
-	-	-	3,422	2,914	948	-	56,489	Prof & Occup Bds 26 M
-	-	-	-	153	-	-	23,123	AOC 11M; DPS 2.8M; DFS 7.1M
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	771	Insurance Dept
-	-	-	1,277	27,675	-	-	120,399	ADEM 62M; PSC 16M; Bank 15M
30,854	**0**	**0**	**140,462**	**30,742**	**948**	**0**	**262,534**	
-	-	-	-	-	-	1,957	8,740	DFS 2.5M; DOC 1.9
-	-	-	-	-	-	-	97,266	21st Century Fund
-	-	3,369	-	-	4	-	10,405	DPS 2.4M; AG 2.4M
-	**0**	**3,369**	**0**	**0**	**4**	**1,957**	**116,411**	
19,991	**151**	**31**	**1,683**	**-**	**2**	**11**	**4,394**	Research Alliance 3M
2,347	**-**	**3,946,493**	**990,061**	**422,818**	**1,231,465**	**330,244**	**738,580**	DOC 197M; Univ 92M; DIR 70M
-	-	434,250	-	-	-	-	-	
-	2,446	95,791	24,311	66,138	9,970	3,185	199,582	Cons 54M; Corr 19M; ADEM 21M
$ 415,418	**$ 130,840**	**$ 4,749,214**	**$ 1,503,688**	**$ 714,255**	**$1,245,847**	**$ 335,397**	**$ 1,390,285**	

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
CAHABA 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.

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 and Military Billeting.

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2010
(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 7,559	$ 131	$ 815	$ 2,655
Investments, Short-term	-	104	-	-
Accounts Receivable	44	-	3	-
Securities Lending Collateral	-	-	-	-
Inventory	-	-	648	174
Other Current Assets	300	-	-	-
Total Current Assets	**7,903**	**235**	**1,466**	**2,829**
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	5	1,532	-	1,105
Capital Assets Not Depreciated	-	2,630	-	-
Total Noncurrent Assets	**5**	**4,162**	**0**	**1,105**
TOTAL ASSETS	**7,908**	**4,397**	**1,466**	**3,934**
LIABILITIES				
Current Liabilities				
Salaries Payable	-	2	-	2
Due to Other Funds	-	-	641	-
Due to Component Units	25	-	-	-
Accounts Payable	23	16	57	4
Due to Other Governments	-	-	-	-
Claims Payable	3,700	-	-	-
Unearned Revenue	401	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	**4,149**	**18**	**698**	**6**
Noncurrent Liabilities				
Compensated Absences	-	9	-	-
Other Post-employment Benefits	-	12	-	-
Notes and Capital Leases Payable	-	1,825	-	-
Total Noncurent Liabilities	**0**	**1,846**	**0**	**0**
Total Liabilities	**4,149**	**1,864**	**698**	**6**
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5	2,337	-	1,105
Unrestricted	3,754	196	768	2,823
TOTAL NET ASSETS	**$ 3,759**	**$ 2,533**	**$ 768**	**$ 3,928**

Other Nonmajor Enterprise Funds	Totals
$ 244	$ 11,404
-	104
-	47
11	11
-	822
-	300
255	**12,688**
64	2,706
-	2,630
64	**5,336**
319	**18,024**
24	28
-	641
1	26
42	142
3	3
-	3,700
-	401
11	11
81	**4,952**
10	19
83	95
-	1,825
93	**1,939**
174	**6,891**
64	3,511
81	7,622
$ 145	**$ 11,133**

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

For the Fiscal Year Ended September 30, 2010

(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	$ 22,061	$ 11,161
Premiums and Contributions	14,471	-	-	-
Rents and Leases	-	199	-	-
Total Operating Revenues	**14,471**	**199**	**22,061**	**11,161**
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	58	-	95
Utilities and Communications	-	10	-	-
Professional Services	360	4	-	-
Supplies, Materials, and Operating Expenses	-	55	12,507	10,254
Depreciation	6	172	-	66
Claims and Benefits	21,368	-	-	-
Other	-	8	-	-
Total Operating Expenses	**21,734**	**307**	**12,507**	**10,415**
Operating Income (Loss)	**(7,263)**	**(108)**	**9,554**	**746**
NONOPERATING REVENUES (EXPENSES)				
Taxes	3,901	-	-	-
Grants	-	-	-	-
Investment Income	19	3	-	25
Other Nonoperating Revenues	-	120	69	5
Interest Expense	-	(91)	-	-
Total Nonoperating Revenues (Expenses)	**3,920**	**32**	**69**	**30**
Income (Loss) Before Contributions and Transfers	**(3,343)**	**(76)**	**9,623**	**776**
Transfers Out	-	-	(9,593)	(92)
Increase (Decrease) in Net Assets	**(3,343)**	**(76)**	**30**	**684**
Total Net Assets, October 1, 2009, as Restated	7,102	2,609	738	3,244
Total Net Assets, September 30, 2010	**$ 3,759**	**$ 2,533**	**$ 768**	**$ 3,928**

Other Nonmajor Enterprise Funds	Totals
$ 0	$ 33,222
-	14,471
422	621
422	**48,314**
331	484
190	200
8	372
36	22,852
20	264
-	21,368
1	9
586	**45,549**
(164)	**2,765**
-	3,901
119	119
-	47
3	197
-	(91)
122	**4,173**
(42)	**6,938**
(2)	(9,687)
(44)	**(2,749)**
189	13,882
$ 145	**$ 11,133**

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2010
(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	$ 18,380	$ 200	$ 22,072	$ 11,165
Receipts from Interfund Services	-	-	-	-
Receipts from Other Operating Activities	-	120	69	-
Payments for Goods Held for Resale	(455)	-	(12,512)	(10,162)
Payments for Other Goods & Services	(21,170)	(77)	-	(85)
Payments for Employees Services	-	(54)	-	(94)
Payments for Interfund Services	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	**(3,245)**	**189**	**9,629**	**824**
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds for Noncapital Financing	-	-	(9,595)	(92)
Net Cash Provided By (Used In) Noncapital Financing Activities	**0**	**0**	**(9,595)**	**(92)**
Cash Flows From Capital & Related Financing Activities:				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	101	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	-	-	(490)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(71)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(91)	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**0**	**(61)**	**0**	**(490)**
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	19	3	-	25
Purchase of Investments	-	(104)	-	-
Net Cash Provided By (Used In) Investing Activities	**19**	**(101)**	**0**	**25**
Net Increase (Decrease) In Cash and Cash Equivalents	**(3,226)**	**27**	**34**	**267**
Cash Balance as Restated, October 1, 2009	10,785	104	781	2,388
Cash Balance, September 30, 2010	**7,559**	**131**	**815**	**2,655**
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 7,559**	**$ 131**	**$ 815**	**$ 2,655**

Other Nonmajor Enterprise Funds	Totals
$ 421	$ 52,238
8	8
120	309
-	(23,129)
(205)	(21,537)
(317)	(465)
(5)	(5)
22	**7,419**
(2)	(9,689)
(2)	**(9,689)**
-	101
-	(490)
-	(71)
-	(91)
0	**(551)**
-	47
-	(104)
0	**(57)**
20	**(2,878)**
224	14,282
244	**11,404**
$ 244	**$ 11,404**

Continued on next page...

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

For the Fiscal Year Ended September 30, 2010
(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)	**$ (7,263)**	**$ (108)**	**$ 9,554**	**$ 746**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	-	-
Accounts Receivable	(8)	-	12	5
Inventory	-	-	(19)	4
Salaries Payable	-	-	-	-
Due to Other Funds	(96)	-	-	-
Accounts Payable	6	1	13	3
Claims Payable	197	-	-	-
Unearned Revenue	12	-	-	-
Compensated Absences	-	-	-	-
Other Post-employment Benefits	-	4	-	-
Depreciation	6	172	-	66
Nonoperating Revenues	3,901	120	69	-
Total Adjustments	4,018	297	75	78
Net Cash Provided (Used) by Operating Activities	**$ (3,245)**	**$ 189**	**$ 9,629**	**$ 824**
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(101)	-	-

Other Nonmajor Enterprise Funds	Totals
$ (164)	**$ 2,765**
8	8
-	9
-	(15)
(8)	(8)
1	(95)
25	48
-	197
-	12
(1)	(1)
20	24
20	264
121	4,211
186	4,654
$ 22	**$ 7,419**
-	(101)

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
CAHABA 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 efficiency in the acquisition, operation and maintenance of telecommunications and computer equipment, services, systems, and networks used by state agencies.

Service Division

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

Correctional Industries

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

Building Renovation Finance Authority

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

Risk Management

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

Other Internal Service Funds

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

COMBINING STATEMENT OF NET ASSETS
Internal Service Funds

September 30, 2010
(Amounts in Thousands)

	Telecom-munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 7,810	$ 3,241	$ 4,564	$ 20,166	$ 10,067
Investments, Short-term	-	-	-	-	57,827
Due from Other Funds	9,047	1,563	2,372	1,283	1,125
Due from Component Units	282	143	148	-	13
Accounts Receivable	761	264	-	3	1,029
Interest and Dividends Receivable	-	-	-	-	142
Securities Lending Collateral	336	139	197	574	192
Inventory	-	820	8,606	-	-
Other Current Assets	-	-	-	-	10,629
Total Current Assets	**18,236**	**6,170**	**15,887**	**22,026**	**81,024**
Noncurrent Assets					
Investments, Long-term	-	-	-	-	85,249
Due From Other Funds, Noncurrent	429	-	-	-	8,857
Due From Component Unit, Noncurrent	-	-	-	-	1,312
Other Noncurrent Assets	-	-	-	794	-
Capital Assets, Net of Accumulated Depreciation	2,403	2,459	2,232	37,260	162
Capital Assets Not Depreciated	-	-	620	24,475	5,139
Total Noncurrent Assets	**2,832**	**2,459**	**2,852**	**62,529**	**100,719**
TOTAL ASSETS	**21,068**	**8,629**	**18,739**	**84,555**	**181,743**
LIABILITIES					
Current Liabilities					
Warrants Payable	2	-	3	7	310
Salaries Payable	1,289	101	424	272	352
Due to Other Funds	1,018	113	71	12	130
Due to Component Units	22	1	-	-	305
Accounts Payable	4,235	1,404	1,160	628	228
Due to Other Governments	-	-	3	38	-
Claims Payable	-	-	-	-	10,613
Compensated Absences	2	-	-	7	-
Securities Lending Obligation	336	139	197	574	192
Notes and Capital Leases Payable	-	326	-	-	-
Revenue Bonds Payable	-	-	-	7,655	-
Total Current Liabilities	**6,904**	**2,084**	**1,858**	**9,193**	**12,130**
Noncurrent Liabilities					
Claims Payable	-	-	-	-	48,669
Compensated Absences	2,552	94	804	402	412
Other Post-employment Benefits	2,047	292	1,140	708	564
Notes and Capital Leases Payable	-	1,017	-	-	-
Revenue Bonds Payable	-	-	-	66,079	-
Other Long-term Liabilities	779	-	-	-	-
Total Noncurent Liabilities	**5,378**	**1,403**	**1,944**	**67,189**	**49,645**
Total Liabilities	**12,282**	**3,487**	**3,802**	**76,382**	**61,775**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,403	1,116	2,852	(5,167)	5,301
Restricted for:					
Capital Projects	-	-	-	6,924	-
Unrestricted	6,383	4,026	12,085	6,416	114,667
TOTAL NET ASSETS	**$ 8,786**	**$ 5,142**	**$ 14,937**	**$ 8,173**	**$ 119,968**

Other Internal Service Funds	Totals
$ 1,419	$ 47,267
-	57,827
-	15,390
-	586
-	2,057
-	142
61	1,499
-	9,426
-	10,629
1,480	**144,823**
-	85,249
-	9,286
-	1,312
-	794
32	44,548
-	30,234
32	**171,423**
1,512	**316,246**
-	322
202	2,640
23	1,367
-	328
29	7,684
-	41
-	10,613
-	9
61	1,499
-	326
-	7,655
315	**32,484**
-	48,669
439	4,703
422	5,173
-	1,017
-	66,079
-	779
861	**126,420**
1,176	**158,904**
32	6,537
-	6,924
304	143,881
$ 336	**$ 157,342**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Telecom-munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	$ 42,661	$ 10,630	$ 11,121	$ 854	$ 315
Premiums and Contributions	-	-	-	-	52,048
Rents and Leases	-	-	-	18,346	-
Total Operating Revenues	**42,661**	**10,630**	**11,121**	**19,200**	**52,363**
OPERATING EXPENSES					
Salaries, Wages, and Benefits	16,065	1,304	5,528	3,639	4,171
Utilities and Communications	17,663	71	654	3,581	120
Professional Services	3,598	278	290	1,522	5,660
Supplies, Materials, and Operating Expenses	4,335	7,251	8,382	435	20,541
Interest	-	-	-	3,231	-
Depreciation	1,458	794	485	3,008	83
Claims and Benefits	-	-	-	-	17,674
Other	3,240	1,493	747	1,216	64
Total Operating Expenses	**46,359**	**11,191**	**16,086**	**16,632**	**48,313**
Operating Income (Loss)	**(3,698)**	**(561)**	**(4,965)**	**2,568**	**4,050**
NONOPERATING REVENUES (EXPENSES)					
Grants	33	5	19	11	10
Investment Income	-	-	-	18	5,033
Other Nonoperating Revenues	196	103	71	6	34
Interest Expense	-	(102)	-	-	-
Other Nonoperating Expenses	-	-	(126)	(19)	-
Total Nonoperating Revenues (Expenses)	**229**	**6**	**(36)**	**16**	**5,077**
Income (Loss) Before Contributions and Transfers	**(3,469)**	**(555)**	**(5,001)**	**2,584**	**9,127**
Transfers In	1,935	15	4,446	3,994	-
Transfers Out	(60)	(17)	(37)	(27)	(14)
Increase (Decrease) in Net Assets	**(1,594)**	**(557)**	**(592)**	**6,551**	**9,113**
Total Net Assets, October 1, 2009, as Restated	10,380	5,699	15,529	1,622	110,855
Total Net Assets, September 30, 2010	**$ 8,786**	**$ 5,142**	**$ 14,937**	**$ 8,173**	**$ 119,968**

Other Internal Service Funds	Totals
$ 3,187	$ 68,768
-	52,048
-	18,346
3,187	**139,162**
2,911	33,618
31	22,120
368	11,716
49	40,993
-	3,231
16	5,844
-	17,674
153	6,913
3,528	**142,109**
(341)	**(2,947)**
6	84
-	5,051
2	412
-	(102)
-	(145)
8	**5,300**
(333)	**2,353**
-	10,390
(9)	(164)
(342)	**12,579**
678	144,763
$ 336	**$ 157,342**

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2010
(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	$ 1,390	$ 1,027	$ 2,108	$ 18	$ 31,207
Receipts from Interfund Services	41,334	9,004	8,373	18,767	25,805
Receipts from Other Operating Activities	3,813	10	6	161	315
Payments for Goods Held for Resale	(102)	(6,798)	(7,063)	-	-
Payments for Other Goods & Services	(26,985)	(1,291)	(1,759)	(6,482)	(25,723)
Payments for Employees Services	(15,547)	(1,199)	(5,496)	(3,482)	(3,927)
Payments for Taxes, Fines, Penalties, & Similar Fees	(167)	-	(1)	-	-
Payments for Interfund Services	(1,635)	(448)	(562)	(537)	(1,905)
Payments for Other Operating Activities	(4,611)	-	(186)	(21)	(51)
Payments for Claims	-	-	-	-	(20,630)
Net Cash Provided by (Used In) Operating Activities	**(2,510)**	**305**	**(4,580)**	**8,424**	**5,091**
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	1,929	-	3,706	4,083	-
Transfers to Other Funds for Noncapital Financing	(53)	(8)	(37)	(27)	(14)
Net Cash Provided By (Used In) Noncapital Financing Activities	**1,876**	**(8)**	**3,669**	**4,056**	**(14)**
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	29,125	-
Receipts from Sale of Capital Assets & Insurance Proceeds	194	94	24	2	-
Payments to Acquire, Construct, & Improve Capital Assets	(889)	(7)	(245)	(284)	(2,745)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(251)	-	(6,889)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(101)	-	(31,152)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**(695)**	**(265)**	**(221)**	**(9,198)**	**(2,745)**
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	176,703
Receipts from Interest & Dividends on Investments & Loans	-	-	-	18	2,870
Purchase of Investments	-	-	-	-	(214,634)
Net Cash Provided By (Used In) Investing Activities	**0**	**0**	**0**	**18**	**(35,061)**
Net Increase (Decrease) In Cash and Cash Equivalents	**(1,329)**	**32**	**(1,132)**	**3,300**	**(32,729)**
Cash Balance as Restated, October 1, 2009	9,137	3,209	5,693	16,859	42,486
Cash Balance, September 30, 2010	**7,808**	**3,241**	**4,561**	**20,159**	**9,757**
Add: Warrants Payable	2	-	3	7	310
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 7,810**	**$ 3,241**	**$ 4,564**	**$ 20,166**	**$ 10,067**

Other Internal Service Funds	Totals
$ 2	$ 35,752
3,185	106,468
2	4,307
-	(13,963)
(214)	(62,454)
(2,788)	(32,439)
-	(168)
(356)	(5,443)
(3)	(4,872)
-	(20,630)
(172)	**6,558**
-	9,718
(9)	(148)
(9)	**9,570**
-	29,125
1	315
(26)	(4,196)
-	(7,140)
-	(31,253)
(25)	**(13,149)**
-	176,703
-	2,888
-	(214,634)
0	**(35,043)**
(206)	**(32,064)**
1,625	79,009
1,419	**46,945**
-	322
$ 1,419	**$ 47,267**

Continued on next page...

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)
Internal Service Funds

For the Fiscal Year Ended September 30, 2010
(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)	**$ (3,698)**	**$ (561)**	**$ (4,965)**	**$ 2,568**	**$ 4,050**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	(735)	(262)	(523)	(405)	628
Accounts Receivable	747	(38)	-	9	503
Inventory	-	499	676	-	-
Other Assets	-	-	-	-	(296)
Capital Assets	-	-	-	116	-
Salaries Payable	(23)	4	(58)	(24)	42
Due to Other Funds	(1,198)	98	(192)	(13)	298
Accounts Payable	211	(339)	(98)	(235)	(176)
Due to Other Governments	(167)	-	-	-	-
Claims Payable	-	-	-	-	(126)
Amounts Held Pending Distribution	349	-	-	-	-
Unearned Revenue	-	-	-	-	(381)
Funds Held in Escrow	-	-	-	-	192
Compensated Absences	(19)	17	(183)	(14)	34
Other Post-employment Benefits	527	79	257	184	157
Investment Income	-	-	-	-	56
Operating Interest Expense	-	-	-	3,231	9
Depreciation	1,458	794	485	3,008	83
Nonoperating Revenues	38	15	21	18	18
Nonoperating Expenses	-	(1)	-	(19)	-
Total Adjustments	1,188	866	385	5,856	1,041
Net Cash Provided (Used) by Operating Activities	**$ (2,510)**	**$ 305**	**$ (4,580)**	**$ 8,424**	**$ 5,091**
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	4,779	589	90	244	203
Capital Assets Acquired by Capital Lease or Other Debt	-	1,343	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	(3,506)	(175)	(1,121)	(216)	(210)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	(1,091)	-
Interest Accruals and Other Adjustments	-	-	-	-	(524)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(1,605)
Transfers In (Out)	1	(6)	(740)	89	-

Other Internal Service Funds	Totals
$ (341)	**$ (2,947)**
-	(1,297)
-	1,221
-	1,175
-	(296)
-	116
(7)	(66)
6	(1,001)
24	(613)
-	(167)
-	(126)
-	349
-	(381)
-	192
21	(144)
102	1,306
-	56
-	3,240
16	5,844
7	117
-	(20)
169	9,505
$ (172)	**$ 6,558**
1	5,906
-	1,343
(20)	(5,248)
-	(1,091)
-	(524)
-	(1,605)
-	(656)

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
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, 2010
(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	$ 14,272	$ 22,919	$ 1,782	$ 257	$ 0
Investments					
U.S. Treasury Securities	319,656	696,921	15,791	2,419	2,439
U.S. Agency Securities	179,440	382,678	9,984	1,091	1,596
Mortgage Backed Securities	142,408	316,296	6,562	3,297	939
Corporate Stocks	3,573,333	7,426,861	106,307	-	1,458
Corporate Bonds	1,424,254	2,923,052	35,713	2,396	3,684
Real Estate	923,235	1,893,380	2,686	-	-
Commercial Paper	229,985	347,431	2,999	-	-
International Stocks	1,101,393	2,488,588	33,219	-	-
Mutual and Money Market Funds	78,596	138,374	5,254	9,428	1,848
Receivables					
Employer Contributions Receivable	30,329	64,509	369	-	-
Member Contributions Receivable	15,197	25,796	114	-	-
Investment Sales Receivable	425,256	923,111	17	-	-
Accounts Receivable	741	1,219	-	2	-
Interest and Dividends Receivable	25,278	54,920	1,094	75	100
Securities Lending Collateral	855,001	1,943,162	29,439	8	2,138
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	50,279	100,855	-	10	-
Capital Assets Not Depreciated	2,535	5,085	-	-	-
TOTAL ASSETS	**9,391,188**	**19,755,157**	**251,330**	**18,983**	**14,202**
LIABILITIES					
Warrants Payable	$ 11,004	$ 18,042	$ 520	$ 113	$ 0
Investment Purchases Payable	343,876	750,027	22	-	-
Salaries Payable	900	1,217	15	28	-
Due to Other Funds	-	-	-	2	-
Accounts Payable	407	813	6	11	-
Due to Other Governments	2	3	-	-	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	855,001	1,943,162	29,439	8	2,138
Deferred Revenue	-	-	-	-	-
Compensated Absences	1,691	2,591	64	92	-
Other Post-employment Benefits	1,551	1,467	20	45	-
TOTAL LIABILITIES	**1,214,432**	**2,717,322**	**30,086**	**299**	**2,138**
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	8,176,756	17,037,835	221,244	18,684	12,064
TOTAL NET ASSETS	**$ 8,176,756**	**$ 17,037,835**	**$ 221,244**	**$ 18,684**	**$ 12,064**

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
$ 0	$ 29	$ 1,098	$ 956	$ 0	$ 0	$ 41,313
143	2,525	-	274,581	59,930	9,937	1,384,342
93	1,548	-	137,135	35,191	10,104	758,860
55	1,014	-	109,212	23,493	3,278	606,554
85	1	-	197,923	305,705	40,119	11,651,792
216	4,377	-	445,676	80,532	19,670	4,939,570
-	-	-	-	-	-	2,819,301
-	-	-	195,690	114,326	-	890,431
-	-	-	-	101,970	12,157	3,737,327
108	933	-	48,566	46,923	1,526	331,556
-	-	-	-	-	-	95,207
-	-	-	-	-	2	41,109
-	-	-	-	57	-	1,348,441
-	-	223	-	11,396	2,157	15,738
6	108	-	11,319	3,093	694	96,687
125	1,832	47	258,613	54,194	58,753	3,203,312
-	-	-	-	3,231	-	3,231
-	-	-	-	-	-	151,144
-	-	-	-	-	-	7,620
831	**12,367**	**1,368**	**1,679,671**	**840,041**	**158,397**	**32,123,535**
$ 0	$ 29	$ 0	$ 955	$ 0	$ 0	$ 30,663
-	-	-	20	78	-	1,094,023
-	-	-	-	-	-	2,160
-	-	-	-	-	-	2
-	-	2,626	-	-	-	3,863
-	-	-	-	-	-	5
-	-	-	-	35,383	14,316	49,699
125	1,832	47	258,613	54,194	58,753	3,203,312
-	-	-	-	-	2,158	2,158
-	-	-	-	-	-	4,438
-	-	205	-	-	-	3,288
125	**1,861**	**2,878**	**259,588**	**89,655**	**75,227**	**4,393,611**
706	10,506	(1,510)	1,420,083	750,386	83,170	27,729,924
$ 706	**$ 10,506**	**$ (1,510)**	**$ 1,420,083**	**$ 750,386**	**$ 83,170**	**$ 27,729,924**

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

For the Fiscal Year Ended September 30, 2010
(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	$ 194,977	$ 319,770	$ 2,566	$ 660	$ 0
Employer	377,974	776,415	10,815	81	1,569
Medicare Part D Retiree Drug Subsidy	-	-	-	-	-
Total Contributions	572,951	1,096,185	13,381	741	1,569
Investment Earnings					
Investment Interest and Dividends	268,708	560,023	6,551	479	541
Net Increase (Decrease) in Fair Value of Investments	427,365	886,997	15,287	1,004	506
Securities Lending Income	5,427	12,072	164	-	9
Total Investment Earnings	701,500	1,459,092	22,002	1,483	1,056
Less:					
Investment Expense	2,588	5,423	-	42	-
Securities Lending Interest and Fees	2,384	5,283	78	-	6
Net Investment Income	696,528	1,448,386	21,924	1,441	1,050
Other Additions					
Licenses and Fees	-	-	-	3,193	-
Miscellaneous	2,165	1,825	-	171	-
Total Other Additions	2,165	1,825	0	3,364	0
Total Additions	**1,271,644**	**2,546,396**	**35,305**	**5,546**	**2,619**
DEDUCTIONS					
Benefit Payments and Refunds	759,521	1,611,286	24,759	4,385	905
Administrative Expense	13,705	17,294	288	420	-
Transfers Out	-	-	-	1	-
Total Deductions	**773,226**	**1,628,580**	**25,047**	**4,806**	**905**
Changes in Net Assets	**498,418**	**917,816**	**10,258**	**740**	**1,714**
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2009, as Restated	7,678,338	16,120,019	210,986	17,944	10,350
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2010	**$ 8,176,756**	**$ 17,037,835**	**$ 221,244**	**$ 18,684**	**$ 12,064**

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	$ 371	$ 24,602	$ 118,534	$ 69,136	$ 25,081	$ 755,697
169	-	2,910	-	332,590	99,284	1,601,807
-	-	-	-	27,959	6,794	34,753
169	371	27,512	118,534	429,685	131,159	2,392,257
32	568	-	52,009	17,937	2,895	909,743
53	477	-	55,035	39,820	5,933	1,432,477
1	10	-	1,614	434	131	19,862
86	1,055	0	108,658	58,191	8,959	2,362,082
-	-	-	-	-	-	8,053
-	6	-	921	218	63	8,959
86	1,049	0	107,737	57,973	8,896	2,345,070
-	-	-	-	-	-	3,193
-	-	3	-	-	-	4,164
0	0	3	0	0	0	7,357
255	**1,420**	**27,515**	**226,271**	**487,658**	**140,055**	**4,744,684**
170	348	27,024	78,105	406,218	136,089	3,048,810
-	-	1,834	-	1,059	736	35,336
-	-	-	-	-	-	1
170	**348**	**28,858**	**78,105**	**407,277**	**136,825**	**3,084,147**
85	**1,072**	**(1,343)**	**148,166**	**80,381**	**3,230**	**1,660,537**
621	9,434	(167)	1,271,917	670,005	79,940	26,069,387
$ 706	**$ 10,506**	**$ (1,510)**	**$ 1,420,083**	**$ 750,386**	**$ 83,170**	**$ 27,729,924**

