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Ronald L. Jones
Chief Examiner

September 24, 2013

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

This report replaces a previously issued Single Audit for the State of Alabama for the period October 1, 2011 through September 30, 2012. The report is being reissued because the Summary of Examiner's Results indicated a qualified report on compliance for major programs when the report on major programs was unqualified. The Section I - Summary of Examiner's Results, has been modified to correctly indicate an unqualified opinion on compliance for major programs.

Sincerely,

Gail Traylor

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

Report on the

Comprehensive Annual Financial Report (CAFR)
State of Alabama

Montgomery, Alabama

October 1, 2011 through September 30, 2012

Filed: May 17, 2013

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

13-235

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the financial statements contained in the Comprehensive Annual Financial Report (CAFR) of the State of Alabama for the period October 1, 2011 through September 30, 2012.

Respectfully submitted,

Gail Traylor

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

Sworn to and subscribed before me this
the 7th day of May, 2013.

Cheryl S. McAlister
Notary Public

rb

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Department of
Examiners of Public Accounts

SUMMARY

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2011 through September 30, 2012

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, 2012, 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, 2012, 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.

UNRESOLVED PRIOR FINDINGS

- 2011-01-01 relates to the Department of Labor (formerly the Department of Industrial Relations). Material weaknesses in internal control exist in the contingency planning and disaster recovery procedures affecting the Department's ability to continue operations in the event the information technology resources were adversely affected by man-made or natural disasters.

- 2011-01-02 relates to the Department of Labor. Material weaknesses in internal control exist in the procedures to provide appropriate security for computer data and programs through the proper use of security software features and management policies.

- 2010-01-01 relates to the Department of Transportation. Material weaknesses in internal control exist in the policies and procedures governing computer program development and changes.

- 2001-01-02 relates to significant internal control deficiencies in the Department of Finance FRMS/SBS procedures to provide appropriate security for computer data and programs through the proper use of security software features and management policies.

Mr. Thomas White, State Comptroller, was invited to an exit conference held on March 29, 2013. Individuals in attendance were Thomas White, Mike Hudson from the Department of Finance, and Gail Traylor from the Examiners of Public Accounts. An additional meeting was held to discuss the findings listed above on April 12, 2013. Individuals in attendance were Thomas White 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 auditee response/corrective action plan was requested from the agencies. The auditee responses/corrective action plans submitted to us by the agencies are included in this report.

Department of
Examiners of Public Accounts

COMMENTS

Comprehensive Annual Financial Report (CAFR)
of the State of Alabama
October 1, 2011 through September 30, 2012

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, 2012, 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%	0.03%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	31%	8%
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	84%	77%
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 Alabama Health Insurance Plan Prepaid Affordable College Tuition Program Alabama College Education Savings Plan Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	92%	61%

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 RSA Employees' Savings Plans (the Public Employees' Individual Retirement Account Fund and the RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, 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, 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, 2012, 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 29, 2013 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.

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

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 combining and individual fund statements and schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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 and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. 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 do not express an opinion or provide any assurance on them.

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

March 29, 2013

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, 2012, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 29, 2013. 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 State Port Authority	X	
State Employees' Insurance Board		X
Public Education Employees' Health Insurance Fund		X
Alabama Housing Finance Authority	X	
Alabama Water Pollution Control Authority	X	
Space Science Exhibit Commission	X	
Alabama Drinking Water Finance Authority	X	
Alabama Higher Education Loan Corporation		X
University of Alabama	X	
Auburn University	X	
University of South Alabama	X	
University of Montevallo	X	
Retirement Systems of Alabama		X
Employees' Savings Plans (PEIRAF and RSA-1)		X
Retired Education Employees' Health Care Trust		X
Retired State Employees' Health Care Trust		X
Prepaid Affordable College Tuition Program	X	
Alabama College Education Savings Plan	X	

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. As indicated above, other auditors audited the financial statements of certain agencies and funds in accordance with ***Government Auditing Standards***. This report does not include the results of those other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

Internal Control Over Financial Reporting

Management of the State of Alabama is responsible for establishing and maintaining effective 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, 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.

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.

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 functions, to prevent or detect and correct 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 Findings 2010-01-01, 2011-01-01, and 2011-01-02 below to be material weaknesses in internal control over financial reporting.

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.

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 2011-01-01 – 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 Labor (formerly the Department of Industrial Relations) had a disaster recovery plan; however, the plan has not been updated since 2002 to adequately reflect significant changes in hardware, software, and personnel. The Department of Industrial Relations also does not have an alternate site that could be used as an alternate processing facility if the primary site becomes unavailable. These conditions increase the risk that the Department could incur major disruptions in service if there is a catastrophic event at or near its primary data processing center.

Recommendation

The Department of Labor should update all components of its disaster recovery plan. Periodic reviews and updates of the disaster recovery plan should be performed. The Department should make arrangements for a remote alternate processing facility in a location that is not likely to be affected by a disaster at the primary site.

Finding 2011-01-02 – 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 Labor (formerly the Department of Industrial Relations) did not have adequate policies and procedures in place for access security.

Recommendation

The Department of Labor 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.

A significant deficiency is a deficiency, or combination of 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 Finding 2001-01-02 below to be significant deficiencies in internal control over financial reporting.

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 Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

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

Recommendation

The Department of Finance Financial Resource Management System/State Business Systems (FRMS/SBS) 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.

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.