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GREAT SEAL

Private-Purpose Trust Funds

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

Prepaid Affordable College Tuition

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

Alabama College Education Savings Plan

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

Local Education Endowments

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

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, 2010
(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	$ 3,972	$ 1,061	$ 545	$ 0	$ 5,578
Investments					
Time Deposits	-	-	132	-	132
U.S. Treasury Securities	156,358	-	815	195	157,368
U.S. Agency Securities	29,335	-	287	120	29,742
State and Local Government Securities	202	-	-	-	202
Mortgage Backed Securities	68,065	-	322	75	68,462
Corporate Stocks	75,943	-	3,296	-	79,239
Corporate Bonds	83,360	-	1,364	355	85,079
Real Estate	-	-	840	-	840
Commercial Paper	-	-	540	-	540
International Stocks	28,981	-	-	-	28,981
International Bonds	2,190	-	-	-	2,190
Mutual and Money Market Funds	28,184	682,015	302	62	710,563
Commingled Funds	7,567	-	-	-	7,567
Receivables					
Due from Other Funds	21	-	-	-	21
Accounts Receivable	356	-	-	-	356
Interest and Dividends Receivable	2,616	286	1	9	2,912
Securities Lending Collateral	24	3	663	309	999
TOTAL ASSETS	**487,174**	**683,365**	**9,107**	**1,125**	**1,180,771**
LIABILITIES					
Warrants Payable	302	-	-	-	302
Salaries Payable	20	2	-	-	22
Due to Other Funds	34	-	-	-	34
Accounts Payable	35,822	855	-	-	36,677
Due to Other Governments	267	-	-	-	267
Securities Lending Obligation	24	3	663	309	999
Compensated Absences	50	-	-	-	50
Other Post-employment Benefits	42	9	-	-	51
TOTAL LIABILITIES	**36,561**	**869**	**663**	**309**	**38,402**
NET ASSETS					
Held in Trust for Beneficiaries	450,613	682,496	8,444	816	1,142,369
TOTAL NET ASSETS	**$ 450,613**	**$ 682,496**	**$ 8,444**	**$ 816**	**$ 1,142,369**

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

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	$ 8,236	$ 222,852	$ 0	$ 0	$ 231,088
Total Contributions	8,236	222,852	0	0	231,088
Investment Earnings					
Investment Interest and Dividends	15,169	11,310	183	44	26,706
Net Increase (Decrease) in Fair Value of Investments	32,098	44,555	974	40	77,667
Securities Lending Income	154	-	12	1	167
Total Investment Earnings	47,421	55,865	1,169	85	104,540
Less:					
Securities Lending Interest and Fees	48	-	4	1	53
Net Investment Income	47,373	55,865	1,165	84	104,487
Other Additions					
Miscellaneous	259	-	-	-	259
Total Other Additions	259	0	0	0	259
Total Additions	**55,868**	**278,717**	**1,165**	**84**	**335,834**
DEDUCTIONS					
Benefit Payments and Refunds	92,249	228,123	11	-	320,383
Administrative Expense	2,230	5,767	-	-	7,997
Transfers Out	-	51	-	-	51
Total Deductions	**94,479**	**233,941**	**11**	**0**	**328,431**
Changes in Net Assets	**(38,611)**	**44,776**	**1,154**	**84**	**7,403**
Net Assets Held in Trust for Beneficiaries, October 1, 2009, as Restated	489,224	637,720	7,290	732	1,134,966
Net Assets Held in Trust for Beneficiaries, September 30, 2010	**$ 450,613**	**$ 682,496**	**$ 8,444**	**$ 816**	**$ 1,142,369**

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GREAT SEAL

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, 2010

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 137,986	$ 3,470	$ 3,257	$ 36,023	$ 180,736
Investments	-	-	-	62,583	62,583
Due from Other Funds	1	-	7	121	129
Accounts Receivable	6	-	3	17	26
Securities Lending Collateral	501	150	140	1,326	2,117
TOTAL ASSETS	**$ 138,494**	**$ 3,620**	**$ 3,407**	**$ 100,070**	**$ 245,591**
LIABILITIES					
Warrants Payable	$ 16,927	$ 96	$ 2,434	$ 3,082	$ 22,539
Accounts Payable	1	-	-	618	619
Due to Other Governments	591	3,374	-	147	4,112
Securities Lending Obligation	501	150	140	1,326	2,117
Amounts Held in Custody for Others	120,474	-	833	94,897	216,204
TOTAL LIABILITIES	**$ 138,494**	**$ 3,620**	**$ 3,407**	**$ 100,070**	**$ 245,591**

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COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	$ 173,509	$ 16,215,915	$ 16,251,438	$ 137,986
Due from Other Funds	-	793	792	1
Accounts Receivable	10	-	4	6
Taxes Receivable	-	570,694	570,694	-
Securities Lending Collateral	2,323	501	2,323	501
TOTAL ASSETS	**$ 175,842**	**$ 16,787,903**	**$ 16,825,251**	**$ 138,494**
LIABILITIES				
Warrants Payable	$ 31,367	$ 787,563	$ 802,003	$ 16,927
Due to Other Funds	-	353,529	353,529	-
Accounts Payable	-	30,046	30,045	1
Tax Refunds Payable	-	230,115	230,115	-
Due to Other Governments	1,712	8,357	9,478	591
Securities Lending Obligation	2,323	501	2,323	501
Amounts Held Pending Distribution	-	29,822,746	29,822,746	-
Deferred Revenue	-	4,907	4,907	-
Amounts Held in Custody for Others	140,440	435,803	455,769	120,474
TOTAL LIABILITIES	**$ 175,842**	**$ 31,673,567**	**$ 31,710,915**	**$ 138,494**
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	$ 3,112	$ 258,276	$ 257,918	$ 3,470
Securities Lending Collateral	236	150	236	150
TOTAL ASSETS	**$ 3,348**	**$ 258,426**	**$ 258,154**	**$ 3,620**
LIABILITIES				
Warrants Payable	$ 38	$ 252,247	$ 252,189	$ 96
Accounts Payable	-	9,600	9,600	-
Due to Other Governments	1,826	258,447	256,899	3,374
Securities Lending Obligation	236	150	236	150
Amounts Held Pending Distribution	-	1,316	1,316	-
Amounts Held in Custody for Others	1,248	-	1,248	-
TOTAL LIABILITIES	**$ 3,348**	**$ 521,760**	**$ 521,488**	**$ 3,620**
PAYROLL				
ASSETS				
Cash and Cash Equivalents	$ 2,664	$ 2,436,441	$ 2,435,848	$ 3,257
Due from Other Funds	7	122	122	7
Accounts Receivable	2	1	-	3
Securities Lending Collateral	202	140	202	140
TOTAL ASSETS	**$ 2,875**	**$ 2,436,704**	**$ 2,436,172**	**$ 3,407**
LIABILITIES				
Warrants Payable	$ 1,812	$ 1,941,174	$ 1,940,552	$ 2,434
Due to Other Funds	-	290	290	-
Accounts Payable	-	783,503	783,503	-
Securities Lending Obligation	202	140	202	140
Amounts Held Pending Distribution	-	701,001	701,001	-
Amounts Held in Custody for Others	861	587,437	587,465	833
TOTAL LIABILITIES	**$ 2,875**	**$ 4,013,545**	**$ 4,013,013**	**$ 3,407**

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 33,676	$ 736,738	$ 734,391	$ 36,023
Investments	56,743	8,424	2,584	62,583
Due from Other Funds	39	138	56	121
Accounts Receivable	16	239	238	17
Securities Lending Collateral	2,150	1,326	2,150	1,326
TOTAL ASSETS	**$ 92,624**	**$ 746,865**	**$ 739,419**	**$ 100,070**
LIABILITIES				
Warrants Payable	$ 3,672	$ 321,998	$ 322,588	$ 3,082
Due to Other Funds	-	10	10	-
Accounts Payable	692	17,513	17,587	618
Due to Other Governments	54	782	689	147
Securities Lending Obligation	2,150	1,326	2,150	1,326
Amounts Held Pending Distribution	-	344,909	344,909	-
Amounts Held in Custody for Others	86,056	395,432	386,591	94,897
TOTAL LIABILITIES	**$ 92,624**	**$ 1,081,970**	**$ 1,074,524**	**$ 100,070**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 212,961	$ 19,647,370	$ 19,679,595	$ 180,736
Investments	56,743	8,424	2,584	62,583
Due from Other Funds	46	1,053	970	129
Accounts Receivable	28	240	242	26
Taxes Receivable	-	570,694	570,694	-
Securities Lending Collateral	4,911	2,117	4,911	2,117
TOTAL ASSETS	**$ 274,689**	**$ 20,229,898**	**$ 20,258,996**	**$ 245,591**
LIABILITIES				
Warrants Payable	$ 36,889	$ 3,302,982	$ 3,317,332	$ 22,539
Due to Other Funds	-	353,829	353,829	-
Accounts Payable	692	840,662	840,735	619
Tax Refunds Payable	-	230,115	230,115	-
Due to Other Governments	3,592	267,586	267,066	4,112
Securities Lending Obligation	4,911	2,117	4,911	2,117
Amounts Held Pending Distribution	-	30,869,972	30,869,972	-
Deferred Revenue	-	4,907	4,907	-
Amounts Held in Custody for Others	228,605	1,418,672	1,431,073	216,204
TOTAL LIABILITIES	**$ 274,689**	**$ 37,290,842**	**$ 37,319,940**	**$ 245,591**

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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, 2010
(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	$ 12,237	$ 45,646	$ 7,790	$ 109,122	$ 55,198
Investments	-	54,764	8,996	64,096	34,286
Due from Primary Government	-	500	-	-	-
Accounts Receivable	240	-	21,381	13,938	10,773
Due from Other Governments	-	239,521	-	1,878	-
Interest and Dividends Receivable	3,221	1,177	-	108	-
Mortgages, Notes, and Loans Receivable	67,267	-	15,011	1,966	1,048
Securities Lending Collateral	-	201	-	-	-
Inventory	-	-	-	9	8
Restricted Assets	-	-	-	-	-
Other Assets	935	9,321	13,364	4,951	2,657
Capital Assets, Net of Accumulated Depreciation	-	-	89,941	139,480	58,204
Capital Assets Not Depreciated	-	-	36,180	55,911	63,898
TOTAL ASSETS	**83,900**	**351,130**	**192,663**	**391,459**	**226,072**
LIABILITIES					
Warrants Payable	-	1	-	-	-
Salaries Payable	-	-	-	-	3,366
Due to Primary Government	-	1,158	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	112	21	13,792	14,239	5,877
Interest Payable	140	1,043	1,208	-	-
Due to Other Governments	949	26,377	-	-	-
Securities Lending Obligation	-	201	-	-	-
Unearned Revenue	-	-	30,829	17,827	20,276
Amounts Held in Custody for Others	-	-	3,664	-	2,731
Noncurrent Liabilities:					
Due Within One Year	75,100	6,815	3,555	4,075	2,206
Due In More Than One Year	-	166,862	60,004	165,148	82,120
TOTAL LIABILITIES	**76,301**	**202,478**	**113,052**	**201,289**	**116,576**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	62,666	96,538	39,012
Restricted for:					
Permanent - Expendable	5,216	-	8,361	25,497	23,755
Permanent - Non-expendable	-	-	-	44,954	10,589
Debt Service	-	148,652	5,745	-	6,144
Other Purposes	-	-	10,593	-	-
Unrestricted	2,383	-	(7,754)	23,181	29,996
TOTAL NET ASSETS	**$ 7,599**	**$ 148,652**	**$ 79,611**	**$ 190,170**	**$ 109,496**

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
$ 40,257	$ 196,819	$ 88	$ 8,494	$ 40,974	$ 31,625	$ 79,687	$ 627,937
31,807	29,131	-	8,795	-	-	58,783	290,658
-	-	-	1	-	-	370	871
7,341	45,805	1,474	-	-	105,000	18,641	224,593
-	-	-	-	-	-	298	241,697
17	-	-	77	-	-	216	4,816
2,345	2,247	-	-	-	-	486	90,370
-	-	-	1,511	6	12	494	2,224
29	89	401	177	-	-	7,522	8,235
-	-	3,218	-	-	-	1,438	4,656
889	2,600	790	-	689	-	4,358	40,554
59,262	154,496	47,582	500	8,122	588	109,637	667,812
5,642	42,730	6,698	74,043	596	-	25,174	310,872
147,589	**473,917**	**60,251**	**93,598**	**50,387**	**137,225**	**307,104**	**2,515,295**
-	-	-	254	-	-	32	287
905	-	-	345	-	-	133	4,749
-	-	-	146	-	-	1,587	2,891
-	-	-	-	-	-	1	1
1,598	7,746	2,499	347	-	10	11,261	57,502
432	-	339	-	591	2,472	117	6,342
-	-	-	38	-	-	795	28,159
-	-	-	1,511	6	12	494	2,224
12,864	39,745	1,635	-	-	-	23,130	146,306
532	15,415	-	-	-	-	736	23,078
1,139	4,996	4,928	-	4,935	6,205	5,568	119,522
21,143	120,976	15,433	1,342	137,666	109,682	38,840	919,216
38,613	**188,878**	**24,834**	**3,983**	**143,198**	**118,381**	**82,694**	**1,310,277**
43,486	93,127	38,743	74,542	8,718	588	108,876	566,296
10,236	21,986	-	-	-	-	13,052	108,103
15,649	16,566	-	8,872	-	-	17,300	113,930
4,242	-	-	-	-	-	-	164,783
-	-	3,668	-	-	-	-	14,261
35,363	153,360	(6,994)	6,201	(101,529)	18,256	85,182	237,645
$ 108,976	**$ 285,039**	**$ 35,417**	**$ 89,615**	**$ (92,811)**	**$ 18,844**	**$ 224,410**	**$ 1,205,018**

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	**$ 8,490**	**$ 16,047**	**$ 138,955**	**$ 137,885**	**$ 114,806**
Program Revenues					
Charges for Services	1,338	9,059	46,631	55,264	53,231
Operating Grants and Contributions	-	14,381	52,644	44,914	27,280
Capital Grants and Contributions	-	-	-	6,281	-
Total Program Revenues	**1,338**	**23,440**	**99,275**	**106,459**	**80,511**
Net (Expense) Revenue	**(7,152)**	**7,393**	**(39,680)**	**(31,426)**	**(34,295)**
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	4,052	214	6,775	5,213
Miscellaneous	-	1,647	1,683	-	7
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Payments from State of Alabama	-	-	39,604	42,438	39,371
Total General Revenues, Special Items, and Transfers	**0**	**5,699**	**41,501**	**49,213**	**44,591**
Change in Net Assets	**(7,152)**	**13,092**	**1,821**	**17,787**	**10,296**
Net Assets, October 1, 2009, as Restated	14,751	135,560	77,790	172,383	99,200
Net Assets, September 30, 2010	**$ 7,599**	**$ 148,652**	**$ 79,611**	**$ 190,170**	**$ 109,496**

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
$ 86,492	**$ 258,853**	**$ 28,397**	**$ 7,890**	**$ 9,903**	**$ 96,209**	**$ 232,204**	**$ 1,136,131**
42,279	165,253	24,980	1,724	-	-	102,502	502,261
18,168	63,954	29	2,169	-	-	46,484	270,023
4,285	8,284	2,983	295	-	-	1,292	23,420
64,732	**237,491**	**27,992**	**4,188**	**0**	**0**	**150,278**	**795,704**
(21,760)	**(21,362)**	**(405)**	**(3,702)**	**(9,903)**	**(96,209)**	**(81,926)**	**(340,427)**
-	-	-	-	-	-	1	1
1,940	3,395	1	915	131	98	4,962	27,696
118	1,498	-	6	-	-	508	5,467
4	-	-	-	-	-	-	4
26,596	48,711	1,436	4,513	20,851	96,446	92,595	412,561
28,658	**53,604**	**1,437**	**5,434**	**20,982**	**96,544**	**98,066**	**445,729**
6,898	**32,242**	**1,032**	**1,732**	**11,079**	**335**	**16,140**	**105,302**
102,078	252,797	34,385	87,883	(103,890)	18,509	208,270	1,099,716
$ 108,976	**$ 285,039**	**$ 35,417**	**$ 89,615**	**$ (92,811)**	**$ 18,844**	**$ 224,410**	**$ 1,205,018**

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2010
(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	$ 6,639	$ 1,350	$ 328	$ 20,585	$ 23,151
Investments	-	966	-	3,310	35,444
Due from Primary Government	18	-	-	-	-
Accounts Receivable	-	1	-	6,355	5,986
Due from Other Governments	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	459
Securities Lending Collateral	286	-	-	-	-
Inventory	-	208	29	931	-
Restricted Assets	-	-	-	-	1,438
Other Assets	105	77	-	759	3,206
Capital Assets, Net of Accumulated Depreciation	2,639	10,209	2,549	13,518	42,473
Capital Assets Not Depreciated	174	255	943	493	1,155
TOTAL ASSETS	**9,861**	**13,066**	**3,849**	**45,951**	**113,312**
LIABILITIES					
Warrants Payable	-	-	-	-	-
Salaries Payable	-	-	12	-	-
Due to Primary Government	4	-	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	519	251	43	894	3,864
Interest Payable	-	-	-	53	-
Due to Other Governments	21	-	-	-	497
Securities Lending Obligation	286	-	-	-	-
Unearned Revenue	-	-	-	8,123	9,162
Amounts Held in Custody for Others	-	-	-	31	380
Noncurrent Liabilities:					
Due Within One Year	-	541	47	195	903
Due In More Than One Year	272	399	705	3,681	21,461
TOTAL LIABILITIES	**1,102**	**1,191**	**807**	**12,977**	**36,267**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,813	10,464	3,063	13,012	22,687
Restricted for:					
Permanent - Expendable	-	-	-	-	11,122
Permanent - Non-expendable	-	-	-	654	13,668
Unrestricted	5,946	1,411	(21)	19,308	29,568
TOTAL NET ASSETS	**$ 8,759**	**$ 11,875**	**$ 3,042**	**$ 32,974**	**$ 77,045**

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
$ 10,938	$ 5,508	$ 1,073	$ 3,968	$ 0	$ 4,028	$ 2,119	$ 79,687
14,831	-	630	-	-	3,602	-	58,783
-	-	-	-	-	2	350	370
4,755	1,544	-	-	-	-	-	18,641
-	-	-	-	-	-	298	298
216	-	-	-	-	-	-	216
27	-	-	-	-	-	-	486
-	-	-	171	-	24	13	494
6,183	140	-	-	-	-	31	7,522
-	-	-	-	-	-	-	1,438
204	-	7	-	-	-	-	4,358
28,907	7,736	21	-	-	1,258	327	109,637
3,163	4,795	14,035	-	-	-	161	25,174
69,224	**19,723**	**15,766**	**4,139**	**0**	**8,914**	**3,299**	**307,104**
-	-	-	32	-	-	-	32
-	-	-	-	-	121	-	133
-	-	-	-	-	1,333	250	1,587
-	-	-	-	-	1	-	1
5,191	419	-	59	-	21	-	11,261
-	-	-	7	57	-	-	117
-	-	-	139	-	-	138	795
-	-	-	171	-	24	13	494
602	5,243	-	-	-	-	-	23,130
202	121	-	-	-	-	2	736
1,061	46	40	500	560	1,675	-	5,568
2,084	919	761	135	7,770	470	183	38,840
9,140	**6,748**	**801**	**1,043**	**8,387**	**3,645**	**586**	**82,694**
29,376	12,439	13,276	-	-	1,258	488	108,876
1,839	91	-	-	-	-	-	13,052
2,978	-	-	-	-	-	-	17,300
25,891	445	1,689	3,096	(8,387)	4,011	2,225	85,182
$ 60,084	**$ 12,975**	**$ 14,965**	**$ 3,096**	**$ (8,387)**	**$ 5,269**	**$ 2,713**	**$ 224,410**

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2010
(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	**$ 9,031**	**$ 4,090**	**$ 1,665**	**$ 55,342**	**$ 53,690**
Program Revenues					
Charges for Services	2,882	3,559	1,417	33,528	23,940
Operating Grants and Contributions	2	421	211	11,810	11,262
Capital Grants and Contributions	-	56	-	-	-
Total Program Revenues	**2,884**	**4,036**	**1,628**	**45,338**	**35,202**
Net (Expense) Revenue	**(6,147)**	**(54)**	**(37)**	**(10,004)**	**(18,488)**
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	9	-	49	3,933
Miscellaneous	-	-	-	-	38
Payments from State of Alabama	8,278	-	229	13,796	18,916
Total General Revenues, Special Items, and Transfers	**8,278**	**9**	**229**	**13,845**	**22,887**
Change in Net Assets	**2,131**	**(45)**	**192**	**3,841**	**4,399**
Net Assets, October 1, 2009, as Restated	6,628	11,920	2,850	29,133	72,646
Net Assets, September 30, 2010	**$ 8,759**	**$ 11,875**	**$ 3,042**	**$ 32,974**	**$ 77,045**

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
$ 86,341	**$ 11,544**	**$ 881**	**$ 1,813**	**$ 699**	**$ 5,306**	**$ 1,802**	**$ 232,204**
30,172	2,540	-	74	-	4,288	102	102,502
11,513	7,008	1,252	-	-	2,770	235	46,484
1,236	-	-	-	-	-	-	1,292
42,921	**9,548**	**1,252**	**74**	**0**	**7,058**	**337**	**150,278**
(43,420)	**(1,996)**	**371**	**(1,739)**	**(699)**	**1,752**	**(1,465)**	**(81,926)**
-	-	-	-	-	1	-	1
639	1	14	-	-	295	22	4,962
431	-	-	-	-	30	9	508
42,178	3,499	-	4,107	1,217	81	294	92,595
43,248	**3,500**	**14**	**4,107**	**1,217**	**407**	**325**	**98,066**
(172)	**1,504**	**385**	**2,368**	**518**	**2,159**	**(1,140)**	**16,140**
60,256	11,471	14,580	728	(8,905)	3,110	3,853	208,270
$ 60,084	**$ 12,975**	**$ 14,965**	**$ 3,096**	**$ (8,387)**	**$ 5,269**	**$ 2,713**	**$ 224,410**

ALABAMA
TENNESSEE
TENNESSEE RIVER
RIVER
RIVER
MISSISSIPPI
GEORGIA
BLACK WARRIOR
COOSA
TALLAPOOSA
CAHABA 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, Excluding Amounts Received Directly by Higher Education

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Amount
Administrative Office of Courts	$ 794
Agriculture and Industries	3,737
Attorney General	1,840
Child Abuse Prevention	1,464
Children's Affairs	175
Commission On Higher Education	1,678
Conservation and Natural Resources	17,925
Corrections	158,390
Council on the Arts	1,135
Crime Victims Compensation Commission	2,766
Criminal Justice Information Center	2,754
District Attorneys	120
Drinking Water Finance Authority	14,379
Economic and Community Affairs	342,240
Education	1,280,976
Emergency Management	53,861
Environmental Management	28,194
Farmers' Market Authority	1,815
Finance	500
Finance Special Funds	2,346
Forensic Sciences	2,546
Forestry Commission	10,717
Forever Wild Land Trust	2,314
Geological Survey	1,589
Governor's Office of Faith Based and Community Initiatives	1,771
High School of Math and Science	392
Historical Commission	1,555
Human Resources	1,648,456
Industrial Relations	854,683
Labor	158
Manufactured Housing Commission	252
Medicaid	3,968,811
Mental Health	31,814
Military	67,192
Office of Homeland Security	21,910
Other - Medicare Part D	6,794
Other Agencies	444
Pardons and Paroles	224
Postsecondary Education	29,010
Public Health	428,837
Public Library Service	2,782
Public Safety	9,962
Public Service Commission	901
Rehabilitation Services	68,402
Revenue	712
Secretary of State	376
Senior Services	27,907
Soil and Water Conservation Commission	273
State Port Authority	5,598
Surface Mining Commission	1,065
Transportation	928,525
University Stabilization Funds	91,945
Veterans Affairs	13,385
Water Pollution Control Authority	29,189
Total Federal Revenues	**$ 10,177,580**

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 274**

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 284**

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 290**

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 296**

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 300**

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 Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	$ 18,552,286	$ 18,184,809	$ 17,609,211	$ 16,973,157	$ 16,360,753
Restricted	4,879,585	4,448,305	4,624,715	6,020,208	5,853,605
Unrestricted	(820,857)	(555,756)	(223,495)	(113,210)	204,854
Total Governmental Activities Net Assets	**22,611,014**	**22,077,358**	**22,010,431**	**22,880,155**	**22,419,212**
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	881,681	867,292	754,001	709,460	643,742
Restricted	102,653	92,470	479,666	513,663	503,024
Unrestricted	143,981	240,059	344,797	284,537	244,630
Total Business-type Activities Net Assets	**1,128,315**	**1,199,821**	**1,578,464**	**1,507,660**	**1,391,396**
Primary government					
Invested in Capital Assets, Net of Related Debt	19,433,967	19,052,101	18,363,212	17,682,617	17,004,495
Restricted	4,982,238	4,540,775	5,104,381	6,533,871	6,356,629
Unrestricted	(676,876)	(315,697)	121,302	171,327	449,484
Total Primary Government Net Assets	**$ 23,739,329**	**$ 23,277,179**	**$ 23,588,895**	**$ 24,387,815**	**$ 23,810,608**

2005	2004	2003	2002
$ 15,820,864	$ 15,241,575	$ 14,774,902	$ 3,924,791
5,004,105	4,245,991	3,869,559	3,145,156
299,693	310,172	185,427	489,765
21,124,662	**19,797,738**	**18,829,888**	**7,559,712**
508,280	459,250	425,588	433,667
352,524	351,847	365,594	470,196
330,692	204,790	182,270	117,372
1,191,496	**1,015,887**	**973,452**	**1,021,235**
16,329,144	15,700,825	15,200,490	4,358,458
5,356,629	4,597,838	4,235,153	3,615,352
630,385	514,962	367,697	607,137
$ 22,316,158	**$ 20,813,625**	**$ 19,803,340**	**$ 8,580,947**