The State of Alabama's response to the findings identified in our audit are described the accompanying Auditee Response/Corrective Action Plan. We did not audit the State of Alabama's response and corrective action plan 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, 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 29, 2013

Auditee Response/Corrective Action Plan
Section II – Financial Statement Findings (GAGAS)
Department of Finance
For the Year Ended September 30, 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 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, 2012.

Corrective Action Plan Details

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 Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

Contact Person(s): Mike Dennis

Corrective action planned: All of the corrective actions for this finding have been implemented except for the following, which can only be resolved with a software upgrade. 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: unknown

Auditee Response/Corrective Action Plan
Section II – Financial Statement Findings (GAGAS)
Department of Transportation
For the Year Ended September 30, 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 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, 2012.

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): Karen Mims, IT Manager I

Corrective action planned: Computer Services, CPMS-CEMS Support Section has now successfully implemented a mainframe software change control management system called Endevor which is offered by Computer Associates. All check out/check in of programming code now must be conducted through use of this software and can no longer be performed directly by any of the programming staff for the CPMS/CEMS Section. Implementation of CA Endevor ensures consistency and complete control of the source libraries, protects software assets, and maintains application integrity.

Anticipated completion date: This was fully implemented on April 26, 2013.

Auditee Response/Corrective Action Plan
Section II – Financial Statement Findings (GAGAS)
Department of Labor
For the Year Ended September 30, 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 Labor 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, 2012.

Corrective Action Plan Details

Finding 2011-01-01 – 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 Labor had a disaster recovery plan; however, the plan has not been updated since 2002 to adequately reflect significant changes in hardware, software, and personnel. The Department of Labor also does not have an alternate site that could be used as an alternate processing facility if the primary site becomes unavailable. These conditions increase the risk that the Department could incur major disruptions in service if there is a catastrophic event at or near its primary data processing center.

Contact Person(s): Jeannine Trotter

Corrective action planned: The Alabama Department of Labor will contract with the Alabama Department of Finance's ISD for mainframe services thereby utilizing its disaster recovery services. The Department will also update its disaster recovery plan to reflect significant changes in hardware, software, and personnel.

Anticipated completion date: June 30, 2014.

Finding 2011-01-02 – 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 Labor did not have adequate policies and procedures in place for access security.

Contact Person(s): Jeannine Trotter

Corrective action planned: The Department now conducts periodic reviews of its user accounts, revoking any user that no longer needs access. This revocation requires confirmation of the employee's manager. The Department is testing software changes that force default passwords to be changed upon initial sign on and every 60 days after. The Department has also implemented stricter system documentation policies that require all system changes to be logged with periodic review of the logs by the IT Director. We are also working with the Alabama Department of Finance's ISD mainframe security personnel to structure our security software features and controls to better protect the computer data and programs for which we are responsible. We are installing new help desk software that allows for better tracking of help desk tickets and we will ensure that all links are working properly.

Anticipated completion date: September 30, 2013.

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STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2012

Robert Bentley
Governor

Young Boozer
State Treasurer

Marquita F. Davis, Ph.D.
Director of Finance

Samantha Shaw
State Auditor

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

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Governor

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Thomas L. White, Jr., CPA
State Comptroller

Janice A. Hamm, CPA
Deputy State Comptroller

March 29, 2013

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, 2012. 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. Amendment 26 to the *Constitution of Alabama of 1901* prohibits the State Comptroller from drawing warrants on the State Treasury unless there is money on hand to cover those warrants. This is more restrictive at the end of the fiscal year when obligations (encumbrances and accounts payable) cannot exceed the available cash balance (cash less warrants payable). This control is enforced by automated edits and tends to result in positive fund balances, even when generally accepted accounting principles (GAAP) basis accruals are made in the financial statements. Compliance with Amendment 26 is demonstrated in the following exhibits for the General Fund and the Education Trust Fund.

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

	2012	2011	2010	2009	2008
Beginning Cash Balance, October 1	**$ 78,027**	**$ 135,668**	**$ 187,281**	**$ 264,727**	**$ 286,670**
Receipts	1,683,865	1,517,092	1,428,089	1,602,572	1,814,313
Disbursements	1,679,694	1,574,733	1,479,702	1,680,018	1,836,256
Net Increase (Decrease) in Cash Balance	**4,171**	**(57,641)**	**(51,613)**	**(77,446)**	**(21,943)**
Ending Cash Balance, September 30	**82,198**	**78,027**	**135,668**	**187,281**	**264,727**
Cash Balance Reserved for Obligations	39,825	33,640	40,974	46,971	44,424
Unobligated Cash Balance, September 30	**$ 42,373**	**$ 44,387**	**$ 94,694**	**$ 140,310**	**$ 220,303**

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

	2012	2011	2010	2009	2008
Beginning Cash Balance, October 1	**$ 59,280**	**$ 80,532**	**$ 51,280**	**$ 48,003**	**$ 315,967**
Receipts	5,704,208	5,337,664	5,217,470	5,679,120	6,414,631
Disbursements	5,665,743	5,358,916	5,188,218	5,675,843	6,682,595
Net Increase (Decrease) in Cash Balance	**38,465**	**(21,252)**	**29,252**	**3,277**	**(267,964)**
Ending Cash Balance, September 30	**97,745**	**59,280**	**80,532**	**51,280**	**48,003**
Cash Balance Reserved for Obligations	77,800	50,676	68,759	51,280	48,003
Unobligated Cash Balance, September 30	**$ 19,945**	**$ 8,604**	**$ 11,773**	**$ -**	**$ -**

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 to the *Constitution of Alabama of 1901* tends to produce positive fund balances. 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 General Fund borrowed $161.6 in 2010 under the provisions of Amendment 803 to the *Constitution of Alabama of 1901*. The full amount of the loan to the General Fund remains outstanding and $423 million remains outstanding for the Education Trust Fund. The loans left the Education Trust Fund with a deficit fund balance the past four years.

Fund Balances - GAAP Basis

(Amounts in Millions)

	2012	2011	2010	2009	2008
General Fund	$ 13.3	$ (20.2)	$ 84.7	$ 222.1	$ 381.7
Education Trust Fund	(291.8)	(203.1)	(244.5)	(221.5)	186.8

Cash Management

The State Treasurer has the responsibility for the investment of cash balances. In accordance with statutory requirements, treasury cash may be invested in Alabama bank deposits, repurchase agreements, U.S. Treasury securities and Agency securities.

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds earning interest. Interest earnings during the 2012 fiscal year were as follows:

Bank Deposits	$ 7.2 million
US Treasury and Agency Securities	$ 8.4 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.

Long-term Financial Planning

The Alabama State Legislature passed a supplemental appropriation bill to transfer $40 million from the Education Trust Fund to the Education Trust Fund Budget Stabilization Fund for the fiscal year ended September 30, 2012. The primary purpose of the Budget Stabilization Fund is to avoid future proration in the Education Trust Fund. Statutes are in place to limit withdrawals from the Budget Stabilization Fund. The Governor must certify to the State Comptroller and notify the Legislature that proration would occur in the Education Trust Fund before any funds are withdrawn. Furthermore, a legislative act regulates the replenishment of withdrawals within 30 days after the end of the fiscal year in which withdrawals are made. The Budget Stabilization Fund should help minimize future need for proration in the Education Trust Fund.

Major Initiatives

The State legislature passed an act to reform the State's retirement plans in 2012. The changes do not affect current employees and teachers, but affect all employees and teachers hired beginning January 1, 2013. New hires will not be able to collect a pension before the age of 62. Benefits will be calculated based on the average of the highest five years salary out of the employee's final ten years of employment. The benefits factor will be 1.65 percent for each year worked and will be capped at a maximum of 80 percent of the average final salary. Employees hired before 2013 can still retire at any age with 25 years service and benefits are calculated using a benefits factor of 2.0125 for each year worked times the average of the highest three years salary with no cap on maximum benefit.

Economic Condition and Outlook

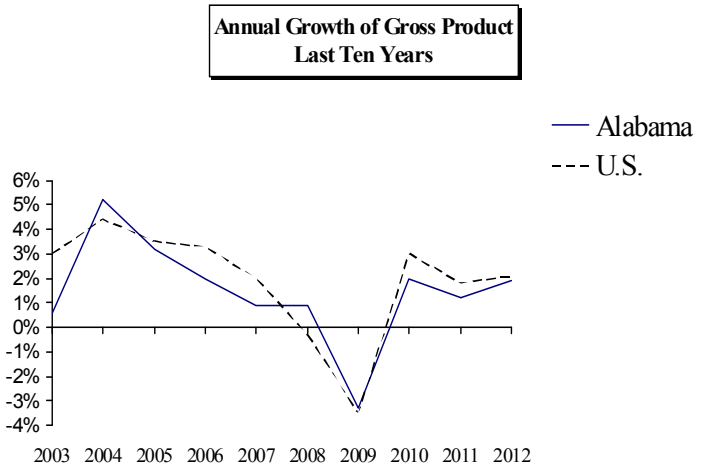
In 2012, Alabama's economy grew at a slightly slower pace than in 2011. Consumer spending increased moderately as Alabama's gross domestic product (ALGDP) rose by 1.9 percent. The State's unemployment rate decreased significantly in 2012 to 7.3 percent which compares favorably with the national average of 7.8 percent. State tax revenues increased 3.1 percent. Sales tax receipts were up 4.2 percent and income tax receipts rose 6.2 percent.

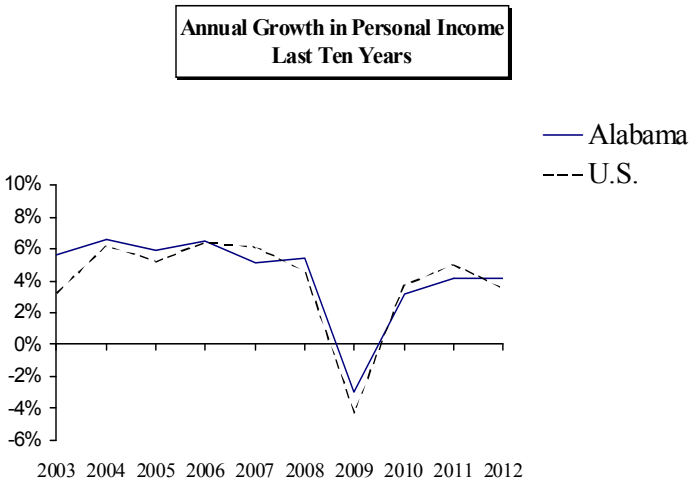
Alabama gained 6,600 jobs during 2012. Industries with job increases included wholesale and retail trade, professional and business services, and durable manufacturing goods. On the other hand, construction and government shed the most jobs during the same period. The State government workforce decreased by 1,320 employees.