CHANGES IN NET ASSETS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Expenses					
Governmental Activities					
Economic Development and Regulation	$ 229,170	$ 306,533	$ 410,911	$ 335,373	$ 215,950
Education and Cultural Resources	6,434,312	6,393,573	7,197,095	6,680,377	5,764,988
Natural Resources and Recreation	149,745	113,621	131,327	131,688	145,414
Health	6,143,253	5,555,138	5,316,763	5,361,666	4,823,686
Social Services	2,364,313	1,977,390	1,753,526	1,678,091	1,627,951
Protection of Persons and Property	1,146,261	1,112,213	1,095,652	1,014,248	1,032,088
Transportation	1,257,094	1,120,902	1,067,671	997,376	1,025,928
General Government	1,067,587	983,451	1,020,453	925,737	819,122
Debt Service - Interest and Other Charges	47,829	51,184	57,253	43,391	42,672
Total Governmental Activities Expenses	**18,839,564**	**17,614,005**	**18,050,651**	**17,167,947**	**15,497,799**
Business-type Activities					
Unemployment Compensation	1,323,058	1,005,780	330,068	248,448	232,447
State Port Authority	123,551	127,192	127,200	115,714	89,939
Alabama College System	897,134	829,039	812,195	745,122	683,618
Alcoholic Beverage Control Board	254,001	253,312	249,389	230,370	215,832
Public Education Employees Health Insurance	-	-	-	-	-
Nonmajor Proprietary Funds	45,639	45,339	47,168	45,955	48,972
Total Business-type Activities Expenses	**2,643,383**	**2,260,662**	**1,566,020**	**1,385,609**	**1,270,808**
Total Primary Government Expenses	**21,482,947**	**19,874,667**	**19,616,671**	**18,553,556**	**16,768,607**
Program Revenues					
Governmental Activities					
Economic Development and Regulation	92,134	178,549	166,008	157,421	146,568
Education and Cultural Resources	42,774	15,435	12,131	12,406	10,070
Natural Resources and Recreation	62,347	72,004	164,709	53,920	54,121
Health	249,149	231,929	204,561	259,598	194,339
Social Services	7,622	6,416	6,590	5,905	6,127
Protection of Persons and Property	231,004	231,722	230,745	208,252	187,325
Transportation	186,440	180,924	198,669	199,489	192,458
General Government	337,486	428,248	573,465	464,574	565,311
Debt Service - Interest and Other Charges	-	-	-	-	-
Operating Grants and Contributions	9,148,048	7,609,718	6,670,099	6,618,419	6,612,934
Capital Grants and Contributions	927,443	812,481	874,111	719,041	801,902
Total Governmental Activities Program Revenues	**11,284,447**	**9,767,426**	**9,101,088**	**8,699,025**	**8,771,155**
Business-type Activities					
Unemployment Compensation	411,147	221,086	227,906	228,572	264,895
State Port Authority	120,460	103,422	132,481	108,235	90,998
Alabama College System	179,677	160,839	155,559	152,558	145,714
Alcoholic Beverage Control Board	252,647	250,949	252,265	239,852	219,429
Public Education Employees Health Insurance	-	-	-	-	-
Operating Grants and Contributions	1,176,837	666,931	305,339	270,897	277,667
Capital Grants and Contributions	31,809	49,654	13,717	19,413	45,053
Nonmajor Proprietary Funds	48,504	48,011	47,019	49,548	52,384
Total Business-type Activities Program Revenues	**2,221,081**	**1,500,892**	**1,134,286**	**1,069,075**	**1,096,140**
Total Primary Government Program Revenues	**$ 13,505,528**	**$ 11,268,318**	**$ 10,235,374**	**$ 9,768,100**	**$ 9,867,295**

2005	2004	2003	2002
$ 185,680	$ 59,894	$ 63,623	$ 66,746
5,203,315	4,833,259	4,755,420	4,607,245
82,841	95,032	101,811	94,449
4,641,314	4,529,302	4,365,295	4,312,713
1,606,588	1,496,160	1,511,438	1,425,124
1,031,731	746,763	692,104	650,341
882,823	856,603	772,935	1,059,637
776,791	726,150	770,431	641,869
43,052	42,083	43,493	64,538
14,454,135	**13,385,246**	**13,076,550**	**12,922,662**
251,137	308,281	410,384	404,133
85,984	74,679	74,894	66,988
646,868	627,846	593,278	545,491
192,278	184,391	177,003	170,550
-	736,669	667,564	581,877
47,838	144,714	127,559	114,199
1,224,105	**2,076,580**	**2,050,682**	**1,883,238**
15,678,240	**15,461,826**	**15,127,232**	**14,805,900**
151,204	155,228	165,122	167,412
10,952	8,352	7,853	12,647
60,111	52,059	369,582	72,072
206,017	142,941	121,827	298,783
4,141	118,185	114,269	111,610
183,281	176,256	173,417	162,981
174,509	168,153	172,801	167,467
460,047	436,115	198,426	324,839
450	3,030	9,398	8,311
6,315,902	5,584,314	5,427,425	5,106,726
673,977	565,871	593,673	802,218
8,240,591	**7,410,504**	**7,353,793**	**7,235,066**
307,724	263,229	239,871	191,825
87,022	77,870	66,749	59,832
146,194	142,786	137,015	123,472
202,959	198,482	184,758	184,182
-	717,546	627,094	600,646
269,667	297,858	324,201	265,425
22,776	6,479	21,121	12,960
167,257	154,604	133,868	109,990
1,203,599	**1,858,854**	**1,734,677**	**1,548,332**
$ 9,444,190	**$ 9,269,358**	**$ 9,088,470**	**$ 8,783,398**

Continued on next page...

CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Net (Expense)/Revenue					
Governmental Activities	$ (7,555,117)	$ (7,846,579)	$ (8,949,563)	$ (8,468,922)	$ (6,726,644)
Business Activities	(422,302)	(759,770)	(431,734)	(316,534)	(174,668)
Total Primary Government Net (Expense) Revenue	**(7,977,419)**	**(8,606,349)**	**(9,381,297)**	**(8,785,456)**	**(6,901,312)**
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,108,834	2,079,718	2,261,452	2,475,940	2,110,577
Income Taxes	2,973,246	3,108,459	3,512,255	3,446,018	3,172,117
Motor Fuels Taxes	551,210	542,887	550,811	569,369	568,880
Utility Taxes	684,437	697,141	667,573	656,027	601,473
Insurance Premium Tax	263,243	267,726	292,866	278,139	275,230
Property Tax	314,977	320,335	314,181	301,002	266,916
Liquor Taxes	156,098	155,592	136,125	163,161	147,651
Tobacco and Cigarette Taxes	136,311	140,016	143,836	156,700	152,751
Grants and Contributions Not Restricted to Specific Programs	40,323	785	-	-	-
Investment Earnings	315,520	245,601	(141,251)	513,750	284,139
Miscellaneous	879,724	711,769	786,305	792,957	786,250
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Transfers	(335,150)	(357,623)	(444,314)	(379,209)	(321,020)
Total Governmental Activities	**8,088,773**	**7,912,406**	**8,079,839**	**8,973,854**	**8,044,964**
Business-type Activities					
Liquor Taxes	10,558	9,930	9,912	9,831	9,314
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	2,572	13,172	34,631	40,206	34,056
Miscellaneous	11,561	12,274	13,257	3,421	10,056
Contributions to Permanent Funds and Endowments	102	71	88	131	122
Special Items	(9,147)	-	-	-	-
Transfers	335,150	357,623	444,314	379,209	321,020
Total Business-type Activities	**350,796**	**393,070**	**502,202**	**432,798**	**374,568**
Total Primary Government General Revenues and Other Charges	**8,439,569**	**8,305,476**	**8,582,041**	**9,406,652**	**8,419,532**
Change in Net Assets					
Governmental Activities	533,656	65,827	(869,724)	504,932	1,318,320
Business-type Activities	(71,506)	(366,700)	70,468	116,264	199,900
Total Primary Government Changes in Net Assets	**$ 462,150**	**$ (300,873)**	**$ (799,256)**	**$ 621,196**	**$ 1,518,220**

2005	2004	2003	2002
$ (6,213,544)	$ (5,974,742)	$ (5,722,757)	$ (5,687,596)
(20,506)	(217,726)	(316,005)	(334,906)
(6,234,050)	**(6,192,468)**	**(6,038,762)**	**(6,022,502)**
2,086,071	1,873,359	1,821,911	1,659,796
2,938,046	2,494,384	2,520,393	2,049,460
534,696	564,031	530,255	510,342
556,211	598,245	517,757	471,369
274,698	243,761	231,020	223,448
251,960	232,057	213,908	340,557
137,244	129,651	128,746	121,486
157,715	-	-	-
6,159	75,741	84,231	7,018
236,191	173,657	210,143	113,966
688,857	911,405	911,336	866,276
2	-	204	680
(261,067)	(229,114)	(226,788)	(216,423)
7,606,783	**7,067,177**	**6,943,116**	**6,147,975**
8,598	8,492	7,790	7,440
-	-	1,806	112,684
25,124	22,658	29,605	27,253
4,330	2,765	2,026	2,045
201	6	207	174
-	-	-	-
261,067	229,114	226,788	216,423
299,320	**263,035**	**268,222**	**366,019**
7,906,103	**7,330,212**	**7,211,338**	**6,513,994**
1,393,239	1,092,435	1,220,359	460,379
278,814	45,309	(47,783)	31,113
$ 1,672,053	**$ 1,137,744**	**$ 1,172,576**	**$ 491,492**

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
General Fund					
Reserved	$ 5,474	$ 5,519	$ 5,303	$ 5,772	$ 3,314
Unreserved	77,405	216,623	376,391	399,009	401,393
Total General Fund	**82,879**	**222,142**	**381,694**	**404,781**	**404,707**
All Other Governmental Funds					
Reserved	3,450,427	3,163,363	3,191,402	3,498,507	3,165,956
Unreserved, Designated for Capital Projects	153,318	83,481	185,790	441,221	275,528
Unreserved, Designated for Debt Service	806	1,085	4,630	5,449	4,866
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	1,358,522	1,192,314	1,351,620	2,133,319	2,607,528
Permanent Funds	24,374	30,201	24,938	20,659	16,173
Total All Other Governmental Funds	**$ 4,987,447**	**$ 4,470,444**	**$ 4,758,380**	**$ 6,099,155**	**$ 6,070,051**

2005	2004	2003	2002
$ 6,003	$ 4,228	$ 4,699	$ 4,087
317,879	232,501	158,346	147,941
323,882	**236,729**	**163,045**	**152,028**
2,888,340	2,667,067	2,528,464	2,452,710
292,934	381,579	465,437	498,935
4,606	8,208	8,979	9,249
2,105,050	1,480,649	1,226,798	733,488
12,147	4,538	4,708	2,123
$ 5,303,077	**$ 4,542,041**	**$ 4,234,386**	**$ 3,696,505**

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Revenues					
Taxes	$ 8,074,508	$ 8,010,768	$ 8,646,397	$ 8,627,293	$ 8,126,310
Licenses, Permits, and Fees	664,963	657,292	647,535	650,635	608,770
Fines, Forfeits, and Court Settlements	150,366	254,739	254,179	143,149	136,901
Investment Income	313,159	243,477	(142,347)	520,517	300,993
Federal Grants and Reimbursements	9,306,121	7,606,333	6,697,069	6,380,166	6,643,162
Other Revenues	1,198,260	1,244,254	1,523,910	1,550,167	1,379,482
Total Revenues	19,707,377	18,016,863	17,626,743	17,871,927	17,195,618
Expenditures					
Economic Development and Regulation	204,464	226,554	214,211	201,026	185,916
Education and Cultural Resources	6,427,782	6,388,357	7,166,373	6,575,887	5,722,732
Natural Resources and Recreation	183,387	164,682	194,725	133,234	171,825
Health	6,129,642	5,535,484	5,299,205	5,362,737	4,813,599
Social Services	2,350,328	1,969,621	1,717,523	1,693,797	1,625,180
Protection of Persons and Property	1,114,794	1,085,493	1,025,662	982,932	1,011,393
Transportation	1,560,242	1,577,388	1,556,330	1,522,329	1,512,116
General Government	1,054,077	959,411	987,450	934,355	840,293
Capital Outlay	42,525	92,995	272,032	168,402	56,835
Debt Service - Principal Retirement	50,493	56,388	71,213	68,616	81,727
Debt Service - Interest and Other Charges	52,672	47,655	61,514	48,336	40,319
Total Expenditures	19,170,406	18,104,028	18,566,238	17,691,651	16,061,935
Other Financing Sources (Uses)					
Transfers In	1,247,478	1,391,457	1,841,818	1,520,089	1,460,110
Transfers Out	-	(1,757,948)	(2,289,913)	(1,907,908)	(1,791,969)
Bonds Issued	110,000	-	10,000	305,000	61,150
Refunding Bonds Issued	112,030	-	22,660	-	-
Other Debt Refunding Proceeds	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Current Refunding to Bondholders	-	-	(23,625)	-	-
Other Debt Refunding Uses	-	-	-	-	-
Capital Leases	2,322	9,504	171	11,738	1,989
Other Debt Issued	62,136	-	-	-	-
Other Debt Proceeds	-	-	-	-	-
Debt Issuance Premiums	20,746	-	1,210	9,333	1,085
Premiums on Debt	-	-	-	-	-
Discounts on Debt	-	-	-	-	-
Insurance Recovery Proceeds	3,465	-	-	-	-
Transfers Out	(1,592,790)	-	-	-	-
Payments to Refunded Bond Escrow Agent	(74,415)	-	-	-	-
Current Refunding to Bondholders	(52,610)	-	-	-	-
Insurance Recovery Proceeds	-	2,395	4,579	3,024	7,725
Total Other Financing Sources (Uses)	(161,638)	(354,592)	(433,100)	(58,724)	(259,910)
Net Increase (Decrease) for the Year	**375,333**	**(441,757)**	**(1,372,595)**	**121,552**	**873,773**
Debt Service as a Percentage of Noncapital Expenditures	**0.55%**	**0.6%**	**0.73%**	**0.67%**	**0.76%**

2005	2004	2003	2002
$ 7,566,234	$ 6,794,734	$ 6,535,274	$ 5,914,363
562,461	532,118	502,493	497,191
149,040	142,831	182,762	156,161
227,980	183,922	204,596	100,127
6,216,771	5,675,945	5,515,520	5,321,974
1,309,343	1,347,930	1,511,073	1,335,183
16,031,829	14,677,480	14,451,718	13,324,999
185,558	60,763	65,914	67,862
5,198,444	4,818,434	4,764,303	4,583,729
120,188	120,095	108,638	96,462
4,639,203	4,527,847	4,354,296	4,290,436
1,610,677	1,496,323	1,510,823	1,411,889
1,005,967	730,780	680,605	610,113
1,399,903	1,354,816	1,277,739	1,419,426
726,704	680,002	679,532	646,599
66,823	55,833	48,636	38,983
78,195	73,650	81,963	63,716
37,201	38,282	40,125	86,902
15,068,863	13,956,825	13,612,574	13,316,117
1,254,049	993,669	1,004,619	712,776
(1,527,416)	(1,239,110)	(1,239,551)	(917,652)
103,920	-	4,305	345,708
57,975	-	17,553	-
-	600	-	-
(27,949)	-	-	-
-	-	(17,162)	-
-	(600)	-	-
659	1,152	618	2,048
-	-	-	-
-	-	3,634	4,696
-	-	-	-
5,242	-	-	-
(580)	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(134,100)	(244,289)	(225,984)	147,576
828,866	**476,366**	**613,160**	**156,458**
0.77%	**0.81%**	**0.9%**	**1.13%**

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2009	2008	2007	2006	2005
Mining	$ 1,113,520	$ 1,207,226	$ 888,973	$ 927,201	$ 819,878
Utilities	1,521,832	1,532,185	1,505,084	1,461,577	1,379,863
Construction	5,955,872	7,142,973	7,561,603	7,430,022	6,856,163
Manufacturing	15,348,846	16,886,871	16,802,906	16,691,485	15,768,861
Wholesale Trade	5,168,987	5,607,467	5,544,499	5,271,910	4,919,964
Retail Trade	7,180,993	7,513,329	7,839,744	7,677,074	7,444,056
Transportation and warehousing	3,292,495	3,541,010	3,530,194	3,503,655	3,298,282
Finance and insurance	5,463,089	5,569,285	5,469,195	5,381,623	4,905,734
Professional and technical services	9,353,256	9,251,168	8,401,970	7,927,651	7,231,733
Government and government enterprises	24,835,422	23,989,465	22,758,206	21,209,975	20,011,959
All other	77,850,326	76,327,301	71,563,426	66,980,434	62,999,800
Total Personal Income	$ 157,084,638	$ 158,568,280	$ 151,865,800	$ 144,462,607	$ 135,636,293
State Income Taxes	$ 2,699,218	$ 3,035,142	$ 3,018,748	$ 2,842,894	$ 2,564,510
Average Effective Rate*	1.72%	1.91%	1.99%	1.97%	1.89%

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

*Note: The average rate for personal income equals state income taxes divided by total personal income.
Year 2009 is the most recent year data is available.

2004	2003	2002	2001	2000
$ 704,622	$ 620,247	$ 631,854	$ 603,891	$ 670,384
1,434,165	1,373,643	1,289,212	1,265,693	1,106,190
6,399,496	5,943,943	5,800,633	5,848,027	5,556,246
15,078,104	14,636,176	14,262,807	14,296,560	14,334,955
4,589,285	4,234,540	4,161,318	4,039,512	3,910,306
7,102,701	6,853,885	6,547,809	6,276,564	5,988,922
3,054,182	2,792,150	2,712,539	2,728,910	2,703,186
4,513,950	4,270,540	3,992,781	3,718,181	3,398,283
6,932,098	6,463,965	5,983,788	5,772,977	5,244,429
18,892,332	17,872,867	16,912,555	15,968,397	15,306,618
59,318,578	54,999,511	53,118,688	51,494,121	48,931,327
$ 128,019,513	$ 120,061,467	$ 115,413,984	$ 112,012,833	$ 107,150,846
$ 2,256,483	$ 2,073,207	$ 2,067,338	$ 2,099,772	$ 2,066,789
1.76%	1.73%	1.79%	1.87%	1.93%

REVENUE CAPACITY

Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status Taxable Net Income Level	**2000 - 2006** Rate
Single, Head of family, Married filing separate	Adjusted Gross Income of $1,875 or more
Not Over $500	2%
Over $500 But Not Over $3,000	4%
Over $3,000	5%
Married filing Jointly	Adjusted Gross Income of $3,750 or more
Not over $1,000	2%
Over $1,000 But Not Over $6,000	4%
Over $6,000	5%

Filing Status Taxable Net Income Level	**2007-2009** Rate
Single	Adjusted Gross Income of $4,000 or more
Not Over $500	2%
Over $500 But Not Over $3,000	4%
Over $3,000	5%
Head of Family	Adjusted Gross Income of $7,700 or more
Not Over $500	2%
Over $500 But Not Over $3,000	4%
Over $3,000	5%
Married filing Separate	Adjusted Gross Income of $5,250 or more
Not Over $500	2%
Over $500 But Not Over $3,000	4%
Over $3,000	5%
Married filing Jointly	Adjusted Gross Income of $10,500 or more
Not over $1,000	2%
Over $1,000 But Not Over $6,000	4%
Over $6,000	5%

	2000	**2001 - 2009**
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

Last Four Years

For Tax Year 2008

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	514,586	28%	$ 582,000	1%	$ 22,000	1%
12,001- 24,000	377,749	20%	3,544,000	7%	161,000	6%
24,001- 39,000	301,812	16%	5,762,000	11%	269,000	11%
39,001- 60,000	253,458	14%	7,658,000	15%	359,000	15%
60,001- 80,000	146,330	8%	6,389,000	12%	300,000	12%
OVER 80,000	265,237	14%	28,258,000	54%	1,344,000	55%
TOTAL	1,859,172	100%	$ 52,193,000	100%	$ 2,455,000	100%

For Tax Year 2007

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

For Tax Year 2006

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

For Tax Year 2005

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

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

Source: Alabama Department of Revenue
Year 2008 is the most recent data available.

REVENUE CAPACITY

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

Last Four Years

For Tax Year 2008

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,919	83%	$94,865	1%	$6,978	2%
50,001 - 100,000	1,209	5%	86,045	1%	5,466	1%
100,001 - 500,000	1,574	7%	358,665	5%	25,347	7%
500,001 - 1,000,000	403	2%	278,934	4%	16,654	4%
1,000,001 and higher	754	3%	6,810,526	89%	338,165	86%
Total	22,859	100%	$7,629,035	100%	$392,610	100%

For Tax Year 2007

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,384	82%	$104,788	1%	$6,815	1%
50,001 - 100,000	1,400	6%	98,119	1%	6,378	1%
100,001 - 500,000	1,805	7%	413,149	5%	26,855	5%
500,001 - 1,000,000	467	2%	330,282	4%	21,468	4%
1,000,001 and higher	784	3%	7,557,012	89%	491,206	89%
Total	24,840	100%	$8,503,350	100%	$552,722	100%

For Tax Year 2006

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,673	83%	$110,469	1%	$7,355	1%
50,001 - 100,000	1,421	5%	99,716	1%	6,487	1%
100,001 - 500,000	1,735	7%	397,866	5%	25,872	5%
500,001 - 1,000,000	458	2%	328,316	4%	21,311	4%
1,000,001 and higher	767	3%	7,229,243	89%	469,768	89%
Total	25,054	100%	$8,165,610	100%	$530,793	100%

For Tax Year 2005

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

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

Source: Alabama Department of Revenue
Year 2008 is the most recent data available.

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

DEBT CAPACITY
Ratios of Outstanding Debt

Last Nine Fiscal Years
(Amounts in Thousands, Except Per Capita Amount)

	2010	2009	2008	2007	2006
Primary Government					
Governmental Activities:					
General Obligation Bonds	$ 769,330	$ 687,336	$ 721,145	$ 773,253	$ 516,973
Revenue Bonds	274,283	298,712	323,483	333,438	355,698
Capital Leases/Notes/Mortgages	117,115	43,549	41,934	42,352	25,643
Total Governmental Activities	**1,160,728**	**1,029,597**	**1,086,562**	**1,149,043**	**898,314**
Business-type Activities:					
Revenue Bonds	638,109	619,360	612,959	572,782	394,044
Capital Leases/Notes/Mortgages	11,688	14,275	16,224	20,877	39,228
Total Business-Type Activities	**649,797**	**633,635**	**629,183**	**593,659**	**433,272**
Total Primary Government	**$ 1,810,525**	**$ 1,663,232**	**$ 1,715,745**	**$ 1,742,702**	**$ 1,331,586**
Debt as a percentage of Personal Income †	1.15%	1.06%	1.08%	1.15%	0.92%
Amount of Debt per Capita †	$ 385	$ 353	$ 367	$ 376	$ 290

Notes: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.
Fiscal year 2010 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 297 for personal income and population data.