Manufacturing sector output rose by 3.4 percent during the period October 2011 to October 2012, with an upsurge of 10.3 percent for manufacturers of motor vehicles and parts and an increase of 8.4 percent for manufacturers of fabricated metals during this period. Petroleum and coal products also contributed to the growth in manufacturing output with an increase of 4.7 percent. The construction sector's output showed some improvement in the period October 2011 to October 2012 with real output growing by 1.2 percent. However, construction related employment continued to decline. Wholesale trade grew 2.7 percent and was accompanied by a modest 0.3 percent increase for the period October 2011 to October 2012 period. Retail output rose 1.1 percent with an employment increase of 0.8 percent.

Alabama exports continued to rise with a 12.6 percent increase to $14.8 billion in the first nine months of 2012 compared with exports of $13.2 billion during the first nine month period of 2011according to data from the U.S. Census Bureau. Exports to Canada, Alabama's largest trade partner, grew from $2.4 billion in the first three quarters of 2011 to $2.9 billion for the first three quarters of 2012. Other major export destinations for Alabama products included Germany, Mexico, China, Japan, the United Kingdom, and Brazil. For the first three quarters of 2012, transportation equipment exports amounted to $5.7 billion, a 32.6 percent increase from the same period in 2011. Other major exports during the first three quarters of 2012 were chemicals, minerals and ores, machinery, paper products, primary metals, and computers and electronic products.

Alabama's economy is expected to expand moderately in 2013 with a 1.9 percent increase in output. Non-agricultural employment is expected to experience a slight gain of 1 percent. Large manufacturing and services employers will be the major economic drivers in 2013. These include firms in industries such as automotive manufacturing, ship building, aerospace, tourism, healthcare, and biotechnology. Due to uncertainties about federal budgets and spending, many of the state's private contractors and government facilities engaged in aerospace and defense-related projects will be cautious in hiring and investment.





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, 2011. This was the fourteenth 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., CPA
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, 2011

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, 2012

EXECUTIVE BRANCH

Robert J. Bentley
Governor

Kay Ivey
Lt. Governor

Young Boozer
State Treasurer

Beth Chapman
Secretary of State

John McMillan
Commissioner of Agriculture and Industries

Luther Strange
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Charles R. Malone
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Alisa K. Wise

Michael F. Bolin

James Allen Main

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Del Marsh
Senate President, Pro Tempore

Mike Hubbard
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Norris Green
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

Dr. Marquita Davis
Department of Finance

H. Mac Gipson
ABC Board

Greg Canfield
Department of Commerce

Neal Morrison
Department of Senior Services

John D. Harrison
State Banking Department

N. Gunter Guy, Jr.
Department of Conservation and Natural Resources

Hugh B. McCall
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Jim Byard, Jr.
ADECA

Major General Perry G. Smith
State Military Department

Nancy Buckner
Department of Human Resources

Jim Bennett
Department of Labor

Jim Reddoch
Department of Mental Health

Lee Sentell
Department of Tourism and Travel

Dr. Susan McKim
Department of Children's Affairs

Kim Thomas
Department of Corrections

Art Faulkner
Emergency Management Agency

John R. Cooper
Department of Transportation

Tom Surtees
Department of Industrial Relations

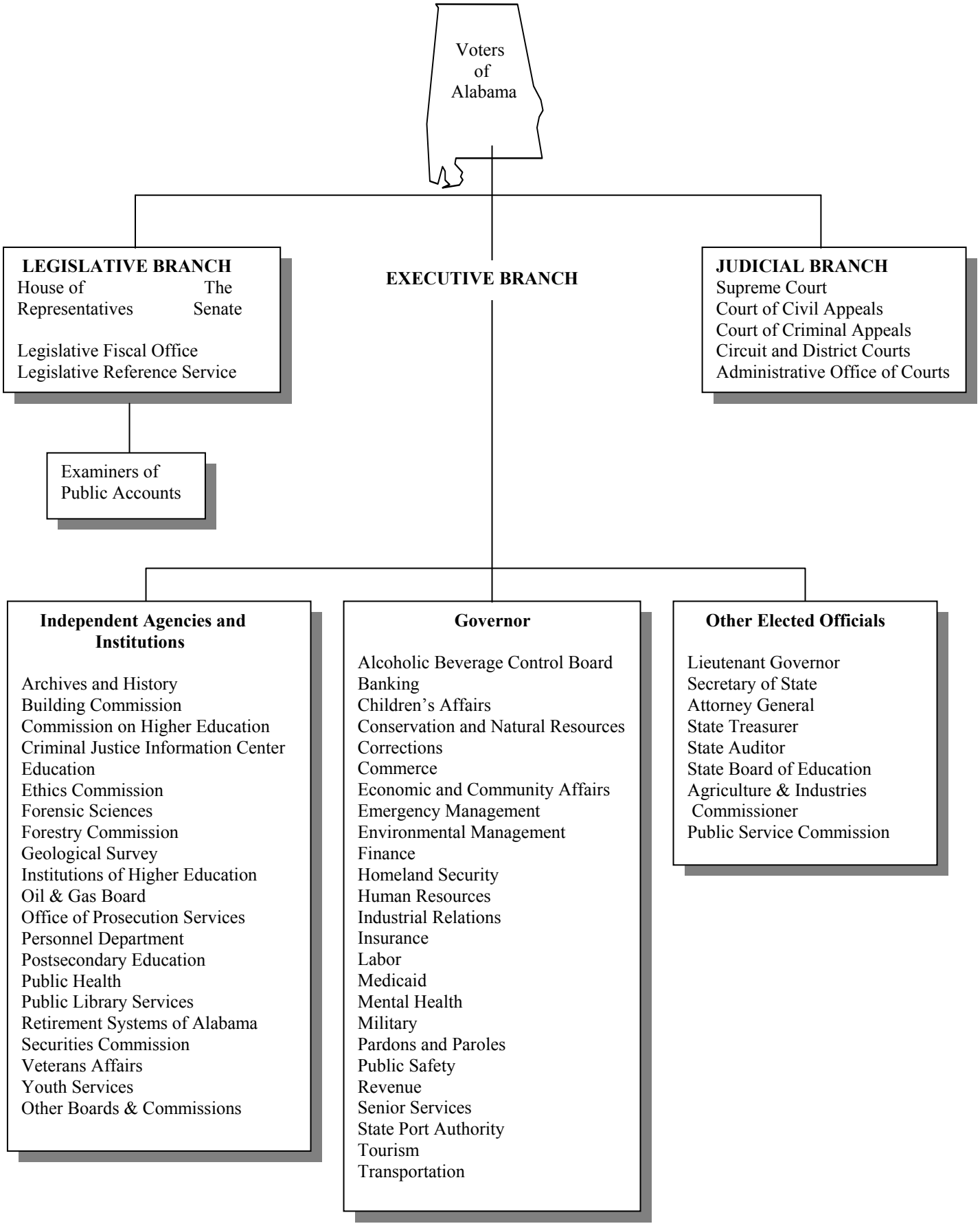
Stephanie McGee Azar
Alabama Medicaid Agency

Julie P. Magee
Department of Revenue

Jim L. Ridling
Department of Insurance

Spencer Collier
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, 2012, 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%	0.03%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	31%	8%
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	84%	77%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Alabama Health Insurance Plan Prepaid Affordable College Tuition Program Alabama College Education Savings Plan Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	92%	61%

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 RSA Employees' Savings Plans (the Public Employees' Individual Retirement Account Fund and the RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, 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, 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, 2012, 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 29, 2013, 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.

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

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 combining and individual fund statements and schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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 and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. 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 do not express an opinion or provide any assurance on them.

Ronald L. Jones

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

March 29, 2013

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, 2012. 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 $439 million during the fiscal year. The assets of the State exceeded its liabilities at the close of the fiscal year by $24.6 billion (*net assets*). Of this amount, $20.4 billion was invested in capital assets (net of related debt), and $3.0 billion was Alabama Trust Capital.
- The Change in Net Assets in governmental activities was $240 million.
- Governmental activities have $3.3 billion in investments, $2.4 billion of which is held in the Alabama Trust Fund.
- Revenues from program grants and contributions decreased $914 million as federal stimulus money ended in the previous fiscal year.
- Tax revenues increased $231 million, or 3.1 percent as the economy began to recover.
- Total revenues declined $445 million, or 2.0 percent. Spending also decreased by 2.0 percent, or $427 million.
- Investment earnings rose $178 million, a sharp increase of 156 percent over the previous year.
- The business-type activities reported net assets at year-end of $1.4 billion, an increase of $199 million for the fiscal year. The Unemployment Compensation Trust Fund reduced its liability to the Federal Government by $44 million and increased cash by $97 million. The Alabama Community College System had an increase in capital assets of $50 million.
- The State's total bond debt at the end of the fiscal year was $1.59 billion, a decrease of $57 million.
- During the year the State made payments on general obligation bonds of $34 million. The State issued $37 million in new revenue bonds and $24 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 $4.9 billion, a decrease of $94 million from last year. $104 million of fund balance is in nonspendable form and $5.1 billion is in restricted while the overall net unassigned fund balance is a deficit of $399 million.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by $11 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by $33 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.
- The General Fund budget was prorated by 10.62 percent because cash collections did not meet budget projections. The Education Trust Fund (ETF)was not prorated and there was a $40 million supplemental appropriation from the ETF to the ETF Budget Stabilization Fund.

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 Community 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 $24.6 billion as of September 30.

The largest component (83 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 outstanding debt used to acquire those assets. 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 $500 million, which included $364 million in increases in infrastructure and infrastructure construction in progress.

The total of Current and Other Assets is $8.0 billion, an increase of $50 million, or 0.6 percent. Included in that amount was an increase in cash and cash equivalents of $94 million. The balance includes $3.5 billion in investments, $2.4 billion of which is held in the Alabama Trust Fund.