2005	2004	2003	2002
$ 507,503	$ 445,211	$ 490,085	$ 535,080
351,139	347,429	369,327	386,891
32,100	38,370	42,316	33,059
890,742	**831,010**	**901,728**	**955,030**
411,633	337,291	308,061	299,508
33,986	17,918	14,948	12,346
445,619	**355,209**	**323,009**	**311,854**
$ 1,336,361	**$ 1,186,219**	**$ 1,224,737**	**$ 1,266,884**
0.99%	0.93%	1.02%	1.10%
$ 294	$ 263	$ 273	$ 283

DEBT CAPACITY
Ratios of General Bonded Debt Outstanding

Last Nine 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 †
2010	$ 769,330	$ 912,392	$ 47,562	$ 1,634,160	1.04%	$ 347
2009	687,336	918,072	40,925	1,564,483	1.00%	332
2008	721,145	936,442	42,914	1,614,673	1.02%	345
2007	773,253	906,220	29,930	1,649,543	1.09%	356
2006	516,973	749,742	25,945	1,240,770	0.86%	270
2005	507,503	762,772	25,008	1,245,267	0.92%	274
2004	445,211	684,720	28,844	1,101,087	0.86%	244
2003	490,085	677,388	30,016	1,137,457	0.95%	253
2002	535,079	686,398	42,483	1,178,994	1.02%	264

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 †
2010	$ 2,768,732	$ 109,337	$ 2,659,395	1.69%	$ 565
2009	2,534,100	46,175	2,487,925	1.58%	528
2008	2,621,615	99,039	2,522,576	1.59%	539
2007	1,620,570	113,650	1,506,920	0.99%	325
2006	1,734,825	72,209	1,662,616	1.15%	362
2005	1,822,135	111,376	1,710,759	1.26%	376
2004	1,832,695	112,896	1,719,799	1.34%	381
2003	1,844,164	103,307	1,740,857	1.45%	388
2002	1,886,421	91,252	1,795,169	1.56%	401

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 297 for personal income and population data.
Fiscal year 2010 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
BLACK
WARRIOR
COOSA
TALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
CONECUH R.
PEA R.
FLORIDA
Gulf of Mexico
GREAT SEAL

DEBT CAPACITY
Pledged Revenue Coverage

Last Seven Fiscal Years
(Amounts in Thousands)

	2010	2009	2008	2007	2006	2005	2004
Primary Government - Revenue Bonds							
State Port Authority							
Revenue-Charges for facilities usage	106,460	103,420	125,070	109,735	88,155	87,022	77,871
Debt Service							
Principal	7,165	6,830	7,250	6,260	5,910	5,575	5,280
Interest	12,361	14,656	13,428	9,770	10,124	10,459	10,749
Coverage [1]	5.45	4.81	6.05	6.85	5.50	5.43	4.86
Alabama College System							
Revenue-Tuition and Fees	267,009	206,769	186,429	184,664	137,133	185,013	101,333
Debt Service							
Principal	14,955	14,150	14,311	12,970	12,045	9,112	7,527
Interest	11,393	12,198	12,027	9,448	9,968	6,521	5,589
Coverage [1]	10.13	7.85	7.08	8.24	6.23	11.83	7.73
Federal Highway Finance Authority							
Revenue-Federal Revenue	979,460	726,063	831,530	748,952	790,928	648,831	548,830
Debt Service							
Principal	13,010	12,450	11,920	11,415	10,910	10,430	9,970
Interest	5,890	6,527	7,136	7,669	8,123	8,550	8,983
Coverage [1]	51.82	38.26	43.64	39.25	41.56	34.18	28.96
Component Units-Revenue Bonds							
Alabama Incentives Financing Authority							
Tennessee Valley Exhibit Commission							
Revenue-Tennessee Valley Electric Payment	20,851	20,813	19,313	18,328	18,592	17,462	16,169
Debt Service							
Principal	140	1,760	2,630	2,480	2,340	2,205	2,095
Interest	6,638	5,982	6,202	7,473	7,920	7,508	7,001
Coverage [1]	3.08	2.69	2.19	1.84	1.81	1.80	1.78
Public School and College Authority							
Revenue-General Sales Tax, Utility Tax, Use Tax	2,328,626	2,307,959	2,514,550	2,482,747	2,374,944	2,162,285	2,048,794
Debt Service							
Principal	71,235	130,720	91,215	87,765	110,240	72,640	68,290
Interest	132,698	116,126	93,359	72,688	76,720	78,218	77,371
Coverage [1]	11.42	9.35	13.62	15.47	12.70	14.33	14.07

	2010	2009	2008	2007	2006	2005	2004
State Industrial Development Authority							
Revenue-Cigarette Tax	4,654	4,773	4,921	5,121	5,247	5,197	3,141
Debt Service							
Principal	1,900	3,100	3,315	3,115	3,050	3,050	3,050
Interest	112	258	343	508	647	776	927
Coverage [1]	2.31	1.42	1.35	1.41	1.42	1.36	0.79
Mental Health Financing Authority							
Revenue-Cigarette Tax	6,205	6,364	6,562	6,828	6,996	6,929	4,188
Debt Service							
Principal	1,190	4,710	4,775	4,490	4,420	5,590	5,400
Interest	270	505	745	969	1,145	2,544	2,302
Coverage [1]	4.25	1.22	1.19	1.25	1.26	0.85	0.54
Alabama Revolving Fund Authority							
Revenue-Mobile Telecommunications Tax	105,919	108,781	101,287	101,057	90,919	84,892	75,895
Debt Service							
Principal	515	475	440	405	370	345	315
Interest	702	743	780	815	847	876	903
Coverage [1]	87.03	89.31	83.02	82.83	74.71	69.53	62.31
Alabama Twenty-first Century Authority							
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Debt Service							
Principal	5,910	5,625	5,360	5,100	4,855	4,660	4,490
Interest	6,659	6,958	7,241	7,513	7,773	8,022	8,262
Coverage [1]	1.03	1.03	1.03	1.03	1.03	1.03	1.02

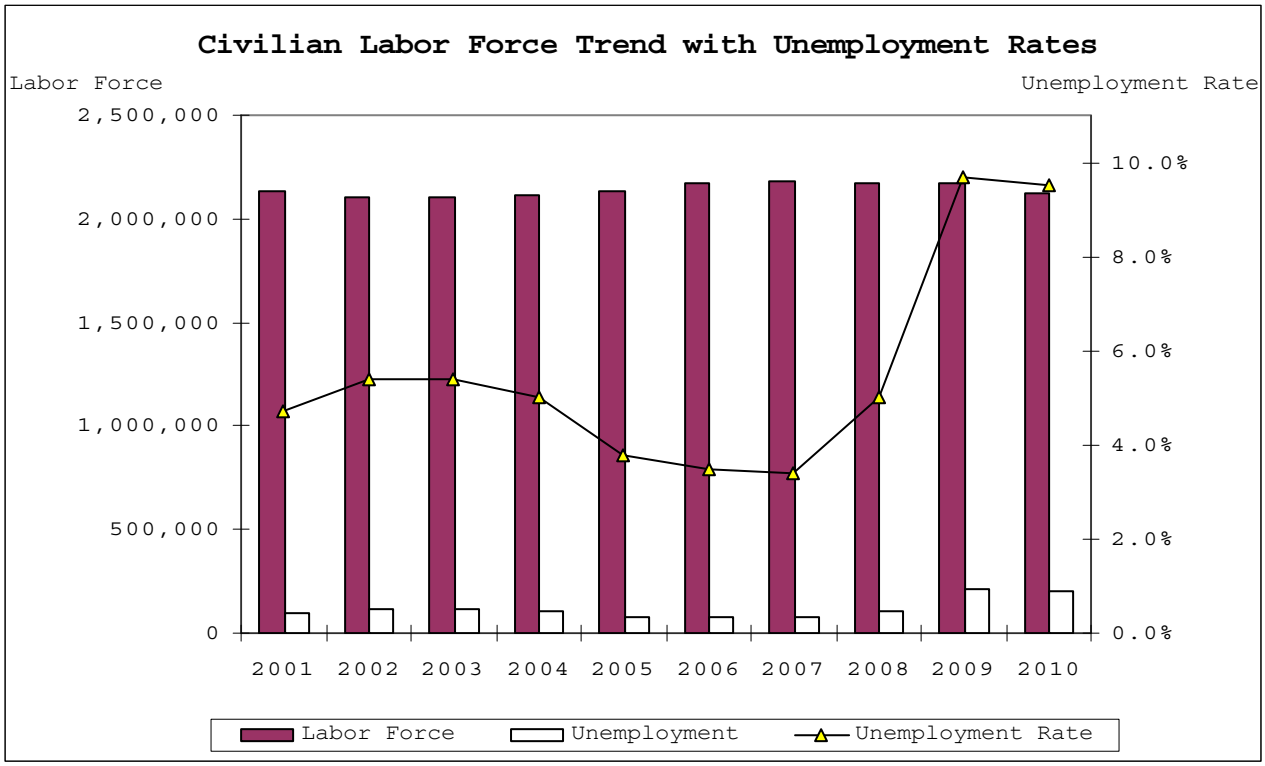
Details regarding the state's outstanding bonds can be found in Note 4 of the financial statements.

[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
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,107,858	1,994,748	113,110	5.4%
2003	2,104,209	1,989,784	114,425	5.4%
2004	2,113,781	2,007,153	106,628	5.0%
2005	2,133,177	2,051,893	81,284	3.8%
2006	2,173,817	2,098,462	75,355	3.5%
2007	2,184,074	2,108,873	75,201	3.4%
2008	2,169,967	2,061,601	108,366	5.0%
2009	2,170,887	1,959,849	211,038	9.7%
2010	2,127,211	1,925,064	202,147	9.5%

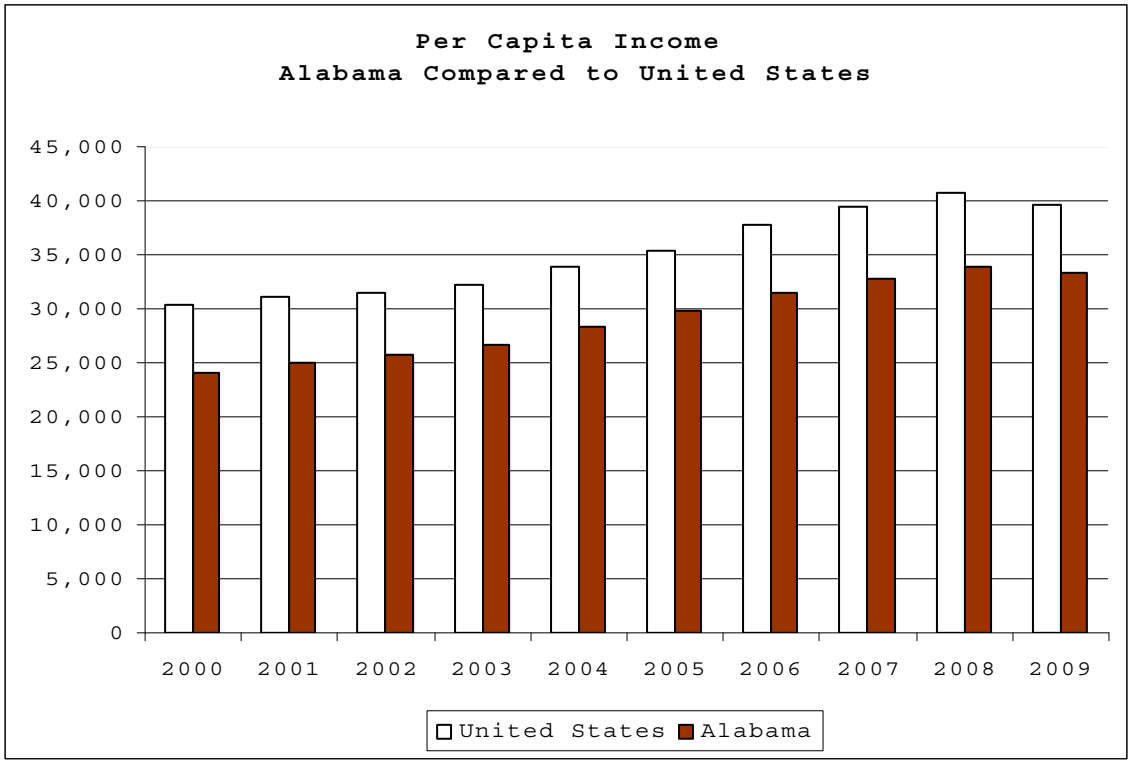


Note: Data were not seasonally adjusted.
2006-2010 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.
Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

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
2000	282,171,957	4,451,849	30,318	24,069	8,554,866,000	107,150,846
2001	285,081,556	4,464,034	31,145	25,092	8,878,830,000	112,012,833
2002	287,803,914	4,472,420	31,461	25,806	9,054,702,000	115,413,984
2003	290,326,418	4,490,591	32,271	26,736	9,369,072,000	120,061,467
2004	293,045,739	4,512,190	33,881	28,372	9,928,790,000	128,019,513
2005	295,753,151	4,545,049	35,424	29,843	10,476,669,000	135,636,293
2006	298,593,212	4,597,688	37,698	31,421	11,256,516,000	144,462,607
2007	301,579,895	4,637,904	39,458	32,744	11,899,853,000	151,865,800
2008	304,374,846	4,677,464	40,673	33,900	12,379,745,000	158,568,280
2009	307,006,550	4,708,708	39,626	33,360	12,165,474,000	157,084,638



Note: Year 2009 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

	2010			2009		
Employer	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.94%	30,000-39,999	1	1.90%
Army	20,000-29,999	2	1.39%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	4	0.42%	5,000-9,999	4	0.41%
University Of Alabama In Birmingham	5,000-9,999	6	0.42%	5,000-9,999	6	0.41%
Alabama Power Co Electric	5,000-9,999	7	0.42%	5,000-9,999	7	0.41%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	8	0.42%	5,000-9,999	8	0.41%
U S Postal Service	5,000-9,999	3	0.42%	5,000-9,999	3	0.41%
Regions Bank	5,000-9,999	5	0.42%	5,000-9,999	5	0.41%
Pilgrims Pride Corporation	5,000-9,999	9	0.42%	5,000-9,999	9	0.41%
Huntsville Hospital	5,000-9,999	10	0.42%	5,000-9,999	10	0.41%
	95,000-159,990		6.69%	95,000-159,990		6.54%

	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%
University Of Alabama In Birmingham	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 Alabama In Birmingham 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%
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%
Huntville Hospital	5,000-9,999	10	0.39%	-	-	-
	95,000-159,990		6.58%	100,000-169,990		6.89%

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

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Employer	2006 Employment Range	2006 Rank	2006 % of Total State Employment	2005 Employment Range	2005 Rank	2005 % of Total State Employment	2004 Employment Range	2004 Rank	2004 % of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.82%	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%
Army	20,000-29,999	2	1.30%	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	3	0.39%	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.39%	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	5	0.39%	5,000-9,999	7	0.40%	5,000-9,999	6	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	6	0.39%	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%
U S Postal Service	5,000-9,999	7	0.39%	5,000-9,999	9	0.40%	5,000-9,999	8	0.41%
Gold Kist Inc	5,000-9,999	8	0.39%	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%
Winn Dixie Montgomery	5,000-9,999	9	0.39%	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%
Regions Bank	5,000-9,999	10	0.39%	-	-	-	-	-	-
Brunos Supermarkets Inc	-		-	5,000-9,999	5	0.40%	5,000-9,999	4	0.41%
	90,000-149,990		6.24%	90,000-149,990		6.40%	90,000-149,990		6.54%

Employer	2003 Employment Range	2003 Rank	2003 % of Total State Employment	2002 Employment Range	2002 Rank	2002 % of Total State Employment	2001 Employment Range	2001 Rank	2001 % of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.92%	20,000-29,999	1	1.37%	20,000-29,999	1	1.34%
Army	15,000-19,999	2	0.96%	15,000-19,999	2	0.96%	15,000-19,999	2	0.94%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	4	0.41%	5,000-9,999	5	0.40%
University Of Alabama In Birmingham	5,000-9,999	5	0.41%	5,000-9,999	6	0.41%	5,000-9,999	6	0.40%
Alabama Power Co Electric	5,000-9,999	7	0.41%	5,000-9,999	9	0.41%	5,000-9,999	9	0.40%
U. Of Ala In Bham Medical Center	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	0.40%
Gold Kist Inc	-	-	-	5,000-9,999	10	0.41%	-	-	-
Winn Dixie Montgomery	5,000-9,999	6	0.41%	5,000-9,999	5	0.41%	5,000-9,999	3	0.40%
Brunos Supermarkets Inc	5,000-9,999	4	0.41%	5,000-9,999	3	0.41%	5,000-9,999	4	0.40%
BellSouth Telecommunications	5,000-9,999	9	0.41%	5,000-9,999	7	0.41%	5,000-9,999	7	0.40%
Russell Corporation	-	-	-	-	-	-	5,000-9,999	10	0.40%
	85,000-139,990		6.18%	75,000-129,990		5.63%	75,000-129,990		5.51%

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 Nine Years

	2010	2009	2008	2007	2006
Primary Government					
Governmental Activities:					
Economic Development and Regulation	802	881	881	882	836
Education and Cultural Resources	1,254	1,200	1,226	1,210	1,117
Natural Resources and Recreation	1,451	1,454	1,608	1,378	1,460
Health	5,626	5,513	5,644	5,493	5,167
Social Services	6,108	5,966	5,968	6,163	6,277
Protection of Person and Property	8,521	8,445	8,317	8,057	7,842
Transportation	5,363	5,301	5,368	5,263	5,169
General Government	4,587	4,686	4,731	4,458	4,173
Total Governmental Activities	**33,712**	**33,446**	**33,743**	**32,904**	**32,041**
Business-type Activities:					
Alcoholic Beverage Control Board	902	901	898	895	851
State Port Authority	185	193	200	184	165
Alabama College System	1,950	1,937	1,916	1,885	1,792
Total Business-Type Activities	**3,037**	**3,031**	**3,014**	**2,964**	**2,808**
Total Primary Government	**36,749**	**36,477**	**36,757**	**35,868**	**34,849**

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

2005	2004	2003	2002
824	835	893	899
1,104	1,086	1,092	1,111
1,383	1,486	1,575	1,622
4,890	4,818	5,081	4,931
6,313	6,323	6,488	6,768
7,733	7,590	7,583	7,395
5,138	5,013	4,981	4,688
4,124	4,166	4,482	4,495
31,509	**31,317**	**32,175**	**31,909**
778	753	746	760
150	142	119	119
1,766	1,796	1,750	1,702
2,694	**2,691**	**2,615**	**2,581**
34,203	**34,008**	**34,790**	**34,490**

OPERATING INFORMATION
Indicators of Demand or Level of Service

Last Five Fiscal Years

	2010	2009	2008	2007	2006
Economic Development and Regulation					
Forestry Commission					
Number of fires	2,314	2,094	2,450	4,591	4,932
Average acres burned	11	11	10	16	15
Agriculture and Industries					
Pounds of meat and poultry processed under inspection	111,056,537	97,868,453	105,603,617	88,835,448	88,823,389
Educational and Cultural Resources					
Education Department					
Teacher certificates issued	n/a	n/a	n/a	48,840	52,024
Number of local schools supported	1,520	1,376	1,550	n/a	n/a
Number of children served	739,198	739,197	744,000	n/a	n/a
Natural Resources and Recreation					
Conservation and Natural Resources					
Number of guests to outdoor recreational sites	3,758,217	3,366,161	3,082,009	3,031,646	2,961,506
Acres of land managed	210,834	198,802	197,451	10,946	8,298
Number of registered boats	248,514	271,206	273,406	273,987	243,483
Health - Physical and Mental					
Public Health					
Vital records issued	432,547	479,904	517,723	584,475	501,984
Medicaid					
Citizens enrolled monthly	878,232	821,602	765,616	732,970	n/a
Claims processed monthly	2,848,694	2,700,907	2,180,736	4,819,280	4,419,711
Social Services					
Industrial Relations					
Employment Security claims	359,287	506,603	285,075	237,697	237,389
Human Resources					
Number of visits to licensed child care centers	3,254	3,435	4,060	3,650	2,946
Child support caseload	229,000	229,635	228,479	228,019	229,078
Households receiving food assistance	344,788	280,625	231,470	226,855	209,316
Number of child abuse/neglect assessments	n/a	n/a	29,301	28,566	27,216
Protection of Persons and Property					
Department of Corrections					
Number of inmates	25,390	25,854	25,303	27,062	24,159
Public Safety					
Arrest tickets issued	533,220	568,505	538,910	407,289	324,627
Accidents investigated	30,520	30,904	33,115	31,939	36,147
Pardons and Paroles					
Number of board hearings	10,284	12,954	12,158	11,546	13,375
Number of offenders supervised	71,578	67,579	66,196	58,862	49,269
Forensic Sciences					
Number of death cases investigated	2,403	2,512	4,098	3,607	3,756
Transportation					
Transportation Department					
Roadway miles	10,876	10,877	10,875	11,235	10,846
Bridges	5,374	5,368	5,362	5,683	5,328
General Government					
Administrative Office of Courts					
Caseload	2,589,067	2,611,460	2,589,796	2,353,372	2,041,982
Revenue Department					
Number of payments received	3,318,271	3,296,454	3,304,603	n/a	n/a

OPERATING INFORMATION
Indicators of Volume, Usage, and Nature of Capital Assets

Last Seven Fiscal Years
(Amounts in Thousands)

	2010	2009	2008	2007	2006	2005	2004
Economic Development and Regulation							
Forestry Commission							
Buildings	160	159	142	142	142	142	142
Vehicles	379	380	371	397	326	322	307
Heavy Equipment	654	657	671	690	682	741	715
Educational and Cultural Resources							
Education Television							
Buildings	26	26	24	24	24	24	24
Natural Resources and Recreation							
Conservation and Natural Resources							
Buildings	678	668	659	631	611	609	604
Vehicles	760	778	774	759	689	672	645
Heavy Equipment	214	211	207	211	212	210	213
Health							
Environmental Management							
Vehicles	183	163	178	189	196	192	172
Social Services							
Human Resources							
Buildings	31	30	31	30	30	30	30
Protection of Persons and Property							
Agriculture and Industries							
Vehicles	246	249	234	233	236	222	186
Corrections							
Buildings	370	370	362	362	362	362	345
Vehicles	446	421	446	448	404	332	332
Military							
Buildings	665	669	680	642	688	688	688
Public Safety							
Vehicles	1,353	1,275	1,375	1,357	1,159	1,287	1,062
Youth Services							
Buildings	115	118	119	118	118	118	118
Vehicles	106	103	101	96	89	82	74
Pardons and Paroles							
Vehicles	321	322	305	262	252	248	211
Transportation							
Transportation							
Buildings	510	510	501	473	472	472	471
Vehicles	2,039	2,062	2,343	2,379	2,356	2,389	2,241
Heavy Equipment	1,093	1,061	1,146	1,127	1,130	1,184	1,138
General Government							
Administrative Office of Courts							
Vehicles	23	22	20	17	7	7	7
Revenue Department							
Vehicles	29	26	27	27	27	37	24

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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, 2009 through September 30, 2010

Filed: September 9, 2011

Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner

11-406

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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 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, 2009 through September 30, 2010.

Respectfully submitted,

Gail Traylor

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

Sworn to and subscribed before me this
the 29th day of August, 2011.

Sandra E Shirley
Notary Public

rb

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Exhibit #2	**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*** – 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.	48
Exhibit #3	**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133** – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the State complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	51
Exhibit #4	**Schedule of Findings and Questioned Costs** – A schedule summarizing the results of audit findings relating to the financial statements as required by Government Auditing Standards and findings and questioned costs for federal awards as required by OMB Circular A-133.	
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Department of
Examiners of Public Accounts

SUMMARY

Single Audit of Federal Financial Assistance Programs
State of Alabama
October 1, 2009 through September 30, 2010

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, 2010, which is a required component of a Single Audit, was issued by the Department of Examiners of Public Accounts as Report Number 11-288 on May 27, 2011. 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.

Component Unit	Federal Program	CFDA Number	Federal Expenditures
Housing Finance Authority	Home Investment Partnerships Program	14.239	$11,179,098
	Tax Credit Assistance Program	14.258	$11,428,625
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$29,189,373
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$14,379,271
Educational Television Commission/Alabama Public Television Foundation	E Learning for Educators	84.269A	$ 4,457,961
	Ready to Learn: Raising Readers	84.295B	$ 79,140
	Public Safety Interoperable Communications	11.555	$ 3,000,000
	The State Humanities Program: Sloss Industry to Art Project	45.129	$ 7,000
Space Science Exhibit Commission	National Aeronautics and Space Administration	43.008	$ 1,377,450
	Federal Transit Authority Intermodal Center	20.500	$ 1,138,679
	Appalachian Regional Commission - Enhanced STEM in Franklin County	23.002	$ 45,657
	Institute of Museum and Library Services	45.301	$ 73,286

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). These findings are reported 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***. Details of the findings and recommendations are included in the Schedule of Findings and Questioned Costs. 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 That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***. Details of the findings and recommendations are included in 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 Plan 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 That Could Have a Direct and Material Effect on 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 $10,635,675,705 in federal financial assistance during the 2009-2010 fiscal year. Of this amount, state agencies expended $1,755,559,191 for various programs under the American Recovery and Reinvestment Act, the largest being the Medicaid Program with expenditures of $406,861,878. Federal financial assistance received and expended by state agencies is shown on the Schedule of Expenditures of Federal Awards (Exhibit 1). 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, 2010

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	$ 1,357,429
Conservation Reserve Program	10.069	51,969
Federal State Marketing Improvement Program	10.156	11,600
Inspection Grading and Standardization	10.162	911
Market Protection and Promotion	10.163	95,617
Farmer's Market Promotion Program	10.168	44,101
Specialty Crop Block Grant Program	10.169	464,139
State Mediation Grants	10.435	124,351
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,373,628
Supplemental Nutrition Assistance Program (SNAP) Cluster		
Supplemental Nutrition Assistance Program	10.551	1,079,535,888
ARRA - Supplemental Nutrition Assistance Program	10.551	143,507,725
State Administrative Matching Grants for the Supplemental Nutrition Program	10.561	38,463,823
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Program	10.561	2,568,449
Total (SNAP) Cluster (M)		1,264,075,885
Child Nutrition Cluster		
School Breakfast Program	10.553	53,532,900
National School Lunch Program	10.555	198,503,955
Special Milk Program for Children	10.556	37,128
Summer Food Service Program for Children	10.559	3,671,301
Total Child Nutrition Cluster (M)		255,745,284
Special Supplemental Nutrition Program for Women, Infants, and Children (M)	10.557	135,948,709
Child and Adult Care Food Program (M)	10.558	38,726,607
State Administrative Expenses for Child Nutrition	10.560	2,941,522

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
$ 1,521,131		$ 12,746	Agriculture and Industries/Conservation and Natural Resources
46,355			Conservation and Natural Resources
		11,600	Agriculture and Industries
911			Agriculture and Industries
95,617			Agriculture and Industries
15,979			Farmer's Market Authority
8,367		162,301	Agriculture and Industries
124,351			Agriculture and Industries
2,740,582			Agriculture and Industries
1,079,535,888	3J		Human Resources
143,507,725	3J		Human Resources
38,693,641			Human Resources
2,568,449			Human Resources
1,264,305,703			
53,530,062		53,286,674	Education
198,506,575	3A	198,196,480	Education
37,043		37,043	Education
3,675,778	3A	3,538,025	Education
255,749,458		255,058,222	
135,709,567	3B	5,274,126	Public Health
38,728,130		38,252,986	Education
2,941,522			Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Emergency Food Assistance Cluster		
Emergency Food Assistance Program - Administrative Costs	10.568	799,891
ARRA - Emergency Food Assistance Program - Administrative Costs	10.568	403,627
Emergency Food Assistance Program - Food Commodities	10.569	10,755,913
ARRA - Emergency Food Assistance Program - Food Commodities	10.569	147,731
Total Emergency Food Assistance Cluster		12,107,162
WIC Farmers' Market Nutrition Program (FMNP)	10.572	174,462
Team Nutrition Grants	10.574	59,171
Seniors Farmers Market Nutrition Program	10.576	1,598,437
ARRA - WIC Grants to States (WGS)	10.578	85,749
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	913,173
Supplemental Nutrition Assistance Program, Outreach/ Participation Program	10.580	28,762
Fresh Fruit and Vegetable Program	10.582	1,247,865
Forestry Research	10.652	428,938
Cooperative Forestry Assistance	10.664	1,076,798
Schools and Roads - Grants to States	10.665	6,549,469
Forest Legacy Program	10.676	26,700
Forest Health Protection	10.680	1,277,504
Recovery Act of 2009: Wildlife Fire Management	10.688	410,415
Total Department of Agriculture		1,726,946,357
DEPARTMENT OF COMMERCE		
Interjurisdictional Fisheries Act of 1986	11.407	
Coastal Zone Management Administration Awards	11.419	1,309,753
Coastal Zone Management Estuarine Research Reserves	11.420	523,235
Cooperative Fishery Statistics	11.434	536,915
Southeast Area Monitoring and Assessment Program	11.435	353,224
Environmental Sciences, Applications Data, and Education	11.440	2,957