Long-term liabilities increased 4.9 percent, or $126 million. Over half of total liabilities are in long-term liabilities and 73 percent of those long-term liabilities are in governmental activities. The State has $2.7 billion in long term liabilities, which includes $1.6 billion in bonds payable and $640 million in other post employment health care benefit liabilities. Bond debt decreased by $57 million while post employment health care benefit liabilities rose $162 million. Other Liabilities for business-type activities decreased by $51 million or 18.0 percent largely because the Unemployment Compensation Fund reduced its liability to the federal government by $44 million.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The State's net assets that are unrelated to capital assets include $5.8 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 $1.6 billion. Unrestricted net assets for governmental activities are a deficit of $1.6 billion, while business-type activities have a deficit balance in unrestricted net assets of $7 million.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	$ 7,115,963	$ 7,175,327	$ 871,123	$ 761,404	$ 7,987,086	$ 7,936,731
Capital Assets	19,932,445	19,482,504	1,495,599	1,445,592	21,428,044	20,928,096
Total Assets	27,048,408	26,657,831	2,366,722	2,206,996	29,415,130	28,864,827
Long-term Liabilities	1,973,372	1,859,405	718,896	706,722	2,692,268	2,566,127
Other Liabilities	1,867,447	1,831,096	232,574	283,677	2,100,021	2,114,773
Total Liabilities	3,840,819	3,690,501	951,470	990,399	4,792,289	4,680,900
Net Assets						
Invested in Capital Assets, Net of Related Debt	19,546,191	19,099,058	877,771	818,852	20,423,962	19,917,910
Restricted	5,285,857	5,380,091	544,665	465,495	5,830,522	5,845,586
Unrestricted	(1,624,459)	(1,511,819)	(7,184)	(67,751)	(1,631,643)	(1,579,570)
Total Net Assets	$ 23,207,589	$ 22,967,330	$ 1,415,252	$ 1,216,596	$ 24,622,841	$ 24,183,926

The table on the following page was derived from the government-wide Statement of Activities. As a result of the excess of revenues over expenses, the State's net assets increased by $439 million during the fiscal year. Taxes provided $7.6 billion, or approximately 36 percent, of the State's total revenue. Tax revenues increased by $231 million, or 3.1 percent, compared to the previous year as the economy began to improve. Overall revenue decreased by $445 million, or 2.0 percent. Operating Grants and Contributions revenue decreased $835 million, or 8.4 percent. Capital Grants and Contributions decreased $79 million, or 8.3 percent. Both types of grant revenues were down sharply because the federal stimulus program grants ended late in the prior fiscal year, reducing federal operating grants by $845 million and federal capital grants by $53 million.

General revenues, which include taxes, were $9.0 billion, an increase of $489 million, or 5.7 percent. Investment earnings were $293 million, a steep rise from last year's $114 million. Charges for Services revenue decreased $20 million, or 0.8 percent. Miscellaneous revenues are up $87 million, or 8.4 percent. Included in miscellaneous revenue were Medicaid related Hospital Assessments and Nursing Facilities Tax revenues which increased a total of $46 million.

Total revenues were down $445 million, or 2.0 percent, and total expenditures were down $427 million, also 2.0 percent. Education and Cultural Resources spending was down $339 million, or 5.0 percent. Federal stimulus funds for educational purposes decreased $526 million, more than offsetting an increase in tax collections for educational purposes. Social Services spending was down $141 million, a decrease of 5.5 percent. General Government expenditures were down $103 million, or 9.8 percent. Expenditures for Health were up $380 million, or 6.2 percent. Protection of Persons and Property expenditures were up 7.2 percent, or $77 million. Within Protection of Persons and Property, the Military Department spending was up $32 million, Corrections $11 million, and Homeland Security $8 million.

In business-type activities, spending overall was down $340 million, or 14.7 percent. The Unemployment Compensation Fund was down $305 million, or 30.3 percent, because the unemployment rate in Alabama decreased, some claimants exhausted their maximum benefits, and a special extra weekly benefit of $25 expired in 2011. Port Authority expenses were up $6 million, or 4.8 percent, because of changes to capital asset useful lives, as well as higher personnel costs and the continued emphasis on maintenance programs in the operating units. The Alabama Community College System was down $55 million, or 6.3 percent, Alcoholic Beverage Control Board was up $8 million, or 3.1 percent, and Other Nonmajor Proprietary Funds was up $6 million, or 10.6 percent.

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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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	$ 1,223,851	$ 1,218,804	$ 1,150,204	$ 1,175,105	$ 2,374,055	$ 2,393,909
Operating Grants and Contributions	8,420,232	8,985,884	716,244	985,767	9,136,476	9,971,651
Capital Grants and Contributions	864,113	936,928	6,469	12,354	870,582	949,282
General Revenues:						
Taxes	7,608,870	7,377,883	11,832	11,065	7,620,702	7,388,948
Grants and Contributions Not Restricted to Specific Programs	1,253	9,093	-	-	1,253	9,093
Unrestricted Investment Earnings	292,612	114,227	-	-	292,612	114,227
Miscellaneous	1,105,986	1,021,019	14,560	12,711	1,120,546	1,033,730
Total Revenues	19,516,917	19,663,838	1,899,309	2,197,002	21,416,226	21,860,840
Expenses:						
Economic Development and Regulation	212,061	193,900			212,061	193,900
Education and Cultural Resources	6,395,835	6,735,109			6,395,835	6,735,109
Natural Resources and Recreation	141,992	134,591			141,992	134,591
Health	6,466,200	6,085,907			6,466,200	6,085,907
Social Services	2,439,369	2,580,186			2,439,369	2,580,186
Protection of Persons and Property	1,152,596	1,075,191			1,152,596	1,075,191
Transportation	1,200,214	1,186,100			1,200,214	1,186,100
General Government	944,250	1,046,923			944,250	1,046,923
Debt Service - Interest and Other Charges	47,963	48,631			47,963	48,631
Unemployment Compensation			701,971	1,007,325	701,971	1,007,325
State Port Authority			134,185	128,100	134,185	128,100
Alabama Community College System			804,701	859,258	804,701	859,258
Alcoholic Beverage Control Board			274,718	266,472	274,718	266,472
Nonmajor Proprietary Funds			61,296	55,431	61,296	55,431
Total Expenses	19,000,480	19,086,538	1,976,871	2,316,586	20,977,351	21,403,124
Increase (Decrease) in Net Assets Before Contributions and Transfers	516,437	577,300	(77,562)	(119,584)	438,875	457,716
Contributions to Permanent Funds & Endowments	-	-	40	462	40	462
Special Items	-	-	-	-	-	-
Transfers	(276,178)	(300,368)	276,178	300,368	-	-
Change in Net Assets	240,259	276,932	198,656	181,246	438,915	458,178
Net Assets- Beginning	22,967,330	22,690,398	1,216,596	1,035,350	24,183,926	23,725,748
Net Assets- Ending	$ 23,207,589	$ 22,967,330	$ 1,415,252	$ 1,216,596	$ 24,622,841	$ 24,183,926