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
799,891		787,854	Education
403,627		403,627	Education
10,755,913	3A	10,755,913	Education
147,731	3A	147,731	Education
12,107,162		12,095,125	
147,913			Farmer's Market Authority
59,319			Education
1,711,859			Farmer's Market Authority
85,749			Public Health
913,173		913,173	Education
100,197			Human Resources
1,247,865		1,247,865	Education
428,938			Forestry Commission
1,076,798			Forestry Commission
6,566,636		2,363,968	Department of Finance
26,700			Forestry Commission
1,277,504			Forestry Commission
410,415			Forestry Commission
1,728,147,901		315,392,112	
60,917			Conservation and Natural Resources
1,379,641		932,434	Conservation and Natural Resources
833,409		78,909	Conservation and Natural Resources/Forever Wild
503,062			Conservation and Natural Resources
351,603		45,000	Conservation and Natural Resources
3,257			Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Regional Fishery Management Councils	11.441	38,475
Unallied Management Projects - Oyster Reef Recovery	11.454	6,571,389
Meteorologic and Hydrologic Modernization Development	11.467	43,750
Applied Meteorological Research	11.468	250,000
Congressionally Identified Awards and Projects	11.469	80,803
Costal Services Center	11.473	
Public Safety Interoperable Communications Grant Program	11.555	2,553,549
ARRA - State Broadband Data and Development Grant Program	11.558	8,600
Other Federal Assistance		
Joint Enforcement Agreement (Advancement)	11.Unknown	499,198
Department of Commerce - NOAA FNA07NOS4000170	11.Unknown	584,430
Total Department of Commerce		13,356,278
DEPARTMENT OF DEFENSE		
Navigation Projects	12.107	868,383
National Guard Cluster		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	60,549,784
ARRA - National Guard Military Operations and Maintenance (O&M) Projects	12.401	6,687,518
Total National Guard Cluster (M)		67,237,302
Other Federal Assistance		
Troops to Teachers	12.Unknown	142,450
Bob Cat Cave Monitoring (USA Aviation & Missile Command)	12.Unknown	
Total Department of Defense		68,248,135
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Manufactured Home Construction and Safety Standards	14.171	254,860
CDBG - State Administered Small Cities Program Cluster		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	84,565,211
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Recovery Act	14.255	5,144,735
Total CDBG - State Administered Small Cities Program Cluster (M)		89,709,946

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
27,087			Conservation and Natural Resources
8,313,736		4,283,579	Conservation and Natural Resources
			Emergency Management Agency
250,000			Emergency Management Agency
113,676		44,047	Conservation and Natural Resources
6,428			Conservation and Natural Resources
2,212,193			Homeland Security
262			Economic and Community Affairs
437,211			Conservation and Natural Resources
584,430			Revenue
15,076,912		5,383,969	
739,887			Conservation and Natural Resources
59,831,266			Military Department
5,859,636			Military Department
65,690,902			
164,139			Education
24,847			Geological Survey
66,619,775			
254,860			Manufactured Housing Commission
84,582,729		82,772,968	Economic and Community Affairs
5,142,198		5,075,390	Economic and Community Affairs
89,724,927		87,848,358	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Emergency Shelter Grants Program	14.231	1,354,245
Shelter Plus Care	14.238	198,547
Housing Opportunities for Persons with AIDS	14.241	1,338,522
Community Development Block Grants/Brownfield's Economic Development Initiative	14.246	24,796
Homeless Prevention and Rapid Re-Housing Program - Recovery Act	14.257	5,394,233
Total Department of Housing and Urban Development		98,275,149
DEPARTMENT OF INTERIOR		
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	1,065,091
Abandoned Mine Land Reclamation (AMLR) Program	15.252	4,167,615
Marine Minerals Activities	15.424	14,507
Coastal Impact Assistance Program (CIAP)	15.426	1,235,323
Fish and Wildlife Cluster		
Sport Fish Restoration Program	15.605	5,243,081
Wildlife Restoration	15.611	5,219,371
Total Fish and Wildlife Cluster		10,462,452
Endangered Species Conservation	15.612	804,024
Cooperative Endangered Species Conservation Fund	15.615	2,290,813
Clean Vessel Act	15.616	142,882
Sportfishing and Boating Safety Act	15.622	518,584
Conservation Grants Private Stewardship for Imperiled Species	15.632	92,482
Landowner Incentive Program	15.633	374,440
State Wildlife Grants	15.634	1,025,080
Research Grants (Generic)	15.650	
Recovery Act - Habitat Enhancement, Restoration and Improvement	15.656	69,998

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,352,441		1,316,470	Economic and Community Affairs
198,547		198,547	Mental Health
1,338,522		1,319,059	Economic and Community Affairs
24,796			Historical Commission
5,393,678		5,282,537	Economic and Community Affairs
98,287,771		95,964,971	
2,305,082			Surface Mining Commission
4,119,884			Industrial Relations
			Geological Survey
1,353,294		1,057	Conservation and Natural Resources
5,703,699		694,635	Conservation and Natural Resources
5,484,951		14,649	Conservation and Natural Resources
11,188,650		709,284	
401,983		226,883	Conservation and Natural Resources
2,542,263		246,750	Conservation and Natural Resources/Forever Wild
85,293			Environmental Management
517,086		547,419	Environmental Management
130,243		14,297	Conservation and Natural Resources/Geological Survey
389,508		350,321	Conservation and Natural Resources
1,273,659		736,610	Conservation and Natural Resources
15,758			Conservation and Natural Resources
112,052		53,806	Conservation and Natural Resources

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
U. S. Geological Survey - Research and Data Acquisition	15.808	119,451
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	2,943
National Cooperative Geologic Mapping Program	15.810	115,606
Historic Preservation Fund Grants-In-Aid	15.904	1,279,484
Outdoor Recreation - Acquisition, Development and Planning	15.916	586,331
Save America's Treasures	15.929	237,000
Other Federal Assistance		
Underground Mine Map (OSM)	15.Unknown	26,150
Total Department of Interior		24,630,256
DEPARTMENT OF JUSTICE		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	184,406
Juvenile Accountability Block Grants	16.523	767,382
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	841,285
Missing Children's Assistance	16.543	346,156
Title V - Delinquency Prevention Program	16.548	28,469
State Justice Statistics Program for Statistical Analysis Centers	16.550	56,631
National Criminal History Improvement Program (NCHIP)	16.554	458,137
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	206,963
National Institute of Justice Visiting Fellowships	16.561	435,000
Crime Victim Assistance	16.575	5,332,783
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	472,542
Crime Victim Assistance/Discretionary Grants	16.582	

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
115,392			Economic and Community Affairs/Geological Survey
2,261			Economic and Community Affairs
123,587			Geological Survey
1,335,914		380,583	Historical Commission
586,331		586,331	Economic and Community Affairs
237,000			Historical Commission
25,000			Geological Survey
26,860,240		3,853,341	
317,180			Corrections
906,365		193,285	Economic and Community Affairs
840,440		753,548	Economic and Community Affairs
346,301			Public Safety
28,707		26,880	Economic and Community Affairs
49,425			Criminal Justice Information
419,346		112,031	Criminal Justice Information
259,566			Attorney General
437,080			Forensic Science
5,332,603		5,072,676	Economic and Community Affairs
466,859		73,972	Criminal Justice Information/Public Health
18,653		16,612	Attorney General

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Violence Against Women Formula Grants Cluster		
Violence Against Women Formula Grants	16.588	1,773,686
ARRA - Violence Against Women Formula Grants	16.588	1,166,728
Total Violence Against Women Formula Grants Cluster		2,940,414
Residential Substance Abuse Treatment for State Prisoners	16.593	198,736
State Criminal Alien Assistance Program	16.606	162,919
Bulletproof Vest Partnership Program	16.607	10,149
Project Safe Neighborhoods	16.609	164,437
Public Safety Partnership and Community Policing Grants	16.710	2,152,090
Enforcing Underage Drinking Laws Program	16.727	355,269
Edward Byrne Memorial Justice Assistance Grant Program	16.738	5,284,502
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	297,621
Forensic DNA Backlog Reduction Program	16.741	1,197,660
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	116,511
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	68,283
Convicted Offender and/or Arrestee DNA backlog Reduction Program	16.748	388,000
Congressionally Recommended Awards	16.753	808,018
Recovery Act - Internet Crimes Against Children Task Force Program (ICAC)	16.800	154,372
Recovery Act - State Victim Assistance Formula Grant Program	16.801	542,620
Recovery Act - State Victim Compensation Formula Grant Program	16.802	847,343
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	10,419,482
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	1,156,978

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,767,804		1,570,976	Economic and Community Affairs
1,166,684		906,198	Economic and Community Affairs
2,934,488		2,477,174	
198,641			Economic and Community Affairs
162,919			Corrections
5,093		5,093	Economic and Community Affairs
164,063			Economic and Community Affairs
2,177,626		155,800	Economic and Community Affairs/Public Safety Corrections/Criminal Justice Information
355,015		122,477	Economic and Community Affairs
3,354,584		2,504,928	Economic and Community Affairs/Forensic Science
394,723		370,026	Criminal Justice Information
1,109,785			Forensic Science
116,414			Economic and Community Affairs
68,283			Mental Health
382,839			Forensic Science
755,904			Public Safety/Forensic Science
160,979			Public Safety
540,016		522,510	Economic and Community Affairs
847,343			Crime Victims Compensation
10,244,343		7,811,897	Economic and Community Affairs
1,151,532		415,804	Criminal Justice Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
Drug Enforcement Administration	16.Unknown	1,715,514
Alcohol, Tobacco and Firearms	16.Unknown	2,462
Organized Crime Drug Enforcement Task Force	16.Unknown	26,532
BJA National Motor Vehicle Title Information System Participation Program - 2009-DG-BX-0016	16.Unknown	16,956
Total Department of Justice		38,156,622
DEPARTMENT OF LABOR		
Labor Force Statistics	17.002	1,301,209
Compensation and Working Conditions	17.005	107,900
Employment Service Cluster		
Employment Service/Wagner-Peyser Funded Activities	17.207	10,361,947
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207	4,163,416
Disabled Veterans' Outreach Program (DVOP)	17.801	798,501
Local Veterans' Employment Representative Program	17.804	1,352,035
Total Employment Service Cluster (M)		16,675,899
Unemployment Insurance Cluster		
Unemployment Insurance	17.225	1,080,160,835
ARRA - Unemployment Insurance (Administrative Grant)	17.225	2,463,069
ARRA - Unemployment Insurance (Federal Benefits)	17.225	136,996,017
Total Unemployment Insurance Cluster (M)		1,219,619,921
Senior Community Service Employment Cluster		
Senior Community Service Employment Program	17.235	2,197,118
ARRA - Senior Community Service Employment Program	17.235	322,502
Total Senior Community Service Employment Cluster		2,519,620
Trade Adjustment Assistance Cluster		
Trade Adjustment Assistance	17.245	2,781,450
Trade Adjustment Assistance-Supplemental	17.245	3,488,236
Total Trade Adjustment Assistance Cluster		6,269,686

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,909,981			Public Safety
611			Public Safety
26,234			Public Safety
16,956			Revenue
36,500,897		20,634,713	
1,356,083			Industrial Relations
107,900			Labor
9,747,699			Industrial Relations
3,921,032			Industrial Relations
821,289			Industrial Relations
1,364,834			Industrial Relations
15,854,854			
1,219,034,523	3D		Industrial Relations
2,157,182	3D		Industrial Relations
136,996,040	3D		Industrial Relations
1,358,187,745			
2,203,254		2,115,965	Senior Services
322,502		322,502	Senior Services
2,525,756		2,438,467	
792,177			Industrial Relations
7,470,814			Industrial Relations
8,262,991			

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Workforce Investment Act Cluster		
Workforce Investment Act Adult Program	17.258	7,630,467
ARRA - Workforce Investment Act Adult Program	17.258	3,297,456
Workforce Investment Act Youth Activities	17.259	8,792,945
ARRA - Workforce Investment Act Youth Activities	17.259	3,305,524
Workforce Investment Act Dislocated Workers	17.260	11,837,578
ARRA - Workforce Investment Act Dislocated Workers	17.260	6,047,413
WIA Dislocated Worker Formula Grants	17.278	735,554
Total Workforce Investment Act Cluster (M)		41,646,937
Workforce Investment Act Pilots, Demonstrations, and Research Projects	17.261	5,879,678
Work Incentive Grants	17.266	321,200
Community Based Job Training Grants	17.269	204,953
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	124,661
Consultation Agreements	17.504	50,324
Total Department of Labor		1,294,721,988
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	647,686,200
ARRA - Highway Planning and Construction	20.205	277,710,990
Recreational Trails Program	20.219	1,418,250
Appalachian Development Highway System	23.003	47,584,467
Total Highway Planning and Construction Cluster (M)		974,399,907
Airport Improvement Program	20.106	296,868
Highway Training and Education	20.215	
National Motor Carrier Safety	20.218	5,106,640
Commercial Driver License State Program Improvement Grant	20.232	109,491
Safety Data Improvement Program	20.234	302,231
Commercial Vehicle Information Systems and Networks	20.237	242,188
Commercial Drivers License Information System (CDLIS) Modernization Grant	20.238	95,145

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
7,732,892		1,786,899	Economic and Community Affairs
3,320,675		1,044,350	Economic and Community Affairs
8,815,333		3,113,487	Economic and Community Affairs
3,316,133		2,069,070	Economic and Community Affairs
11,754,592		2,273,007	Economic and Community Affairs
5,971,328		3,342,630	Economic and Community Affairs
735,554		22,153	Economic and Community Affairs
41,646,507		13,651,596	
5,900,907		5,506,595	Economic and Community Affairs
321,672		290,533	Economic and Community Affairs
204,297		196,122	Economic and Community Affairs
129,781		1,006	Economic and Community Affairs/Industrial Relations
50,324			Labor
1,434,548,817		22,084,319	
619,261,885		4,912,258	Transportation
277,105,777		1,607,001	Transportation
1,418,264		1,277,170	Economic and Community Affairs
42,674,621			Transportation
940,460,547		7,796,429	
296,868			Transportation
46,754			Education
4,584,751			Public Safety
111,859			Public Safety
260,490		235,490	Criminal Justice Information
300,889		300,889	Criminal Justice Information
102,488			Public Safety

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Federal Transit Cluster		
Federal Transit - Capital Investment Grants	20.500	123,065
Federal Transit - Formula Grants	20.507	1,547,264
ARRA - Federal Transit - Formula Grants	20.507	1,191,998
Total Federal Transit Cluster		2,862,327
Federal Transit - Metropolitan Transportation Planning	20.505	93,085
Formula Grants Cluster		
Formula Grants for Other Than Urbanized Areas	20.509	6,342,096
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	2,298,464
Total Formula Grants Cluster		8,640,560
Transit Services Programs Cluster		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	717,709
Job Access Reverse Commute	20.516	2,233,333
New Freedom Program	20.521	122,566
Total Transit Services Programs Cluster		3,073,608
Highway Safety Cluster		
State and Community Highway Safety	20.600	3,479,118
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	1,710,716
Occupant Protection Incentive Grants	20.602	237,523
Safety Belt Performance Grants	20.609	845,222
State Traffic Safety Information System Improvement Grants	20.610	354,531
Total Highway Safety Cluster		6,627,110
Pipeline Safety Program Base Grants	20.700	889,444
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	343,634
Other Federal Assistance		
National Highway Traffic Safety Administration	20.Unknown	72,497
Federal Motor Carrier Safety Administration P709011000000	20.Unknown	110,600
Total Department of Transportation		1,003,265,335

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
123,065		123,065	Transportation
1,547,264		1,547,264	Transportation
1,191,998		1,191,998	Transportation
2,862,327		2,862,327	
93,085		93,085	Transportation
6,342,096		6,317,801	Transportation
2,298,464		2,298,464	Transportation
8,640,560		8,616,265	
717,709		717,709	Transportation
2,146,925		1,990,922	Senior Services/Transportation
122,567		107,567	Senior Services/Transportation
2,987,201		2,816,198	
3,549,471		2,616,565	Economic and Community Affairs
1,850,856		650,823	Economic and Community Affairs
276,584		163,962	Economic and Community Affairs
827,679		293,130	Economic and Community Affairs
333,821		333,821	Economic and Community Affairs
6,838,411		4,058,301	
889,444			Public Service Commission
302,601		279,290	Emergency Management Agency
68,223			Public Safety
110,600			Revenue
968,957,098		27,058,274	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
APPALACHIAN REGIONAL COMMISSION		
Appalachian Regional Development	23.001	2,080
Appalachian Area Development	23.002	86,259
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	112,500
Total Appalachian Regional Commission		200,839
GENERAL SERVICES ADMINISTRATION		
Donation of Federal Surplus Personal Property	39.003	5,727,976
Help America Vote Act-Title I, Section 101	39.011	915
Total General Services Administration		5,728,891
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Arts Cluster		
Promotion of the Arts - Partnership Agreements	45.025	822,500
ARRA - Promotion of the Arts - Partnership Agreements	45.025	312,800
Total Promotion of the Arts Cluster		1,135,300
Promotion of the Humanities - Federal/State Partnership	45.129	1,051
Total National Foundation on the Arts and the Humanities		1,136,351
Institute of Museum and Library Services		
Grants to States	45.310	2,781,836
National Leadership Grants	45.312	12,869
Other Federal Assistance		
Institute of Museum and Library Services (IMLS) Enhancement Grants - #CL-00-08-0002-08	45.Unknown	10,394
Total Institute of Museum and Library Services		2,805,099
TENNESSEE VALLEY AUTHORITY		
Other Federal Assistance		
Other Federal Assistance-TVA	62.Unknown	932,916
Tennessee Valley Authority-Contract TV-62313A	62.Unknown	163,750
Total Tennessee Valley Authority		1,096,666
DEPARTMENT OF VETERANS AFFAIRS		
Veterans State Nursing Home Care	64.015	13,385,288
State Approving Agency Contract Number V101(223C)P-5000	64.Unknown	118,681
Total Department of Veterans Affairs		13,503,969

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
2,080		2,080	Economic and Community Affairs
106,457		86,007	Economic and Community Affairs/Transportation
129,091			Economic and Community Affairs
237,628		88,087	
4,741,926	3E	4,636,441	Economic and Community Affairs
956,392	3I		Secretary of State
5,698,318		4,636,441	
505,272		505,272	Council on the Arts
287,637		287,637	Council on the Arts
792,909		792,909	
7			Historical Commission
792,916		792,909	
2,526,086		1,277,698	Public Library Service
11,393			Historical Commission
12,390			School of Math and Science
2,549,869		1,277,698	
816,196		567,675	Emergency Management Agency
56,886			Public Health
873,082		567,675	
13,243,425			Veterans' Affairs
278,722			Postsecondary Education
13,522,147			

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
ENVIRONMENTAL PROTECTION AGENCY		
State Indoor Radon Grants	66.032	302,506
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	551,128
State Clean Diesel Program	66.040	34,911
Congressionally Mandated Projects	66.202	59,049
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	119,671
Water Quality Management Planning Cluster		
Water Quality Management Planning	66.454	112,111
ARRA - Water Quality Management Planning	66.454	635,651
Total Water Quality Management Planning Cluster		747,762
Nonpoint Source Implementation Grants	66.460	3,618,366
Water Quality Cooperative Agreements	66.463	7,117
Beach Monitoring and Notification Program Implementation Grants	66.472	248,786
Water Protection Grants to the States	66.474	17,434
Performance Partnership Grants	66.605	14,539,935
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	326,772
Pollution Prevention Grants Program	66.708	7,894
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	66.802	590,032
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	769,908
Leaking Underground Storage Tank Trust Fund Cluster		
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,524,490
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,211,683
Total Leaking Underground Storage Tank Trust Fund Cluster		2,736,173
Solid Waste Management Assistance Grants	66.808	11,612
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	1,317,332
ARRA - Brownfield Assessment and Cleanup Cooperative Agreements	66.818	250,000
Total Environmental Protection Agency		26,256,388

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
287,916		232,232	Public Health
617,148			Environmental Management/Public Health
125,271			Environmental Management
57,751			Environmental Management
147,901			Environmental Management
135,436		42,137	Environmental Management
685,595			Environmental Management
821,031		42,137	
4,433,398		2,786,357	Environmental Management
11,143			Environmental Management
260,069			Environmental Management
			Environmental Management
11,006,437			Agriculture and Industries/Environmental Management
325,696			Public Health
26,472			Environmental Management
592,425			Environmental Management
879,339			Environmental Management
1,743,143			Environmental Management
1,211,683			Environmental Management
2,954,826			
11,455			Environmental Management
850,155		315,722	Environmental Management
20,832			Environmental Management
23,429,265		3,376,448	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF ENERGY		
State Energy Program Cluster		
State Energy Program	81.041	353,295
ARRA - State Energy Program	81.041	14,041,058
Total State Energy Program Cluster		14,394,353
Weatherization Assistance Cluster		
Weatherization Assistance for Low-Income Persons	81.042	1,783,482
ARRA - Weatherization Assistance for Low-Income Persons	81.042	23,168,679
Total Weatherization Assistance Cluster (M)		24,952,161
States and Tribal Concerns, Proposed Solutions	81.106	114,392
State Energy Program Cluster		
State Energy Program Special Projects	81.119	21,630
ARRA - State Energy Program Special Projects	81.119	83,688
Total State Energy Program Cluster		105,318
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	11,696
ARRA - Energy Efficient Appliance Rebate Program (EEARP) (M)	81.127	2,782,282
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	385,281
Other Federal Assistance		
Petroleum Violation Escrow	81.Unknown	5,206
Total Department of Energy		42,750,689
DEPARTMENT OF EDUCATION		
Adult Education - Basic Grants to States	84.002	10,711,611
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	230,860,451
Title I Grants to Local Educational Agencies, Recovery Act	84.389	102,259,628
Total Title I, Part A Cluster (M)		333,120,079
Migrant Education - State Grant Program	84.011	2,116,212
Title I State Agency Program for Neglected and Delinquent Children	84.013	781,330

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
356,029		54,566	Economic and Community Affairs
14,080,961		13,660,288	Economic and Community Affairs
14,436,990		13,714,854	
1,797,813		1,733,503	Economic and Community Affairs
23,130,434		22,291,298	Economic and Community Affairs
24,928,247		24,024,801	
144,588			Emergency Management Agency
21,630		20,630	Economic and Community Affairs
83,688		82,688	Economic and Community Affairs
105,318		103,318	
11,694			Public Service Commission
2,782,282			Economic and Community Affairs
380,281		309,432	Economic and Community Affairs
679,880		593,337	Economic and Community Affairs
43,469,280		38,745,742	
9,868,032		9,511,441	Post Secondary Education
230,861,409		228,224,686	Education
102,259,628		101,880,411	Education
333,121,037		330,105,097	
2,116,212		1,632,590	Education
781,330		471,863	Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	171,416,281
Special Education - Preschool Grants	84.173	5,660,671
Special Education - Grants to States, Recovery Act	84.391	81,398,413
Special Education - Preschool Grants, Recovery Act	84.392	2,778,108
Total Special Education Cluster (IDEA) (M)		261,253,473
Career and Technical Education - Basic Grants to States	84.048	20,387,984
Leveraging Educational Assistance Partnership	84.069A	465,225
Vocational Rehabilitation Cluster		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	52,359,842
Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	4,335,230
Total Vocational Rehabilitation Cluster (M)		56,695,072
Migrant Education Coordination Program	84.144	33,381
Rehabilitation Services - Client Assistance Program	84.161	160,152
Independent Living-State Grants Cluster		
Independent Living - State Grants	84.169	341,600
Independent Living State Grants, Recovery Act	84.398	200,046
Total Independent Living-State Grants Cluster		541,646
Independent Living Services for Older Individuals Who Are Blind Cluster		
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	568,617
Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399	402,353
Total Independent Living Services for Older Individuals Who Are Blind Cluster		970,970
Early Intervention Services (IDEA) Cluster		
Special Education - Grants For Infants and Families	84.181	5,568,759
Special Education - Grants for Infants and Families, Recovery Act	84.393	3,129,561
Total Early Intervention Services (IDEA) Cluster (M)		8,698,320

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
171,416,281		162,734,654	Education
5,660,671		5,313,577	Education
81,398,413		81,398,413	Education
2,778,108		2,778,108	Education
261,253,473		252,224,752	
20,387,984		17,430,567	Education
465,225			Commission on Higher Education
51,516,945	3F		Rehabilitation Services
3,368,021			Rehabilitation Services
54,884,966			
33,381			Education
160,152			Rehabilitation Services
341,600			Rehabilitation Services
145,749			Rehabilitation Services
487,349			
511,505			Rehabilitation Services
48,715			Rehabilitation Services
560,220			
5,568,759		1,425,047	Rehabilitation Services
2,748,647		255,053	Rehabilitation Services
8,317,406		1,680,100	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Byrd Honors Scholarships	84.185	677,625
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,329,127
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	338,907
Education for Homeless Children and Youth Cluster		
Education for Homeless Children and Youth	84.196	907,914
Education for Homeless Children and Youth, Recovery Act	84.387	597,806
Total Education for Homeless Children and Youth Cluster		1,505,720
Even Start - State Educational Agencies	84.213	951,685
Fund for the Improvement of Education Award # U215K00076	84.215	50,479
Assistive Technology	84.224A	331,670
Tech-Prep Education	84.243	1,922,465
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	108,296
Ready to Teach	84.286	168,025
Twenty-First Century Community Learning Centers	84.287	11,946,437
State Grants for Innovative Programs	84.298	43,917
Educational Technology State Grants Cluster		
Education Technology State Grants	84.318	4,149,785
Education Technology State Grants, Recovery Act	84.386	7,246,540
Total Educational Technology State Grants Cluster		11,396,325
Special Education - State Personnel Development	84.323	895,028
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	103,377
Comprehensive School Reform Demonstration	84.332	(5)
Reading First State Grants	84.357	4,141,812
Rural Education	84.358	5,745,864
English Language Acquisition Grants	84.365	4,138,043
Mathematics and Science Partnerships	84.366	2,612,219
Improving Teacher Quality State Grants (M)	84.367	43,491,420

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
677,625		677,625	Education
4,329,511		3,984,680	Economic and Community Affairs/Education
338,907			Rehabilitation Services
908,267		833,215	Education
597,806		597,806	Education
1,506,073		1,431,021	
962,358		932,877	Education
53,374			School of Math and Science
331,670			Rehabilitation Services
1,922,465		1,676,334	Education
107,931			Rehabilitation Services
102,848		102,178	Education
11,946,437		11,163,329	Education
43,916		43,916	Education
4,165,174		3,941,684	Education
7,246,540		7,241,640	Education
11,411,714		11,183,324	
895,028		312,135	Education
103,377		103,377	Education
			Education
4,141,863		3,753,062	Education
5,746,361		5,413,517	Education
4,138,043		4,021,988	Education
2,612,219		2,612,219	Education
43,496,903		42,904,913	Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Improving Teacher Quality State Grants	84.367B	1,287,437
Grants for State Assessments and Related Activities	84.369	5,526,880
Special Education - Technical Assistance on State Data Collection	84.373	202,489
School Improvement Grants Cluster		
School Improvement Grants	84.377	5,104,820
School Improvement Grants, Recovery Act	84.388	4,388,171
Total School Improvement Grants Cluster		9,492,991
College Access Challenge Grant Program	84.378	992,202
State Fiscal Stabilization Fund Cluster		
State Fiscal Stabilization Fund (SFSF) - Educational State Grants, Recovery Act	84.394	283,329,423
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	122,503,991
Total State Fiscal Stabilization Fund Cluster (M)		405,833,414
Total Department of Education		1,214,169,304
DELTA REGIONAL AUTHORITY		
Delta Area Economic Development	90.201	18,318
Total Delta Regional Authority		18,318
ELECTIONS ASSISTANCE COMMISSION		
Help America Vote Act Requirements Payments	90.401	6,578
Total Elections Assistance Commission		6,578
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	147,000
Special Programs for the Aging - Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	79,090
Special Programs for the Aging - Title VII, Chapter 2: Long-Term Care Ombudsman Services for Older Individuals	93.042	262,696
Special Programs for the Aging - Title III, Part D: Disease Prevention and Health Promotion Services	93.043	324,689

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,287,500			Commission on Higher Education
5,526,880			Education
202,489			Education
5,104,820		4,137,852	Education
4,388,171		4,388,171	Education
9,492,991		8,526,023	
992,202		489,633	Education
283,329,423		283,329,423	Governor's Office/Executive Budget Office
122,503,991			Governor's Office/Executive Budget Office
405,833,414		283,329,423	
1,210,640,866		995,717,984	
85,000		85,000	Economic and Community Affairs
85,000		85,000	
17,304			Secretary of State
17,304			
149,884			Public Health
79,091		79,091	Senior Services
262,697		262,697	Senior Services
341,475		324,983	Senior Services

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Aging Cluster		
Special Programs for the Aging - Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	5,669,066
Special Programs for the Aging - Title III, Part C: Nutrition Services	93.045	10,448,942
Nutrition Services Incentive Program	93.053	2,864,534
Total Aging Cluster		18,982,542
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	572,127
Alzheimer's Disease Demonstration Grants to States	93.051	102,166
National Family Caregiver Support, Title III Part E	93.052	2,417,427
Public Health Emergency Preparedness	93.069	31,086,651
Environmental Public Health and Emergency Response	93.070	192,000
Medicare Enrollment Assistance Program	93.071	113,582
Lifespan Respite Care Program	93.072	41,513
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	106,179
Maternal and Child Health Federal Consolidated Programs	93.110	199,500
AIDS Comprehensive Care/Preventative Program-Hemophilia of Georgia	93.110B	25,953
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,048,300
Emergency Medical Services for Children	93.127	80,300
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	226,700
Injury Prevention and Control Research and State and Community Based Programs	93.136	767,900
Projects for Assistance in Transition from Homelessness (PATH)	93.150	416,694
Family Planning - Services	93.217	5,874,700
Traumatic Brain Injury State Demonstration Grant Program	93.234	132,924

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
5,644,919		5,310,297	Senior Services
10,273,799		9,803,531	Senior Services
2,864,534		2,864,534	Senior Services
18,783,252		17,978,362	
576,683		464,613	Senior Services
98,734		80,000	Senior Services
2,523,288		2,415,413	Senior Services
30,575,549	3G	1,638,273	Public Health
192,020			Public Health
113,582		113,582	Senior Services
41,514		41,514	Senior Services
199,305		199,305	Mental Health
199,478		51,500	Public Health
25,817			Rehabilitation Services
1,047,561		11,000	Public Health
80,401			Public Health
226,693			Public Health
770,673		492,794	Public Health
449,023		448,323	Mental Health
5,874,736		1,470,726	Public Health
217,889			Rehabilitation Services

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Abstinence Education Program	93.235	(68)
State Rural Hospital Flexibility Program	93.241	340,595
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	16,631
Universal Newborn Hearing Screening	93.251	305,882
Immunization Cluster		
Immunization Grants	93.268	59,442,206
ARRA - Immunizations	93.712	963,885
Total Immunization Cluster (M)		60,406,091
Centers for Disease Control and Prevention Investigations Land Technical Assistance	93.283	8,621,379
Small Rural Hospital Improvement Grant Program	93.301	270,100
ARRA - State Loan Repayment Program	93.402	35,001
ARRA - State Primary Care Offices	93.414	22,246
Ruminant Feed Ban Support Project	93.449	23,450
Promoting Safe and Stable Families	93.556	5,711,210
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	93,109,605
ARRA - Temporary Assistance for Needy Families (TANF)	93.558	8,033,498
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	35,371,350
Total TANF Cluster (M)		136,514,453
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	49,709,195
ARRA - Child Support Enforcement	93.563	2,640,000
Total Child Support Enforcement Cluster (M)		52,349,195
Low-Income Home Energy Assistance	93.568	67,292,574
Community Services Block Grant Cluster		
Community Services Block Grant	93.569	12,350,635
ARRA - Community Services Block Grants	93.710	16,258,112
Total Community Services Block Grant Cluster		28,608,747

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
(68)		(68)	Public Health
340,620		(4,409)	Public Health
28,484		19,706	Mental Health
305,908		197,842	Public Health
59,448,183	3G	3,674,058	Public Health
976,242		258,358	Public Health
60,424,425		3,932,416	
8,565,375		973,134	Emergency Management Agency/Public Health
270,171		259,492	Public Health
35,000		35,000	Public Health
35,862			Public Health
23,450			Agriculture and Industries
6,292,939			Human Resources
102,410,425			Human Resources
9,983,929			Human Resources
28,080,609			Human Resources
140,474,963			
42,598,688	3H		Human Resources
2,910,509	3H		Human Resources
45,509,197			
67,273,022		65,650,218	Economic and Community Affairs
12,348,515		12,035,645	Economic and Community Affairs
16,162,112		16,072,112	Economic and Community Affairs
28,510,627		28,107,757	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Child Care Development Cluster		
Child Care and Development Block Grant	93.575	27,238,686
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	44,205,518
ARRA - Child Care and Development Block Grant	93.713	19,865,608
Total Child Care Development Cluster (M)		91,309,812
Empowerment Zones Program	93.585	3,489
State Court Improvement Program	93.586	551,937
Community-Based Child Abuse Prevention Grants	93.590	464,318
Grants to States for Access and Visitation Programs	93.597	150,507
Chafee Education and Training Vouchers Program (ETV)	93.599	266,792
Head Start	93.600	175,000
Adoption Incentive Payments	93.603	175,178
Mentoring Children of Prisoners	93.616	1,000,000
Voting Access for Individuals with Disabilities - Grants to States	93.617	376,468
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,351,854
Children's Justice Grants to States	93.643	271,733
Child Welfare Services - State Grants	93.645	4,716,123
Foster Care Cluster		
Foster Care - Title IV-E	93.658	28,933,778
AARA - Foster Care - Title IV-E	93.658	766,221
Total Foster Care Cluster (M)		29,699,999
Adoption Assistance Cluster		
Adoption Assistance	93.659	9,094,722
ARRA - Adoption Assistance	93.659	1,019,711
Total Adoption Assistance Cluster		10,114,433

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
41,656,601			Human Resources
34,531,942		2,775,453	Human Resources
19,874,782			Human Resources
96,063,325		2,775,453	
3,489		3,489	Economic and Community Affairs
551,937			Administrative Office of Courts
464,318		371,451	Child Abuse and Neglect Prevention Board
150,507			Administrative Office of Courts
386,564			Human Resources
157,641		15,925	Children's Affairs
209,360			Human Resources
1,000,000		850,000	Child Abuse and Neglect Prevention Board
376,468			Secretary of State
1,399,293		530,305	Mental Health
326,900			Human Resources
4,716,123			Human Resources
31,393,321			Human Resources
551,482			Human Resources
31,944,803			
8,301,521			Human Resources
559,600			Human Resources
8,861,121			

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Social Services Block Grant	93.667	49,549,768
Child Abuse and Neglect State Grants	93.669	235,927
Child Abuse and Neglect Discretionary Activities	93.670	408,936
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	1,437,193
Chafee Foster Care Independence Program	93.674	1,815,174
ARRA - Strengthening Communities Fund	93.711	96,382
ARRA - Preventing Healthcare - Associated Infections	93.717	89,930
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare - Associated Infections(ASC-HAI) Prevention Initiative	93.720	38,374
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723	99,330
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	
ARRA - Communities Putting Prevention to Work: Chronic Diseased Self-Management Program	93.725	57,724
Children's Health Insurance Program	93.767	130,521,683
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	298,772
Medicaid Cluster		
State Medicaid Fraud Control Units	93.775	681,569
State Survey and Certification of Health Care Providers and Suppliers	93.777	6,612,302
Medical Assistance Program	93.778	3,561,126,112
ARRA - Medical Assistance Program	93.778	408,793,560
Total Medicaid Cluster (M)		3,977,213,543
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	966,523
Medicaid Transformation Grants	93.793	2,210,360
National Bioterrorism Hospital Preparedness Program	93.889	6,872,374
Grants to States for Operation of Offices of Rural Health	93.913	160,700
HIV Care Formula Grants	93.917	20,207,618
Demonstration Grants to States for Community Scholarships	93.931	3,273

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
45,721,042		11,624,573	Human Resources
383,377			Human Resources
380,326			Human Resources
1,437,123		1,371,995	Economic and Community Affairs
2,043,748			Human Resources
95,753			Governor's Office of Faith-Based and Community Initiatives
89,930			Public Health
38,374			Public Health
107,936		38,993	Public Health
1,968			Public Health
57,724		37,059	Senior Services
130,262,662		6,042	Public Health
369,802			Rehabilitation Services
664,723			Attorney General
7,149,248			Alabama Medicaid Agency/Public Health
3,589,941,617		20,221,528	Alabama Medicaid Agency
406,861,878			Alabama Medicaid Agency
4,004,617,466		20,221,528	
944,590		893,174	Senior Services
2,210,360			Alabama Medicaid Agency
6,861,143		1,809,947	Public Health
139,168		21,449	Public Health
20,227,224		5,939,405	Public Health
			Public Health

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	52,842
HIV Prevention Activities - Health Department Based	93.940	2,110,561
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	810,100
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	132,700
Block Grants for Community Mental Health Services	93.958	6,494,687
Olmstead Grant	93.958S	21,600
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25,228,167
National All Schedules Prescription Electronic Reporting Grant	93.975	91,855
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,930,655
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	290,400
Preventive Health and Health Services Block Grant	93.991	1,598,790
Maternal and Child Health Services Block Grant to the States	93.994	11,745,138
Other Federal Assistance		
CLIA	93.Unknown	399,638
Mammography Quality Standards-HHS Contract 223-95-4400	93.Unknown	158,180
Food Inspections-Contract 223-96-4036	93.Unknown	147,675
Drug and Alcohol Services Information System (DASIS)	93.Unknown	82,103
State Epidemiological Outcomes Workgroup (SEOW)	93.Unknown	
Building Lead ADU-Center for Disease Control-Purchase Order	93.Unknown	13,832
NRC RAD	93.Unknown	
State Outcome Measurement and Management System (SOMMS)	93.Unknown	103,363
Total Department of Health and Human Services		4,808,041,632
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
State Commissions	94.003	237,847
Learn and Serve America - School and Community Based Programs	94.004	265,515
AmeriCorps Cluster		
AmeriCorps	94.006	1,019,323
ARRA - AmeriCorps	94.006	243,959
Total AmeriCorps Cluster		1,263,282

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
52,357			Education
2,110,350		233,467	Public Health
810,153		86,183	Public Health
132,732			Public Health
6,862,483		6,651,349	Mental Health
5,430		5,430	Mental Health
24,478,690		23,350,099	Mental Health
91,855			Public Health
1,930,615		371,056	Public Health
290,454			Public Health
1,583,252		100,980	Public Health
11,743,891		1,006,370	Public Health
382,831			Public Health
32,813			Public Health
119,718			Public Health
68,862			Mental Health
98,676			Mental Health
7,494			Public Health
52,821			Public Health
			Mental Health
4,834,376,362		203,558,986	
230,131		20,000	Governor's Office of Faith-Based and Community Initiatives
265,515		228,279	Education
1,017,151		1,017,151	Governor's Office of Faith-Based and Community Initiatives
243,959		243,959	Governor's Office of Faith-Based and Community Initiatives
1,261,110		1,261,110	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Program Development and Innovation Grants	94.007	47,430
Training and Technical Assistance	94.009	121,932
Volunteers in Service to America	94.013	3,927
Total Corporation for National and Community Service		1,939,933
EXECUTIVE OFFICE OF THE PRESIDENT		
High Intensity Drug Trafficking Program	95.001	1,220,116
Total Executive Office of the President		1,220,116
SOCIAL SECURITY ADMINISTRATION		
Social Security - Disability Insurance (M)	96.001	50,692,791
Social Security - Work Incentives Planning and Assistance Program	96.008	80,021
Total Social Security Administration		50,772,812
DEPARTMENT OF HOMELAND SECURITY		
Homeland Security Cluster		
Homeland Security Grant Program	97.004	998,600
Homeland Security Grant Program	97.067	12,472,089
Total Homeland Security Cluster		13,470,689
State and Local Homeland Security National Training Program	97.005	19,430
Boating Safety	97.011	2,296,607
Community Assistance Program - State Support Services Element (CAP-SSSE)	97.023	143,992
Emergency Food and Shelter Cluster		
Emergency Food and Shelter National Board Program	97.024	111,574
ARRA - Emergency Food and Shelter National Board Program	97.024	14,370
Total Emergency Food and Shelter Cluster		125,944
Flood Mitigation Assistance	97.029	2,700
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	20,194,551
Hazard Mitigation Grant	97.039	10,396,827
Chemical Stockpile Emergency Preparedness Program (CSEPP)	97.040	12,889,501
Emergency Management Performance Grants	97.042	5,840,865
Cooperating Technical Partners	97.045	5,302,727
Pre-Disaster Mitigation (PDM)	97.047	461,756

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
48,092		7,500	Governor's Office of Faith-Based and Community Initiatives
122,145		21,401	Governor's Office of Faith-Based and Community Initiatives
3,928			Governor's Office of Faith-Based and Community Initiatives
1,930,921		1,538,290	
1,007,307			Public Safety
1,007,307			
50,687,207			Education
144,828			Rehabilitation Services
50,832,035			
689,612		88,428	Emergency Management Agency
12,514,224		7,679,157	Homeland Security
13,203,836		7,767,585	
19,430			Agriculture and Industries
2,296,607			Conservation and Natural Resources
135,597			Economic and Community Affairs
101,618			Human Resources
16,739			Human Resources
118,357			
9,887		2,700	Emergency Management Agency
20,240,727		19,940,248	Emergency Management Agency
10,360,604		9,805,602	Emergency Management Agency
12,924,103		10,299,056	Emergency Management Agency
5,054,009		3,436,025	Emergency Management Agency
5,302,727			Economic and Community Affairs
461,756		455,015	Emergency Management Agency

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Interoperable Emergency Communications	97.055	43,939
Port Security Grant Program	97.056	2,473
Map Modernization Management Support	97.070	97,272
Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	97.077	48,131
Buffer Zone Protection Plan (BZPP)	97.078	813,270
Earthquake Consortium	97.082	18,701
Other Federal Assistance		
United States Secret Service	97.Unknown	9,208
US Marshal Task Force	97.Unknown	29,989
Total Department of Homeland Security		72,208,572
TOTAL FEDERAL AWARDS		$10,509,456,277

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
43,859		3,693	Homeland Security
2,473			Homeland Security
97,272			Economic and Community Affairs
81,048			Public Safety
813,270		770,947	Homeland Security
18,701			Emergency Management Agency
1,100			Public Safety
28,631			Public Safety
71,213,994		52,480,871	
$ 10,635,675,705		$ 1,793,237,830	

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2010

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, 2010. 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 $30,000,000. Major programs consist of twenty-one Type A programs and clusters and four high-risk Type B programs and clusters. Major programs comprise 91.86% 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 Program CFDA #10.555, Summer Food Service Program for Children CFDA #10.559, and the 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 $32,926,410, 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, 2010.

B. During the fiscal year ended September 30, 2010, the Alabama Department of Public Health received $26,786,642 in cash rebates from infant formula manufacturers on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children (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 36,427 more persons during the 2009-2010 fiscal year. This number is based on an average gross food package cost of $61.28.

C. The Community Development Block Grant-Section 108 Loan Guarantee Program (CFDA #14.248) had no new loans during the 2009-20010 fiscal year and an outstanding loan balance of $600,000 at September 30, 2010.

D. Total expenditures for the Unemployment Insurance Program (CFDA #17.225) include state and federal amounts of $532,721,488 and $825,466,257, 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 $1,544,100 and $1,517,681, 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 Public Health Emergency Preparedness Program CFDA #93.069 and the Immunization Grants Program (CFDA #93.268) includes the value of immunization vaccines received and distributed in the amount of $5,992,795 and $55,155,556 respectively during the 2009-2010 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 $7,481,927 during the 2009-2010 fiscal year.

I. Interest income of $915 was earned on the Help America Vote Act Title I funds (CFDA #39.011), and interest income of $6,578 was earned on Help America Vote Act Title II funds (CFDA #90.401). These amounts are reported as receipts on the schedule.

J. The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551) are supported by both regularly appropriated funds and incremental funding made available under Section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 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, 2010, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 31, 2011. 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	

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as findings 2001-01-01, 2009-01-01, 2010-01-01, and 2010-01-02.

A significant deficiency is a control deficiency, or combination of control deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Schedule of Findings and Questioned Costs as findings 2001-01-02, 2009-01-02, and 2009-01-03 to be significant deficiencies in internal control over financial reporting.

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***.

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.

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, 2011

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the State of Alabama's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. 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, 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, 2010. 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	$11,179,098
	Tax Credit Assistance Program	14.258	$11,428,625
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$29,189,373
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$14,379,271
Educational Television Commission/Alabama Public Television Foundation	E Learning for Educators	84.269A	$ 4,457,961
	Ready to Learn: Raising Readers	84.295B	$ 79,140
	Public Safety Interoperable Communications	11.555	$ 3,000,000
	The State Humanities Program: Sloss Industry to Art Project	45.129	$ 7,000
Space Science Exhibit Commission	National Aeronautics and Space Administration	43.008	$ 1,377,450
	Federal Transit Authority Intermodal Center	20.500	$ 1,138,679
	Appalachian Regional Commission - Enhanced STEM in Franklin County	23.002	$ 45,657
	Institute of Museum and Library Services	45.301	$ 73,286

Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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.

As described in items 2010-2-2, and 2010-2-3 in the accompanying Schedule of Findings and Questioned Costs, the State of Alabama did not comply with requirements regarding *Allowable Costs/Costs Principles and Reporting* that are applicable to its Medicaid Cluster, CFDA 93.778. Compliance with such requirements is necessary, in our opinion, for the State of Alabama to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Alabama complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

The results of our auditing procedures also disclosed other 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 items 2002-1-1, 2010-2-1, and 2010-2-4.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2-3, 2010-2-5, 2010-2-6, and 2010-3-3 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs and listed below to be significant deficiencies.

2009-4-3	2010-3-2	2010-6-2
2009-9-2	2010-4-1	2010-6-3
2009-15-1	2010-4-2	2010-15-1
2010-3-1	2010-6-1	2010-15-2

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated March 31, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Alabama's basic financial statements. 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.

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 responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Governor, the Director of Finance, the 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

August 5, 2011 except for the
Schedule of Expenditures of
Federal Awards, as to which
the date is March 31, 2011

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Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	____ 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:	Qualified	
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	Supplemental Nutrition Assistance Cluster
10.553,10.555, 10.556 and 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance
14.228 and 14.255	Community Development Block Grants/State's Program Cluster
17.207, 17.801 and 17.804	Employment Service Cluster
17.225	Unemployment Insurance Cluster

Identification of major programs continued:

CFDA Number(s)	Name of Federal Program or Cluster
17.258, 17.259, 17.260 and 17.278	Workforce Investment Act Cluster
20.205, 20.219 and 23.003	Highway Planning and Construction Cluster
81.042	Weatherization Assistance for Low Income Persons
81.127	State Energy Efficient Appliance Rebate Program
84.010 and 84.389	Title I Grants to Local Educational Agencies Cluster
84.027, 84.173, 84.391 and 84.392	Special Education Cluster
84.126 and 84.390	Rehabilitation Services – Vocational Rehabilitation Grants to States Cluster
84.181 and 84.393	Special Education – Grants for Infants and Families With Disabilities Cluster
84.367	Improving Teacher Quality State Grants
84.394 and 84.397	State Fiscal Stabilization Fund Cluster
93.268 and 93.712	Immunization Grants Cluster
93.558 and 93.714	Temporary Assistance for Needy Families Cluster
93.563	Child Support Enforcement
93.575, 93.596 and 93.713	Child Care Development Cluster
93.658	Foster Care – Title IV–E
93.775, 93.777 and 93.778	Medicaid Cluster
96.001	Social Security-Disability Insurance

Dollar threshold used to distinguish Between Type A and Type B programs: $30,000,000

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2001-01-01	Internal Control	**Finding 2001-01-01 – 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 Finance Information Services Division operates the main data processing facility utilized by many state agencies. The Department of Finance has made arrangements for an alternate backup processing facility that could be used in the event the primary processing facilities were destroyed or temporarily inaccessible. The Department of Finance Information Services Division is in the process of implementing the backup processing facility; however, implementation of all necessary disaster recovery procedures to be followed by the Department of Finance and by the affected state agencies has not been completed. State agencies with significant applications have developed comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible. Most of the state agencies are dependent on the Department of Finance for their primary and backup processing facility.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Finding Continued When the Department of Finance completes the necessary implementation of the alternate processing facility, the affected state agencies should be able to update their disaster recovery procedures to include the alternate processing facility. **Recommendation** The Department of Finance and state agencies should continue efforts to develop and implement the alternate processing facility and update their respective disaster recovery policies and procedures accordingly.	
2001-01-02	Internal Control	**Finding 2001-01-02 – Information Access Security** We reviewed the internal control policies and procedures affecting the ability of state agencies to provide appropriate security for computer data and programs through the proper use of security software features and physical security controls, along with related management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The Department of Finance Information Services Division and the Department of Finance Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security. **Recommendation** The Department of Finance 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.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2009-01-01	Internal Control	**Finding 2009-01-01 – 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 Department of Finance 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 Department of Finance 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.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2009-01-02	Internal Control	**Finding 2009-01-02 – Operating System Development and Maintenance** The Department of Finance Information Services Division operates and maintains the primary data processing facility (main frame computer) utilized by the State of Alabama and most state agencies. The Department of Finance Information Services Division does not use a formal change control methodology for the facility's operating system and its core components. The absence of a formal change control methodology for the operating system increases the risks that services might be disrupted due to system changes that have unintended results, unauthorized or unintended system changes might be made, system documentation will be inconsistent or non-existent for some changes, system support may degrade if key personnel are not available, and support personnel will not have a clear understanding of how to handle different types of maintenance issues and malfunctions. **Recommendation** The Department of Finance Information Services Division should develop and adopt a formal methodology for acquisition and/or maintenance of the operating system and its core components. The Department of Finance Information Services Division should also develop a formal methodology to be used when changes are made to key files or settings that affect the system configuration.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2009-01-03	Internal Control	**Finding 2009-01-03 – Acquisition Project Management** The Department of Finance FRMS/SBS is not using a formal project management methodology to manage large software acquisition projects. The absence of a formal methodology increases the risk that project results will not achieve the stated goals and requirements, will exceed budget expectations, will not be favorably received by users/stakeholders, and will possibly fail. **Recommendation** The Department of Finance FRMS/SBS should adopt a formal project management methodology to use with all software development and acquisition projects. The methodology should address areas such as project initiation, analysis, design, development, testing, implementation, and follow-up. Common system development life cycle controls and procedures should be included.	
2010-01-01	Internal Control	**Finding 2010-01-01 – Program Change Management Controls** The Department of Transportation has a significant computer application, the Comprehensive Project Management System (CPMS). The programmers assigned to perform CPMS development and changes have access to production libraries (active programs and data) and they routinely move their own projects into production. This bypasses a review of the program changes by an independent third party. Additionally, the CPMS programming section does not consistently follow its program change policies and procedures and maintain documentation that such procedures were used. These conditions increase the risk that an unauthorized or improperly functioning program will be put into production. These conditions also may result in program failures or unexpected results.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		Recommendation Program developers should not have access to production libraries. Programs should be moved into production by another individual after all necessary programming and testing steps have been properly reviewed and approved. Change control policies and procedures should be followed consistently and documented. Mainframe program changes should be subject to the same controls and security concepts as the server-based programs.	
2010-01-02	Internal Control	**Finding 2010-01-02 – Capital Asset Reporting** The Office of the State Auditor maintains property records for property that supports amounts reported for capital assets in the Comprehensive Annual Financial Report. State agencies are required by law to provide the State Auditor with accurate property information. The State Auditor's Property Manual requires that a state agency report additions of property to the State Auditor within 30 days of receipt. The Department of Transportation did not report any additions of property for the months of June, July, and August of 2010. The Department of Transportation made a computer program change to the Department's property inventory system and, as a result, it did not report the changes in the property inventory to the State Auditor. The Department of Transportation did not have a review or reconciliation process in place that would have detected these omissions. Subsequent to the end of the fiscal year, the Department of Transportation corrected the programming error and submitted a corrected property inventory to the State Auditor. **Recommendation** The Department of Transportation should implement a formal internal control process that will ensure that the property records submitted to the State Auditor are complete and accurate.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2002-1-1	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, 2010. 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 Funds (Transportation and Mail and Supply Room), each of which is 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
2010-2-1	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** The Medical Assistance Program allows federal reimbursement for certain personnel costs. Each employee of the Alabama Medicaid Agency is assigned a department use code which indicates how expenditures will be allocated to the federal program in accordance with the provisions of the State Plan. According to 2 CFR Section 225 Appendix A (c)(3)(a) "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." During our testing of employee payroll costs, we noted Medicaid charged the Medical Assistance Program for employee payroll costs after the employee was transferred to another agency. Medicaid charged the employee's salary to the Medical Assistance Program from July 7, 2010 through March 1, 2011. This resulted in known questioned costs of $57,784.39. **Recommendation** The Alabama Medicaid Agency should ensure each employee departmental use code is updated promptly so costs are not inappropriately charged to the federal program.	$57,784.39

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-2-2	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** Medicaid uses a Certified Public Expenditures payment methodology to help fund its Disproportionate Share Hospital Program (DSH). According to 42 CFR Part 447.297(c)(2) "If CMS determines that at any time a State has exceeded its final DSH allotment for a Federal fiscal year, FFP (Federal Financial Participation) attributable to the excess DSH expenditures will be disallowed". During fiscal year 2009-2010 Medicaid claimed DSH expenditures of $604,662,404.30. Medicaid's DSH allotment for fiscal year 2009-2010 was $467,126,594.62. Medicaid exceeded its DSH allotment by $137,535,809.68 which consisted of $93,538,104.16 in federal expenditures. This is material noncompliance with federal laws and regulations. **Recommendation** Medicaid should develop policies and procedures to prevent the expenditure of federal funds in excess of the DSH allotment.	$93,538,104.16