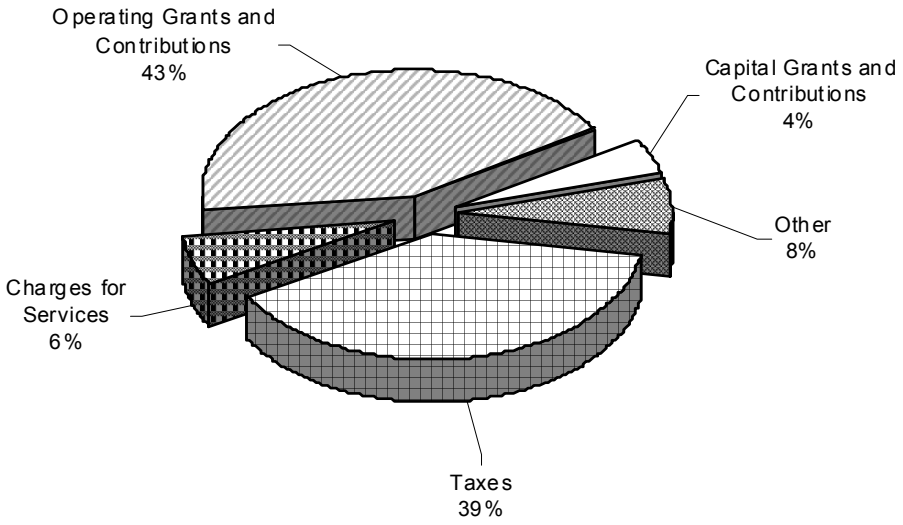
Governmental Activities

Total revenues for governmental activities for the fiscal year were $19.5 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 82 percent of governmental activities revenue.

Program revenues totaled $10.5 billion, down from $11.1 billion the previous year. Operating grants and contributions are the largest program revenues, and at $8.4 billion, make up 43 percent of total governmental revenues, down from 46 percent in the prior year. Operating grants and contributions decreased $566 million compared to the previous year. Operating grants and contributions to Medicaid were up $310 million while the Department of Human Resources was down $117 million. Federal stimulus revenue was down $898 million, including $418 in the Education Department. Total federal revenue for Emergency Management was down $31 million because in the prior year there was a tornado outbreak. About 90 percent of operating grants and 97 percent of the capital grants were received from the Federal government. Capital grants and contributions were $864 million, a decrease of $73 million from the previous year. Charges for services increased $5 million, or 0.4 percent, compared to the previous year.

General Revenues totaled $9.0 billion, up from $8.5 billion in the previous year. Taxes were $7.6 billion, an increase of $231 million from the previous year. Revenue from all tax types were 39 percent of total governmental revenues earned during the fiscal year, up from 37 percent the prior year. The largest taxes were income taxes of $3.3 billion and sales and use taxes of $2.3 billion. Sales and use taxes increased $93 million, or 4.2 percent, while income taxes increased $193 million, or 6.2 percent. Miscellaneous general revenues are up $85 million, or 8.3 percent.

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2012



Total operating expenses for governmental activities in this fiscal year were $19.0 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 68 percent of the governmental activities expenses for the fiscal year. Social Services accounted for 13 percent of the governmental activities expenses. Overall expenses decreased by $86 million, or 0.5 percent.

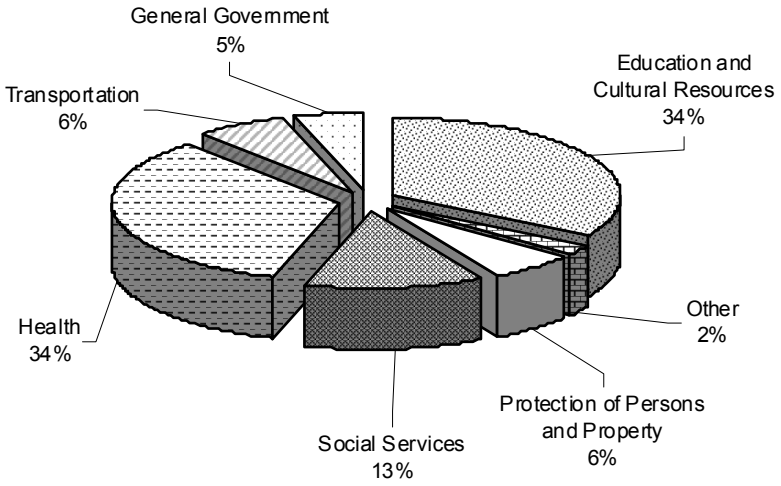
Education spending decreased 5.0 percent, or $339 million. Education and Cultural Resources makes up 34 percent of governmental activity expenses. Within Education and Cultural, 89 percent is for local financial assistance for school systems and support of state universities. Financial assistance for local school systems decreased $239 million, or 4.9 percent, and support for universities decreased $59 million, or 5.3 percent.