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-2-3	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** According to the A-133 Compliance Supplement, all amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation has been compiled. Furthermore, according to 2 CFR Section 225 Appendix A (c) (1) (j), to be allowable under Federal awards, costs must be adequately documented. During our review of the 4th Quarter CMS-64 report, we noted current expenditures were overstated by $132,634,323.18, two prior period adjustments for $65,038,439 and ($74,142,482) were not supported by the accounting records, and $13,551.66 in Illegal Alien expenditures were not reported. As stated in finding 10-2-2, Medicaid exceeded its DSH allotment. As a result, Medicaid made an entry into their accounting system to reduce the DSH payments by reclassifying them. This entry is linked to the errors noted on the CMS-64 report. This is material noncompliance and a material weakness in internal controls. **Recommendation** The Alabama Medicaid Agency should develop policies and procedures to ensure that all expenditures are reported, only actual expenditures are reported, and all expenditures are supported by adequate documentation.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-2-4	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** The Medical Assistance Program allows federal reimbursement for certain costs. Each consultant at the Alabama Medicaid Agency is assigned a department use code which indicates how expenditures will be allocated to the federal program in accordance with the provisions of the State Plan. The consultant's salary was paid 50% with State funds and 50% with Federal funds. According to 2 CFR Section 225 Appendix A (c) (1) (j), "To be allowable under Federal awards, costs must…be adequately documented." During our testing of a Medicaid consultant's reimbursement costs, we noted an invoice totaling $222.48 was submitted twice. Medicaid also reimbursed the consultant for housing for the months of July and August of 2010 at $685.00 per month. Only $665.00 was supported by documentation, leaving $40 in undocumented costs. Medicaid paid a total of $262.48 in undocumented charges during fiscal year 2010 which consisted of $131.24 in federal expenditures. Repayment has been requested, however, it has not been received as of the date of this report. This resulted in known questioned costs of $131.24. **Recommendation** Medicaid should develop policies and procedures to ensure expenditures are not paid which are not supported by adequate documentation.	$131.24

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-2-5	93.775 93.776 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster	**Finding** We reviewed the policies and procedures relating to Operational Controls at the Alabama Medicaid Agency for the Alabama Medicaid Application and Eligibility System (AMAES) during the fiscal year 2009-2010 Single Audit. AMAES is a complex system which provides intake, screening, and eligibility determination services and provides a common interface to request supporting eligibility information from external State and Federal systems. Policies and Procedures concerning the hiring of Information Technology (IT) personnel are not adequate. During our review it was determined Medicaid does not require background checks to be performed on newly hired IT personnel. This is a material weakness in internal controls. **Recommendation** The Alabama Medicaid Agency should develop policies and procedures to include background checks as part of the hiring process for newly hired IT personnel.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-2-6	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 data reported in the financial reports are accurate and complete. Medicaid is required to complete the CMS-64 and SF-425 reports on a quarterly basis. The CMS-64 is used to report expenditures and the SF-425 is used to report cash receipts and disbursements. During our review of the financial reports, we noted Medicaid failed to develop policies and procedures to review and approve its financial reports. Such a review and approval process would help ensure the financial reports submitted are materially correct. This is a material weakness in internal controls. **Recommendation** The Alabama Medicaid Agency should develop policies and procedures to ensure financial reports are accurate and complete.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-3-1	14.228	U. S. Department of Housing and Urban Development; Community Development Block Grants/State's Program	**Finding** The Cash Management agreement for the fiscal year 2009-2010 required ADECA to calculate an interest liability for the payments to contractors component which constitutes approximately 97% of the CDBG program expenditures. We found two errors in ADECA's calculation of the interest liability for this component of the program. First, it was determined that there was an error in a formula in the calculation spreadsheet that caused an understatement of $258.85 of the fiscal year 2009-2010 interest liability. The error resulted from an attempt to net a prior year overpayment against the current year liability. Second, it was determined that incorrect receipt dates were used in the receipt dollar days calculation. When the correct receipt dates were entered into the spreadsheet, the interest liability was further understated by an additional $96.31. The two errors resulted in a total understatement of interest liability of $355.16. This is a significant deficiency in internal controls and noncompliance with federal regulations. **Recommendation** ADECA should implement controls that are adequate to ensure that errors in formulas and inaccurate data are detected in a review process. Additionally, a prior period adjustment should be reported on the State's Annual CMIA Report for the subsequent year.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-3-2	17.258 17.259 17.260	U. S. Department of Labor; Workforce Investment Act Cluster (WIA)	**Finding** According to the OMB Circular A-133 Compliance Supplement, the ETA 9149 report is a supplemental monthly reporting form required to track youth served with WIA American Recovery and Reinvestment Act funds. The report captures information such as the number of participants placed in summer employment, work readiness attainment rate, and summer employment/work experience completion rate. During the testing of the November 2009 monthly report, there five instances where data reported did not match the supporting documentation. During the testing of the September 2010 monthly report, there were 6 instances where the report data did not match the supporting documentation. 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 controls in order to prevent incorrect data from being submitted to the Department of Labor.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-3-3	81.127	U. S. Department of Energy; ARRA- Energy Efficient Appliance Rebate Program (EEARP)	**Finding** The U. S. of Energy provides an Excel spreadsheet template to ADECA to use for a progress report for the Energy Efficient Appliance Rebate Program. ADECA sent the template to the contractor for the rebate program and relied on the contractor to complete the report. ADECA did not have the source data to verify that information reported by the contractor was accurate. In our testing of the 3rd quarter cumulative report, we determined that the total rebate dollars disbursed based on the mail date ($2,337,825) did not agree with the cumulative amount ($2,895,200) in the narrative of the Quarterly Report. There was a difference of $557,375. If the supporting documentation for the reports had been obtained and reviewed by ADECA personnel this discrepancy could have been detected and corrected. This is a material weakness in internal control and noncompliance with federal regulations. **Recommendation** The Alabama Department of Economic and Community Affairs should implement adequate internal controls in order to prevent incorrect data from being submitted to the Department of Energy.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2009-4-3	84.010	U. S. Department of Education; Title I Part A - Grants to Local Educational Agencies	**Finding** Title 1 Section 1111(h)(4) of the Elementary and Secondary Educational Act (ESEA) as amended by the No Child Left Behind Act of 2001, requires each state educational agency to report annually to the United States Department of Education (USDE) the number and names of each school identified for school improvement under Section 1116(c), the reason why each school was so identified, and the measures taken to address the achievement problems of each school. The Department of Education reports annually on multiple ESEA programs by submitting a Consolidated State Performance Report (CSPR) to the USDE. During the review of the CSPR for 2009-2010 school year, it was noted that data identifying schools for school improvement and the reason why each school was identified was incomplete and inaccurate. The CSPR is submitted online using the Education Data Exchange Network (EDEN). We reviewed Part 1, Section 1.4 School and District Accountability of the CSPR for the 2009-2010 school year. Some data was uploaded by the Alabama State Department of Education (ALSDE) into the EDEN system to be included in the report. However, due to problems with EDEN the information was not showing up in the PDF version of the report.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued We were able to obtain some of the missing information from ALSDE personnel. We noted that some of the data for Section 1.4.4.1 was inaccurate and data for 1.4.5.1 was either missing or inaccurate. Section 1.4.8.2 consisted of three categories requiring states to report on school improvement status and school improvement assistance. Data was reported for one category in the table and for the other two categories in the comments, but the data did not agree with supporting documentation. Based on our review, the CSPR for the 2009-2010 school year is incomplete and inaccurate. This is a significant deficiency in internal control. **Recommendation** The Department of Education should ensure that the Consolidated State Performance Report is complete and accurate.	
2010-4-1	10.555	U. S. Department of Agriculture; National School Lunch Program	**Finding** The OMB Circular A-133 Compliance Supplement states that distributing and sub-distributing agencies shall take a physical inventory of all food storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued The Food Distribution and Special Nutrition Program section is responsible for management and supervision of the Food Distribution Program. The Department contracts with three commercial distributors to store and distribute donated food commodities to agencies participating in the Food Distribution Program. Audit Reviews of the three commercial distributors were completed for the 2009-2010 school year. However, we noted instances where the inventory reconciliation worksheets did not match supporting documentation and we also noted multiple calculation errors when reconciling the inventory records. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Department of Education should ensure that physical inventories of food storage facilities and reconciliation of inventories are accurate.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-4-2	96.001	Social Security-Disability Insurance	**Finding** The Social Security Administration requires that the Department's Disability Determination Service submit SSA-4514, Time Report of Personnel Services which is due quarterly. We noted two discrepancies on the 3rd quarter report in overtime being understated and another where a row was not totaled correctly resulting in total hours being understated by over 36,000. This is a significant deficiency in internal controls. **Recommendation** Program personnel should review reports to ensure that hours reported are correct and are mathematically accurate before they are submitted.	
	84.389	U. S. Department of Education; Title I Grants to Local Educational Agencies - Recovery Act	**Comment** The U. S. Department of Education is currently reviewing the State Improvement Grant, a component of the Title I Grants to Local Educational Agencies – Recovery Act program. The review is addressing potential problems with the competitive award process, conflicts of interest, improper payment of Recovery Act Funds, and inaccurate reporting of Recovery Act data. A draft report has been provided to the Department of Education and an exit conference was conducted. The State of Alabama's response has not been finalized and a final report has not been issued by the U. S. Department of Education.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-6-1	10.551 10.561	U. S. Department of Agriculture; Supplemental Nutrition Assistance Program Cluster	**Finding** State agencies are required to automate their Supplemental Nutrition Assistance Program (SNAP) operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the SNAP (7 CFR Sections 272.10 and 277.18). This includes processing and storing all case file information necessary for eligibility determination and benefit calculation. We sampled 100 case files in three counties to determine whether case file information used for eligibility determination and benefit calculation was accurately stored in the Department of Human Resources' automated data processing system. As a result, we found eight errors in data elements such as name, social security number, date of birth and income. The error in income resulted in an overpayment of $281.00. The benefit payment for the test month of September 2010 appeared to be correct. However, when the client information was compared to the client's application, it was determined that monthly unemployment compensation benefits of $46.83 for six months were not recorded in the automated data processing system. It appears that the unemployment compensation benefits were discontinued during June 2010.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Department of Human Resources should ensure that information is accurately entered into their automated data processing system.	
2010-6-2	10.551 10.561	U. S. Department of Agriculture; Supplemental Nutrition Assistance Program Cluster	**Finding** 7 CFR Sections 274.12(a), 274.12(g)(1) and 274.12(j)(1) states in part that States that use EBT must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. The financial and management data that comes from the EBT processor should be reconciled by the State to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down. As a result in our testing, we were not able to obtain sufficient evidence that the Department of Human Resources has a system in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Alabama Department of Human Resources should develop policies and procedures to ensure that all required Federal EBT reconciliations are performed. Documentation that supports the reconciliations were performed should be retained.	
2010-6-3	10.551 10.561	U. S. Department of Agriculture; Supplemental Nutrition Assistance Program Cluster	**Finding** According to the *Alabama Department of Human Resources EBT Manual* Section 8.3.7 A. Upon receipt of the card or PIN in the office, the EBT coordinator will record each item separately on the 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. D. Between the first and fifth workday of the month, the supervisor and the EBT coordinator will conduct a joint inventory of the EBT cards and PINs on hand. Cards and PINs that have remained in inventory for at least one calendar month will be destroyed at the time this inventory is conducted. The supervisor and the EBT coordinator will jointly document the destruction of individual cards and PINs according to the instructions for the log.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued We reviewed the EBT card inventory and PIN log at three counties. During our review, we found errors in Jefferson County. At the Jefferson County Hill Building we noted that seven cards and/or pins were received but not listed separately on the log and remained in inventory more than a month without being destroyed. We also noted at the Bessemer Division that six pins/cards remained in inventory more than a month without being destroyed. Additionally, records did not indicate that an inventory had been done at either location. This is a significant deficiency in internal controls and noncompliance with the Department of Human Resources policies and procedures as set forth in the EBT Manual. **Recommendation** The Department of Human Resources should ensure that counties comply with agency policies and procedures for the security of EBT cards and PINs.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2009-9-2	93.069	U. S. Department of Health and Human Services; Public Health Preparedness and Response for Bioterrorism	**Finding** OMB Circular A-133, Part 3, requires that pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity. In our follow-up of the prior audit finding, we determined there was one remaining subrecipient that received an advance of funds. A progress report submitted by the subrecipient indicated that only 50% of the funds advanced were expended. This represents a significant deficiency in internal controls that minimize the time elapsing between the drawdown/advance and disbursement of federal funds. **Recommendation** The Alabama Department of Public Health should implement procedures to ensure that the time elapsing between the drawdown/advance and disbursement of federal funds is minimized.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2009-15-1	12.401	Department of Defense; National Guard Military Operations and Maintenance Projects	**Finding** An adequate system of internal control over the accounting for an agency's federal funds provides for accurate recording of its drawdowns of federal funds. One of the controls should be periodic reconciliations of amounts recorded in the Advantage Financial System (AFNS) to amounts recorded in the Central Accounting System (CAS). During the testing of drawdowns of federal funds, we noted four instances where a receipt of federal funds was deposited into the incorrect fund. In each of these instances, it does not appear that the Military Department was reconciling AFNS to CAS, and doing so could have identified these errors. This is a significant deficiency in internal control. **Recommendation** The Military Department should implement adequate controls over its accounting for federal funds, including periodic reconciliations of financial information in AFNS and CAS.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-15-1	12.401	Department of Defense; National Guard Military Operations and Maintenance Projects	**Finding** The American Recovery and Reinvestment Act (ARRA) of 2009 Sustainment, Restoration, and Modernization Projects, Special Military Cooperative Agreement, Article VIII, Section 815, provides that construction projects funded by ARRA are subject to the Davis-Bacon Act. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor. Department of Labor regulations at 29 CFR Part 3.3 provide that each of these contractors or subcontractors shall furnish each week a statement with respect to the wages paid each of its employees engaged on such work during the preceding weekly payroll period. It appears the Military Department directed the contractors and subcontractors of ARRA funded projects to forward their wage statements to the architect or engineering firm overseeing the project which would in turn forward the statements to the Military Department.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued When reviewing payroll records for three completed ARRA projects, we noted several instances where the contractors or subcontractors did not submit the records in a timely manner to the architect or engineering firm or where documentation was not maintained to show when the wage statements had been prepared or forwarded to the architect or engineering firm. It appears that the Military Department did not adequately inform the architect and engineering firms of their monitoring responsibilities with respect to ensuring compliance with the Davis-Bacon Act for ARRA funded projects. This is a significant deficiency in internal control and noncompliance with federal laws and regulations. **Recommendation** The Military Department should take the necessary steps to ensure that affected parties are informed of their responsibilities with regards to the Davis-Bacon Act.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2010-15-2	12.401	Department of Defense; National Guard Military Operations and Maintenance Projects	**Finding** As part of the American Recovery and Reinvestment Act (ARRA) of 2009, the Military Department is required to prepare and submit quarterly Section 1512 ARRA Reports. We tested the Military Department's June 30, 2010 Section 1512 ARRA Report. Worksheets do not appear to have been retained to support the expenditure amounts included on the Report. The expenditure totals appear to be understated when compared to the June 30, 2010 expenditures reported on the SF-270 Report Number 09-14. The lack of retaining worksheets that document the expenditure amounts is a significant deficiency in internal control. **Recommendation** Worksheets should be retained that document the expenditure totals on the ARRA Section 1512 Report. Supervisory review of the reports should be performed before their submission to determine the report is accurate and is supported by adequate documentation.	

Summary Schedule of Prior Audit Findings
Department of Finance
For the Year Ended September 30, 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(b), the Alabama Department of Finance has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2002-1-1	With regard to the Telecommunications Fund (Information Services Fund), the Finance Department has settled with the Department of Health and Human Services (DHHS) on overcharges for fiscal years through 2006. 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 2007 fiscal year. The Statewide Central Services Cost Allocation Plan for Finance - Information Services Division for fiscal year 2007 has been prepared and is under review. The plan should be sent to DHHS before the close of the fiscal year. The Department will work with DHHS to resolve any overcharges determined by fiscal year for fiscal year 2007 and forward. The Department continues to analyze and adjust rates, with the intent of reducing working capital reserves to the accepted level and as a result less being paid to DHHS for each subsequent fiscal year. With regard to the Motor Pool Fund, operating expenses continue to increase with the cost of gasoline and other petroleum products continuing to escalate. Vehicle purchases and other procurements have been delayed as a result of the economic forecasts. When the restrictions on vehicle purchases and other items are lifted, the excess working capital balance should diminish. With regard to the Mail and Supply Fund, the Finance Department - Service Division has continued to review and evaluate new technology and upgrades to the mail processing while complying with postal regulations. The additional resources needed to cover expenditures for state-of-the-art mailing equipment and processes will reduce the excess working capital balance.

Summary Schedule of Prior Audit Findings
Alabama Medicaid Agency
For the Year Ended September 30, 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(b), the Alabama Medicaid Agency has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2002-2-1	Corrective action was taken: The Partnership Hospital Plan was terminated with State Plan Amendment 05-009 which was approved by DHHS Centers for Medicare and Medicaid Services September 1, 2010.
2009-2-1	Corrective action was taken: The Partnership Hospital Plan was terminated as of September 1, 2010. Any concerns over grievances or capitation payments have been resolved as the hospitals will now be subject to regular Medicaid payments and processes.

Summary Schedule of Prior Audit Findings
Department of Economic and Community Affairs
For the Year Ended September 30, 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(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, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2009-3-1	Corrective action has been taken.
2009-3-2	Corrective action has been taken.

Summary Schedule of Prior Audit Findings
Department of Education
For the Year Ended September 30, 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(b), the Department of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2009-4-1	Corrective action was taken.
2009-4-2	Partially completed. Revised anticipated completion date: February 1, 2011.
2009-4-3	Corrective action was taken.
2009-4-4	Corrective action was taken.

Summary Schedule of Prior Audit Findings
Department of Human Resources
For the Year Ended September 30, 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(b), the Alabama Department of Human Resources has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2008-6-3	Item 1 Time Limits - Corrective action was implemented effective with the July 2010 reporting month. Problem ticket 11183-09 was approved on August 24, 2010. Item 2 Work Participation - The current programming was reviewed and a program request was submitted to ISD for research and correction so that the hours of employment will be reported correctly. Based on this finding, DHR will no longer prorate the hours of employment when the client begins employment in the middle of the month. Ticket C1480-10 was submitted and the program was modified November 15, 2010.
2009-6-1	Corrective action was taken to update the records used to distribute costs. A journal entry to correct this specific expenditure was completed on January 24, 2011.
2009-6-2	Corrective action has been completed.

Summary Schedule of Prior Audit Findings
Department of Public Health
For the Year Ended September 30, 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(b), the Alabama Department of Public Health has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
1997-9-8	We are in the process of executing our corrective action plan. We plan to have this completed by May 31, 2011.
2009-9-1	We are in the process of executing our corrective action plan. We plan to this completed by January 3, 2011.
2009-9-2	Corrective action was taken.
2009-9-3	Corrective action was taken.
2009-9-4	Corrective action was taken.

Summary Schedule of Prior Audit Findings
Department of Transportation
For the Year Ended September 30, 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(b), the Alabama Department of Transportation has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2009-11-1	Corrective action is being taken. ALDOT hired personnel having the primary responsibility of entry and validation of ARRA data. ALDOT is in the process of validating the data received against the data entered into RADS since April 2009.

Summary Schedule of Prior Audit Findings
Military Department
For the Year Ended September 30, 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(b), the Alabama Military Department has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2010.

Finding Ref. No.	**Status of Prior Audit Finding**
2009-15-1	Corrective action taken. The staff accountant performs monthly reconciliations of AFNS to CAS, and reports any errors to accounting supervisory staff for corrective action. This procedure was implemented October 2009.
2009-15-2	Corrective action taken. Waivers for 2009 MCA were filed quarterly prior to the end of the quarter. However, the first quarter request for the 2010 MCA was filed 30 day late. Detailed information on construction type contract balances was not received in sufficient time to meet the 90 day deadline. The waiver was completed by the end of January 2011.

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, 2010.

Corrective Action Plan Details

Finding 2001-01-01 – 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 Finance Information Services Division operates the main data processing facility utilized by many state agencies. The Department of Finance has made arrangements for an alternate backup processing facility that could be used in the event the primary processing facilities were destroyed or temporarily inaccessible. The Department of Finance Information Services Division is in the process of implementing the backup processing facility; however, implementation of all necessary disaster recovery procedures to be followed by the Department of Finance and by the affected state agencies has not been completed.

State agencies with significant applications have developed comprehensive policies and procedures to be followed in the event of a natural or man-made disaster. These disaster recovery plans should include alternate processing facilities to be used in the event the primary processing facility is destroyed or inaccessible. Most of the state agencies are dependent on the Department of Finance for their primary and backup processing facility. When the Department of Finance completes the necessary implementation of the alternate processing facility, the affected state agencies should be able to update their disaster recovery procedures to include the alternate processing facility.

Department of Finance-Information Services Division

Contact Person(s): Andy Cannon

Corrective action planned: Efforts are continuing to complete the implementation of the alternate processing facility and update the respective disaster recovery policies and procedures accordingly.

Anticipated completion date: July 20, 2011

Finding 2001-01-02 – Information Access Security

We reviewed the internal control policies and procedures affecting the ability of state agencies to provide appropriate security for computer data and programs through the proper use of security software features and physical security controls, along with related management policies. Computer data and programs are at risk of loss and corruption through error or intentional act. The Department of Finance Information Services Division and the Department of Finance Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

Department of Finance-Information Services Division
Department of Finance-FRMS/SBS

Contact Person(s): Mike Dennis

Corrective action planned: FRMS/SBS secures all computer data and programs using RACF security software features, implemented in August 2009. In April of 2010, FRMS/SBS began a monthly review process of RACF Security Violation reports for FRMS applications. The physical access to the FRMS/SBS operations facility was addressed and issues were resolved on May 30, 2010. It is not practical or possible to implement the remaining security features for the current FRMS/SBS application. Such security features will be implemented when a new system is acquired.

Anticipated completion date: N/A

Finding 2009-01-01 – 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 Department of Finance 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): Elizabeth Allen

Corrective action planned: Implementation of background investigations policy.

Anticipated completion date: Pending approval of Finance Chief Legal Counsel.

Finding 2009-01-02 – Operating System Development and Maintenance

The Department of Finance Information Services Division operates and maintains the primary data processing facility (main frame computer) utilized by the State of Alabama and most state agencies. The Department of Finance Information Services Division does not use a formal change control methodology for the facility's operating system and its core components. The absence of a formal change control methodology for the operating system increases the risks that services might be disrupted due to system changes that have unintended results, unauthorized or unintended system changes might be made, system documentation will be inconsistent or non-existent for some changes, system support may degrade if key personnel are not available, and support personnel will not have a clear understanding of how to handle different types of maintenance issues and malfunctions.

Contact Person(s): Byron Owens

Corrective action planned: Although there is not currently a software package in place for change control, ISD does have a formal change control methodology for maintaining the mainframe operating system and its core components. Specific system software is assigned to a specific system specialist who is allowed to update their assigned system software as is needed to properly execute. The assigned systems specialist is the only person allowed to make changes to their assigned system. The system maintains a record of the date and time an update is made. If a system IPL is required, the mainframe systems manager's approval is required and the IPL must be scheduled in advance so all users can be notified.

Anticipated completion date: N/A

Finding 2009-01-03 – Acquisition Project Management

The Department of Finance FRMS/SBS is not using a formal project management methodology to manage large software acquisition projects. The absence of a formal methodology increases the risk that project results will not achieve the stated goals and requirements, will exceed budget expectations, will not be favorably received by users/stakeholders, and will possibly fail.

Contact Person(s): Mike Dennis

Corrective action planned: FRMS/SBS is not currently participating in a large software acquisition project. Should this situation change, a formal project management methodology will be used.

Anticipated completion date: N/A

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 Transportation 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, 2010.

Corrective Action Plan Details

Finding 2010-01-01 – Program Change Management Controls

The Department of Transportation has a significant computer application, the Comprehensive Project Management System (CPMS). The programmers assigned to perform CPMS development and changes have access to production libraries (active programs and data) and they routinely move their own projects into production. This bypasses a review of the program changes by an independent third party. Additionally, the CPMS programming section does not consistently follow its program change policies and procedures and maintain documentation that such procedures were used. These conditions increase the risk that an unauthorized or improperly functioning program will be put into production. These conditions also may result in program failures or unexpected results.

Contact Person(s): Deborah Hornsby – IT Manager II
(334) 260-5245

Corrective action planned: Computer Services, CPMS-CEMS Support Section will be implementing a mainframe software change control management system called Endevor which is offered by Computer Associates. Since the CPMS-CEMS Support area will be the primary users of this system the initial implementation of Endevor will involve this group. The inclusion of other mainframe application areas will be addressed once Endevor has been successfully implemented for the CPMS-CEMS Support area.

This effort will require planning and coordination with the Mainframe Support and Database Administration sections of Computer Services in order to assure that the initial system set up is done appropriately. Source code will have to be loaded to the system. The source code loading process will be automated as much as possible, but manual input will still be required for various data elements required of the system. A system administrator will be required and it is anticipated that training will be required for the Administrator as well as the developers who will be utilizing the system.

Anticipated completion date: December 31, 2011

Finding 2010-01-02 – Capital Asset Reporting

The Office of the State Auditor maintains property records for property that supports amounts reported for capital assets in the Comprehensive Annual Financial Report. State agencies are required by law to provide the State Auditor with accurate property information. The State Auditor's Property Manual requires that a state agency report additions of property to the State Auditor within 30 days of receipt. The Department of Transportation did not report any additions of property for the months of June, July, and August of 2010. The Department of Transportation made a computer program change to the Department's property inventory system and, as a result, it did not report the changes in the property inventory to the State Auditor. The Department of Transportation did not have a review or reconciliation process in place that would have detected these omissions. Subsequent to the end of the fiscal year, the Department of Transportation corrected the programming error and submitted a corrected property inventory to the State Auditor.

Contact Person(s): Mike Elmore, Assistant Bureau Chief – Equipment Bureau
(334) 242-6248

Corrective action planned: A computer program error that caused the reporting error has been corrected. In addition, a manual review process has been implemented. After equipment purchases are recorded and the information is transmitted to the State Auditor's office, the subsequent updated equipment inventory report that is received from the State Auditor's office is manually compared to the information that was originally submitted. Any discrepancies or omissions are then corrected and re-submitted to the State Auditor's office.

Anticipated completion date: Completed

Auditee Responses/Corrective Action Plans
Section III – Federal Awards Findings and Questioned Costs
Department of Finance
For the Year Ended September 30, 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 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, 2010.

Corrective Action Plan Details

Finding 2002-1-1

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, 2010. 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 Funds (Transportation and Mail and Supply Room), each of which is administered by the Department of Finance.

Contact Person(s): Marilyn Dozier
Jackie McCall

Corrective action planned: With regard to the Telecommunications Fund (Information Services Fund – Fund 0433), the Finance Department has negotiated with and paid to the Department of Health and Human Services (DHHS) for overcharges for fiscal years through 2006. 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 2007 fiscal year. The 2008 fiscal year is currently under review by DHHS. The Department continues to analyze and adjust rates. The working capital reserves are being reduced.

With regard to the Motor Pool Fund, the Finance Department continues to experience fluctuations in operating expenses, especially with the variations in the cost of gasoline and other petroleum products. With the enduring grim economic forecasts, management has limited vehicle purchases for our motor fleet which has affected our excess working capital balance for the Motor Pool Fund. With the approval to purchase additional vehicles, the excess working capital balance will be reduced.

With regard to the Central Mail and Supply Fund, the Finance Department continues to lease and purchase mailing equipment to improve its mail processing and expand its services to customers while ensuring that the Department complies with postal regulations. With these additional expenditures, excess balances should be reduced.

Anticipated completion date: September 30, 2013

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, 2010.

Corrective Action Plan Details

Finding 2010-2-1

The Medical Assistance Program allows federal reimbursement for certain personnel costs. Each employee of the Alabama Medicaid Agency is assigned a department use code which indicates how expenditures will be allocated to the federal program in accordance with the provisions of the State Plan. According to 2 CFR Section 225 Appendix A (c)(3)(a) "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." During our testing of employee payroll costs, we noted Medicaid charged the Medical Assistance Program for employee payroll costs after the employee was transferred to another agency. Medicaid charged the employee's salary to the Medical Assistance Program from July 7, 2010 through March 1, 2011. This resulted in known questioned costs of $57,784.39.

Contact Person(s): Stephanie Lindsay, Rebecca Jackson

Corrective action planned: This isolated instance will not recur in the future; the employee retired. Medicaid will correct the reporting of the personnel costs on the CMS-64 report by adding a prior period adjustment to the Q1 2011 CMS-64 prior to certification by CMS. Medicaid has discussed this course of action with the CMS financial analyst in the Atlanta Regional Office.

Anticipated completion date: December 31, 2011

Finding 2010-2-2

Medicaid uses a Certified Public Expenditures payment methodology to help fund its Disproportionate Share Hospital Program (DSH). According to 42 CFR Part 447.297(c)(2) "If CMS determines that at any time a State has exceeded its final DSH allotment for a Federal fiscal year, FFP (Federal Financial Participation) attributable to the excess DSH expenditures will be disallowed". During fiscal year 2009-2010 Medicaid claimed DSH expenditures of $604,662,404.30. Medicaid's DSH allotment for fiscal year 2009-2010 was $467,126,594.62. Medicaid exceeded its DSH allotment by $137,535,809.68 which consisted of $93,538,104.16 in federal expenditures. This is material noncompliance with federal laws and regulations.

Contact Person(s): Stephanie Lindsay, Michael Horoho

Corrective action planned: Below is the corrective action plan related to accounting for Disproportionate Share Hospital (DSH) payments to prevent future errors.

1. An individual designated by the Chief Financial Officer (CFO) will be assigned responsibility for calculating DSH, and shall have to participate in training related to the concept of certified public expenditures and the proper accounting of such transactions.
2. An individual designated by the CFO will determine the total amount of DSH expenditures for a state fiscal year at the beginning of the fiscal year.
3. All documentation used to support the DSH expenditures will be maintained by the individual designated by the CFO.
4. The individual designated by the CFO will be responsible for approval of any entries to the accounting system and any draws from the Payment Management System related to DSH hospital expenditures.
5. Upon publication of the actual DSH allotment for the fiscal year, an adjustment will be made to the preliminary DSH expenditures calculation.
6. Based on results of the analysis of the actual DSH allotment, adjustments will be made in the accounting system and additional requests for funds from the Payment Management System will be made if necessary.

Anticipated completion date: December 31, 2011

Finding 2010-2-3

According to the A-133 Compliance Supplement, all amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation has been compiled. Furthermore, according to 2 CFR Section 225 Appendix A (c) (1) (j), to be allowable under Federal awards, costs must be adequately documented. During our review of the 4th Quarter CMS-64 report, we noted current expenditures were overstated by $132,634,323.18, two prior period adjustments for $65,038,439 and ($74,142,482) were not supported by the accounting records, and $13,551.66 in Illegal Alien expenditures were not reported. As stated in finding 10-2-2, Medicaid exceeded its DSH allotment. As a result, Medicaid made an entry into their accounting system to reduce the DSH payments by reclassifying them. This entry is linked to the errors noted on the CMS-64 report. This is material noncompliance and a material weakness in internal controls.

Contact Person(s): Stephanie Lindsay, Michael Horoho

Corrective action planned: Below is the corrective action plan related to accounting for Disproportionate Share Hospital (DSH) payments to prevent future errors.

1. An individual designated by the Chief Financial Officer (CFO) will be assigned responsibility for calculating DSH, and shall have to participate in training related to the concept of certified public expenditures and the proper accounting of such transactions.
2. An individual designated by the CFO will determine the total amount of DSH expenditures for a state fiscal year at the beginning of the fiscal year.
3. All documentation used to support the DSH expenditures will be maintained by the individual designated by the CFO.
4. The individual designated by the CFO will be responsible for approval of any entries to the accounting system and any draws from the Payment Management System related to DSH hospital expenditures.
5. Upon publication of the actual DSH allotment for the fiscal year, an adjustment will be made to the preliminary DSH expenditures calculation.
6. Based on results of the analysis of the actual DSH allotment, adjustments will be made in the accounting system and additional requests for funds from the Payment Management System will be made if necessary.
7. The reports used to prepare the CMS-64 will be run only after adjustments are approved in both the Medicaid accounting system and the State accounting system.

Anticipated completion date: December 31, 2011

Finding 2010-2-4

The Medical Assistance Program allows federal reimbursement for certain costs. Each consultant at the Alabama Medicaid Agency is assigned a department use code which indicates how expenditures will be allocated to the federal program in accordance with the provisions of the State Plan. The consultant's salary was paid 50% with State funds and 50% with Federal funds. According to 2 CFR Section 225 Appendix A (c) (1) (j), "To be allowable under Federal awards, costs must…be adequately documented." During our testing of a Medicaid consultant's reimbursement costs, we noted an invoice totaling $222.48 was submitted twice. Medicaid also reimbursed the consultant for housing for the months of July and August of 2010 at $685.00 per month. Only $665.00 was supported by documentation, leaving $40 in undocumented costs. Medicaid paid a total of $262.48 in undocumented charges during fiscal year 2010 which consisted of $131.24 in federal expenditures. Repayment has been requested, however, it has not been received as of the date of this report. This resulted in known questioned costs of $131.24.

Contact Person(s): Stephanie Azar, Karen Wainwright

Corrective action planned: Questioned costs will be reduced against amounts owed to the consultant. In the event that no amounts are owed, collection efforts will be taken against the consultant.

Anticipated completion date: December 31, 2011

Finding 2010-2-5

We reviewed the policies and procedures relating to Operational Controls at the Alabama Medicaid Agency for the Alabama Medicaid Application and Eligibility System (AMAES) during the fiscal year 2009-2010 Single Audit. AMAES is a complex system which provides intake, screening, and eligibility determination services and provides a common interface to request supporting eligibility information from external State and Federal systems. Policies and Procedures concerning the hiring of Information Technology (IT) personnel are not adequate. During our review it was determined Medicaid does not require background checks to be performed on newly hired IT personnel. This is a material weakness in internal controls.

Contact Person(s): Georgette Harvest, Derik DuBard

Corrective action planned: Medicaid does not agree with the audit finding and believes corrective action is not required. Following is an explanation and specific reasons.

Merit system personnel are hired through State Personnel. Neither Medicaid nor State Personnel require background checks. Medicaid performs reference checks, which are believed to be sufficient and cost-effective. If background checks were performed, Medicaid would have to follow the same procedures for all personnel. Currently Medicaid does not have staff to perform background checks in-house, or funding to outsource the performance of backgrounds checks. The cost to the agency would be detrimental and may not be cost efficient.

Anticipated completion date:

Finding 2010-2-6

An adequate system of internal controls is essential to ensure data reported in the financial reports are accurate and complete. Medicaid is required to complete the CMS-64 and SF-425 reports on a quarterly basis. The CMS-64 is used to report expenditures and the SF-425 is used to report cash receipts and disbursements. During our review of the financial reports, we noted Medicaid failed to develop policies and procedures to review and approve its financial reports. Such a review and approval process would help ensure the financial reports submitted are materially correct. This is a material weakness in internal controls.

Contact Person(s): Karen Wainwright, Stephanie Lindsay

Corrective action planned: The supervisor of the individual preparing the reports will be responsible for reviewing and approving the reports. Each report will have a page attached with the original signatures (along with dates) of the individuals responsible for preparing the report and approving the report.

Anticipated completion date: This procedure was implemented July 28, 2011 for the SF-425. This procedure was implemented July 29, 2011 for the CMS-64.

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, 2010.

Corrective Action Plan Details

Finding 2010-3-1

The Cash Management agreement for the fiscal year 2009-2010 required ADECA to calculate an interest liability for the payments to contractors component which constitutes approximately 97% of the CDBG program expenditures. We found two errors in ADECA's calculation of the interest liability for this component of the program.

First, it was determined that there was an error in a formula in the calculation spreadsheet that caused an understatement of $258.85 of the fiscal year 2009-2010 interest liability. The error resulted from an attempt to net a prior year overpayment against the current year liability.

Second, it was determined that incorrect receipt dates were used in the receipt dollar days calculation. When the correct receipt dates were entered into the spreadsheet, the interest liability was further understated by an additional $96.31. The two errors resulted in a total understatement of interest liability of $355.16. This is a significant deficiency in internal controls and noncompliance with federal regulations.

Contact Person(s): Kathy Avinger or Cindy Reaser

Corrective action planned: The formula error on the calculation spreadsheet was caused when portions of the prior spreadsheet were copied and pasted to the new one. To avoid this type of error in the future, all fields on the calculation page that are manually entered are now in blue text. (The remainder of the page is in black text.) A comment has also been added to the page requesting the preparer and reviewer(s) to verify that all cells with black text contain appropriate formulas. Once the CMIA calculation has been completed, the CED Lead Accountant and the Control Supervisor will review the spreadsheet.

For the program currently under CMIA, the receipt dollar days calculation error has been addressed by adding a column to the voucher register for the date requested funds are scheduled to be deposited at the bank. This information will be used for the fiscal year 2011 CMIA calculation. It will be entered on the voucher register as soon as possible after each drawdown request. In addition, a copy of a report from the drawdown system showing this scheduled deposit date will be attached to each receipt input document.

Anticipated completion date: The fiscal year 2010 calculation was corrected immediately upon notification of the error, and the calculation spreadsheet changes detailed in the corrective action plan have already been made. The change to the voucher register for the receipt dollar days calculation has also been made, but all of the scheduled deposit dates since October 1, 2010 have not yet been entered. This task will be completed by September 30, 2011.

Finding 2010-3-2

According to the OMB Circular A-133 Compliance Supplement, the ETA 9149 report is a supplemental monthly reporting form required to track youth served with WIA American Recovery and Reinvestment Act funds. The report captures information such as the number of participants placed in summer employment, work readiness attainment rate, and summer employment/work experience completion rate.

During the testing of the November 2009 monthly report, there five instances where data reported did not match the supporting documentation.

During the testing of the September 2010 monthly report, there were 6 instances where the report data did not match the supporting documentation.

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

Contact Person(s): Steve Walkley, Workforce Development Division Chief

Corrective action planned: The two monthly youth stimulus reports in question were missing the backup documentation to explain the differences in the participant numbers. The person responsible for entering the data into the DOL reporting system runs a report from our AlaWorks system and reviews the information for inconsistencies, errors, etc. The reporting supervisor is also responsible for reviewing these reports. For these monthly stimulus reports, the original report did not have the increase in participant numbers as expected; therefore, the system was checked and changes were made to ensure all of the information needed was being pulled by the AlaWorks reports. The AlaWorks reports were run a second time, and those were the numbers that were entered into the ETA 9149 reports. Since we were missing the original AlaWorks reports as backup documentation, we were not able to explain the differences in participant numbers. Note that the USDOL had come on-site to conduct a review and asked for the source documentation for the ETA 9149 report. The source documentation was provided to the USDOL Federal Project Officer, who did not return the documents; and there were no other copies of this document. Thus, it could not be provided to substantiate the data in the ETA 9149. At the time of the audit, it was too late to try to get the Federal Project Officer to return the documents.

Therefore, our corrective action will be to keep an electronic copy on the shared drive of all reports that are run and are being used to populate DOL/ETA reports as well as keep and file a hard copy of the reports. Documentation used to prepare the reports will also be maintained in this manner. The files will be checked periodically by the Reporting Supervisor to ensure the reports are being maintained as required.

Anticipated completion date: The Stimulus reports are ending in August 2011. The final report should be completed and filed no later than August 25, 2011. However, this process will be used beginning with the August Stimulus reports and will be extended to apply to all of our WIA reports and source documentation used to prepare the reports.

Finding 2010-3-3

The U. S. of Energy provides an Excel spreadsheet template to ADECA to use for a progress report for the Energy Efficient Appliance Rebate Program.

ADECA sent the template to the contractor for the rebate program and relied on the contractor to complete the report. ADECA did not have the source data to verify that information reported by the contractor was accurate.

In our testing of the 3rd quarter cumulative report, we determined that the total rebate dollars disbursed based on the mail date ($2,337,825) did not agree with the cumulative amount ($2,895,200) in the narrative of the Quarterly Report. There was a difference of $557,375. If the supporting documentation for the reports had been obtained and reviewed by ADECA personnel this discrepancy could have been detected and corrected. This is a material weakness in internal control and noncompliance with federal regulations.

Contact Person(s): Karen Clifton

Corrective action planned: The narrative stated that claims in the amount of $2,895,200 had been "processed" when it should have stated that claims in that amount had been "validated." The number of claims validated and the dollar amount of those claims were obtained from the Helgeson website. Future reports will clarify the amounts processed and the amounts validated. A printout of these figures will be attached to future reports. The U. S. Department of Energy has verbally stated that they will base their evaluation of each state's program on figures reported in the FINAL report.

For additional oversight, ADECA will request supporting data for figures reported in quarterly reports provided by Helgeson.

Anticipated completion date: October 30, 2011

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, 2010.

Corrective Action Plan Details

Finding 2009-4-3

Title 1 Section 1111(h)(4) of the Elementary and Secondary Educational Act (ESEA) as amended by the No Child Left Behind Act of 2001, requires each state educational agency to report annually to the United States Department of Education (USDE) the number and names of each school identified for school improvement under Section 1116(c), the reason why each school was so identified, and the measures taken to address the achievement problems of each school.

The Department of Education reports annually on multiple ESEA programs by submitting a Consolidated State Performance Report (CSPR) to the USDE. During the review of the CSPR for 2009-2010 school year, it was noted that data identifying schools for school improvement and the reason why each school was identified was incomplete and inaccurate.

The CSPR is submitted online using the Education Data Exchange Network (EDEN). We reviewed Part 1, Section 1.4 School and District Accountability of the CSPR for the 2009-2010 school year. Some data was uploaded by the Alabama State Department of Education (ALSDE) into the EDEN system to be included in the report. However, due to problems with EDEN the information was not showing up in the PDF version of the report. We were able to obtain some of the missing information from ALSDE personnel. We noted that some of the data for Section 1.4.4.1 was inaccurate and data for 1.4.5.1 was either missing or inaccurate. Section 1.4.8.2 consisted of three categories requiring states to report on school improvement status and school improvement assistance. Data was reported for one category in the table and for the other two categories in the comments, but the data did not agree with supporting documentation. Based on our review, the CSPR for the 2009-2010 school year is incomplete and inaccurate. This is a significant deficiency in internal control.

Contact Person(s): Brooke Blair - (334) 353-1570; and Patsy Eiland - (334) 242-9895

Corrective action planned: All state and federally reported data will now be collected, housed and reported for a consolidated data warehouse using an IBM-Cognos product. This consolidated data warehouse and reporting system will prevent discrepancies in all federal reporting requirements.

Anticipated completion date: September 1, 2011

Finding 2010-4-1

The OMB Circular A-133 Compliance Supplement states that distributing and sub-distributing agencies shall take a physical inventory of all food storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency.

The Food Distribution and Special Nutrition Program section is responsible for management and supervision of the Food Distribution Program. The Department contracts with three commercial distributors to store and distribute donated food commodities to agencies participating in the Food Distribution Program.

Audit Reviews of the three commercial distributors were completed for the 2009-2010 school year. However, we noted instances where the inventory reconciliation worksheets did not match supporting documentation and we also noted multiple calculation errors when reconciling the inventory records. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.

Contact Person(s): Frank Speed - (334) 242-8242, fspeed@alsde.edu

Corrective action planned:

1. Review EOY distributor audit requirements with auditors.
2. Examine and update review instrument if necessary.
3. Assign a person from Food Distribution to accompany auditors during EOY distributor audits.
4. Conduct a more thorough quality review of the audit prior to submitting to FDP for the finalization/closeout process.
5. Assign responsibility for checking all formulas and computations used in the finalization/closeout process to a second individual.

Anticipated completion date: November 11, 2011

Finding 2010-4-2

The Social Security Administration requires that the Department's Disability Determination Service submit SSA-4514, Time Report of Personnel Services which is due quarterly. We noted two discrepancies on the 3rd quarter report in overtime being understated and another where a row was not totaled correctly resulting in total hours being understated by over 36,000. This is a significant deficiency in internal controls.

Contact Person(s): Tommy Warren - (205) 989-2200

Corrective action planned: The error(s) in the spreadsheet have been identified and corrected. A revised 3rd quarter Time Report of Personnel Services report will be submitted to the Social Security Administration.

Anticipated completion date: August 31, 2011

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, 2010.

Corrective Action Plan Details

Finding 2010-6-1

State agencies are required to automate their Supplemental Nutrition Assistance Program (SNAP) operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the SNAP (7 CFR Sections 272.10 and 277.18). This includes processing and storing all case file information necessary for eligibility determination and benefit calculation.

We sampled 100 case files in three counties to determine whether case file information used for eligibility determination and benefit calculation was accurately stored in the Department of Human Resources' automated data processing system. As a result, we found eight errors in data elements such as name, social security number, date of birth and income. The error in income resulted in an overpayment of $281.00. The benefit payment for the test month of September 2010 appeared to be correct. However, when the client information was compared to the client's application, it was determined that monthly unemployment compensation benefits of $46.83 for six months were not recorded in the automated data processing system. It appears that the unemployment compensation benefits were discontinued during June 2010.

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

Contact Person(s): Patricia Huffman

Corrective action planned: Case information is manually entered into the automated system and therefore, subject to human error. Workers are required to review the information after entry into the system. Corrections must be made immediately if information is determined to be incorrect. Case record reviews are conducted on a sample of work monthly by supervisors to determine the correctness of the eligibility determination and information entered into the system. Additional reviews are conducted by field staff as part of the Management Evaluation Reviews conducted at prescribed intervals according to county size, as well as reviews by state and Federal quality control staff, aimed at determining accuracy of the eligibility determination. In all reviews stated above, accuracy of eligibility determination and correctness of case information are a focus. Any errors identified in these reviews require worker action to correct the errors. Additionally, any errors resulting in erroneous payments to recipients must be corrected through either adjustments (restorations) to households to correct any under-issuances that occurred, or through claims processing to recover over-issuances that occurred.

The Food Assistance Division will send a memorandum to county Food Assistance program staff to remind them of the necessity to enter information accurately into the system and review all entries to ensure accuracy.

Anticipated completion date: Memorandum to be sent by September 30, 2011. Case review activities are ongoing.

Finding 2010-6-2

7 CFR Sections 274.12(a), 274.12(g)(1) and 274.12(j)(1) states in part that States that use EBT must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. The financial and management data that comes from the EBT processor should be reconciled by the State to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down.

As a result in our testing, we were not able to obtain sufficient evidence that the Department of Human Resources has a system in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records.

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

Contact Person(s): Conitha King, Nancy Schlich

Corrective action planned: DHR Finance staff continues to complete a monthly reconciliation on a spreadsheet and uses that information to complete the FNS 46 Report, a monthly report. This spreadsheet contains daily information from the EBT contractor, DHR's State benefit system and from the Federal websites AMA and ASAP. Historically the daily information has been entered on this worksheet at the end of the month and the reconciliation performed. In response to the above referenced finding, this spreadsheet is now completed each day and reconciled daily.

Plans are in place to develop a new daily reconciliation process using the same information from the EBT contractor, DHR's state system and the two federal websites that is easier to understand and reconcile on a daily basis. The current process is geared to a monthly reconciliation.

Anticipated completion date: October 1, 2011

Finding 2010-6-3

According to the *Alabama Department of Human Resources EBT Manual* Section 8.3.7

A. Upon receipt of the card or PIN in the office, the EBT coordinator will record each item separately on the 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.

D. Between the first and fifth workday of the month, the supervisor and the EBT coordinator will conduct a joint inventory of the EBT cards and PINs on hand. Cards and PINs that have remained in inventory for at least one calendar month will be destroyed at the time this inventory is conducted. The supervisor and the EBT coordinator will jointly document the destruction of individual cards and PINs according to the instructions for the log.

We reviewed the EBT card inventory and PIN log at three counties. During our review, we found errors in Jefferson County. At the Jefferson County Hill Building, we noted that seven cards and/or pins were received but not listed separately on the log and remained in inventory more than a month without being destroyed. We also noted at the Bessemer Division that six pins/cards remained in inventory more than a month without being destroyed. Additionally, records did not indicate that an inventory had been done at either location.

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: Jefferson County management staff in Birmingham and Bessemer will be required to review the appropriate EBT Manual references and establish corrective action procedures by October 1, 2011, to ensure that these requirements are met. A monthly monitoring report will be submitted to the Food Assistance Division and an evaluation will be conducted in January to determine the success of corrective action in eliminating the cited error.

Anticipated completion date: January 31, 2012

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, 2010.

Corrective Action Plan Details

Finding 2009-9-2

OMB Circular A-133, Part 3, requires that pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

In our follow-up of the prior audit finding, we determined there was one remaining subrecipient that received an advance of funds. Based on a schedule of disbursements of funds by the subrecipient provided to us by the Alabama Department of Public Health it was determined that only $21,500 of the $60,000 advanced had been expended by the 30 days subsequent to the advance, as required in the contract with the subrecipient.

This represents a significant deficiency in internal controls that minimize the time elapsing between the drawdown/advance and disbursement of federal funds.

Contact Person(s): Jeff Wright, Joseph Osenton

Corrective action planned: The Alabama Department of Public Health will implement procedures to ensure that the time elapsing between the drawdown/advance and disbursement of federal funds is minimized. The department will reimburse actual expenses or advance funds to sub-grantees up to 30 days prior to expenditure or 90 days when a competitive bid process is required. The department defines 30 or 90 days as beginning with the date of the state warrant. If funds are advanced, ADPH program staff will require the sub-grantee to provide a monthly cash balance report or other documentation showing advanced funds have been expended before further funds are provided and until all advanced funds are expended. These terms and conditions will be written into agreements between ADPH and its sub-recipients.

Anticipated completion date: September 30, 2011

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, 2010.

Corrective Action Plan Details

Finding 2009-15-1

An adequate system of internal control over the accounting for an agency's federal funds provides for accurate recording of its drawdown's of federal funds. One of the controls should be periodic reconciliations of amounts recorded in the Advantage Financial System (AFNS) to amounts recorded in the Central Accounting System (CAS).

During the testing of drawdown's of federal funds, we noted four instances where a receipt of federal funds was deposited into the incorrect fund. In each of these instances, it does not appear that the Military Department was reconciling AFNS to CAS, and doing so could have identified these errors. This is a significant deficiency in internal control.

Contact Person(s): Walter Burke

Corrective action planned: The Assistant Military Budget and Fiscal Officer has been tasked to perform monthly cash reconciliation between CAS and AFNS using the Monthly AFNS C203 and CAS A203.

Anticipated completion date: The reconciliations will start immediately and cover the period of October 2010 forward.

Finding 2010-15-1

The American Recovery and Reinvestment Act (ARRA) of 2009 Sustainment, Restoration, and Modernization Projects, Special Military Cooperative Agreement, Article VIII, Section 815, provides that construction projects funded by ARRA are subject to the Davis-Bacon Act. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor. Department of Labor regulations at 29 CFR Part 3.3 provide that each of these contractors or subcontractors shall furnish each week a statement with respect to the wages paid each of its employees engaged on such work during the preceding weekly payroll period.

It appears the Military Department directed the contractors and subcontractors of ARRA funded projects to forward their wage statements to the architect or engineering firm overseeing the project which would in turn forward the statements to the Military Department. When reviewing payroll records for three completed ARRA projects, we noted several instances where the contractors or subcontractors did not submit the records in a timely manner to the architect or engineering firm or where documentation was not maintained to show when the wage statements had been prepared or forwarded to the architect or engineering firm. It appears that the Military Department did not adequately inform the architect and engineering firms of their monitoring responsibilities with respect to ensuring compliance with the Davis-Bacon Act for ARRA funded projects. This is noncompliance with federal laws and regulations and a significant deficiency in internal control.

Contact Person(s): Mark Weeks

Corrective action planned: A certification form has been prepared and provided to our Architects engaged in the remaining ARRA projects. Architects will execute this form with each weekly payroll submission and provide this form to the Military Department. This completed form by the Architects is their certification that they have received and reviewed the weekly contractor and sub-contractor payrolls in accordance with provisions of the Davis-Bacon Act.

Anticipated completion date: Form provided June 21, 2011 for implementation beginning in July 2011.

Finding 2010-15-2

As part of the American Recovery and Reinvestment Act (ARRA) of 2009, the Military Department is required to prepare and submit quarterly Section 1512 ARRA Reports. We tested the Military Department's June 30, 2010 Section 1512 ARRA Report. Worksheets do not appear to have been retained to support the expenditure amounts included on the Report. The expenditure totals appear to be understated when compared to the June 30, 2010 expenditures reported on the SF-270 Report Number 09-14. The lack of retaining worksheets that document the expenditure amounts is a significant deficiency in internal control.

Contact Person(s): Mark Weeks

Corrective action planned: Copies of the worksheets prepared by CFMO for the quarterly 1512 ARRA Report will now be provided to the State Property and Fiscal Office for historical reference.

Anticipated completion date: September 30, 2011