Health spending rose 6.2 percent, or $380 million. Health accounted for 34 percent of governmental activity spending, up 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. Social Services spending decreased $141 million, or 5.5 percent.

Within Social Services, spending on the food assistance program decreased $109 million. Food assistance was unusually high in the previous year because extra assistance was needed after the April 2011 tornado outbreak. Food assistance makes up 59 percent of all social service spending.

Protection of Persons and Property continues to comprise 6 percent of total spending. The Department of Corrections makes up 43 percent of Protection of Persons and Property spending, while the Department of Public Safety comprises 12 percent and Emergency Management 10 percent.

Expenses - Governmental Activities
Fiscal Year Ended September 30, 2012



Business-type Activities

The largest business-type activity is the Alabama Community College System, which accounts for 72.3 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. During the fiscal year the net assets of business-type activities increased by $199 million. Revenues of business-type activities totaled $1.9 billion, a decrease of $298 million, or 13.6 percent. Most of this revenue was self-generated program revenues; only $26 million of the $1.9 billion revenues came from general revenues. The program revenues consisted of $1.2 billion of charges for services, a 2 percent decrease, and $716 million of operating grants and contributions, a 27 percent decrease. Operating Grants decreased because of the Federal grants for Unemployment. The decrease in Federal grants was a result of fewer Unemployment claims. Of the $276 million in net transfers between governmental activities and business-type activities, most of the transfers are from the Education Trust Fund to the Alabama Community College System as mandated by the legislature in the appropriation acts.

The Unemployment Compensation Trust Fund decreased its liabilities by repaying the Federal Government $44 million for advances received in prior years. Overall business-type expenses were $2.0 billion, down by $340 million, primarily because Unemployment Compensation expenses decreased $305 million, or 30.3 percent. Unemployment Compensation expenses decreased because the unemployment rate in Alabama decreased and some claimants exhausted their benefits. The cash balance in the Unemployment Compensation Trust Fund grew by $97 million because of this decrease in expenses for claims.

The Alabama Community College System's net assets increased $61 million in 2012, because revenues were greater than the prior year and expenses were less than the prior year. Charges for services increased during the fiscal year because tuition increased by $2 per credit hour. The expenses decreased during the year because student scholarships and various other expenses were less. The College System has $50 million more in capital assets at year-end resulting from building additions and construction in progress. The College System has an operating loss of $608 million. However, federal grants of $351 million and transfers from the ETF and other governmental funds of $308 million resulted in an increase in net assets. Federal revenue declined primarily because of the reduction in Pell benefits caused by changes in Pell regulations coupled with a decrease in enrollment. Also, transfers from the ETF were less than the prior year.

Financial Analysis of the State's Funds

Governmental Funds

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

At the end of the fiscal year, the governmental funds reported combined ending fund balances of $4.9 billion. Of this total amount, $5.1 billion is restricted to spending for specific purposes. Those restrictions have been imposed by external parties, constitutional provisions, or enabling legislation. Because restrictions exceed fund balance, there is a deficit in unassigned fund balance of $399 million. Deficit unassigned fund balances outside the General Fund indicate that expenditures incurred for specific purposes exceeded the resources restricted for those specific purposes. The largest restricted amount of $3 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of Amendments 666 and the newly ratified Amendment 856 to the *Constitution of Alabama of 1901* which allow limited spending of principal. An additional $2.1 billion of governmental fund balance has been restricted for a wide variety of purposes which includes $25 million restricted for various capital projects and debt service.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unassigned fund balance of the General Fund was $7 million, $4 million nonspendable fund balance, and $2 million assigned fund balance. Revenues for the General Fund increased $53 million, or 4 percent, as taxes increased $53 million, licenses, permits and fees increased $1 million, other revenues increased $12 million, fines, forfeits and court settlements decreased $12 million, and investment income decreased $1 million. The largest tax increases were $15 million in insurance tax premiums and $8 million in corporation privilege tax. The decrease in fines, forfeits, and court settlement revenue is due to a one time court settlement with the pharmaceutical industry in fiscal year 2011.

Expenditures for the General Fund increased $168 million, or 13 percent. Health expenditures increased $152 million, as overall grant payments related to Medicaid programs increased $135 million due to an increase in General Fund dollars spent in lieu of Medicaid Fund dollars being spent. The Medicaid nursing home care program grants increased $184 million. Medicaid Health Insurance Premiums program increased $21 million. The Medicaid Pharmaceutical program was up $98 million. The Medicaid Alternative Care Program was up $16 million. Medicaid administrative costs increased $25 million. Medicaid hospital care program grants decreased $144 million. The Medicaid Health Support program decreased $57 million. Protection of Persons and Property expenditures increased $58 million. Within Protection of Persons and Property spending for correctional facility operations increased $86 million. Spending on General Government decreased $32 million. Most of the decline was in employee salaries and benefits of $28 million. Across all functional categories General

Fund spending for grants and benefits were up 25 percent. Professional services expenditures increased 104 percent due to medical services for correctional inmates being paid for with general fund dollars in lieu of nonmajor governmental fund dollars. Due to Other Funds was relatively unchanged from the previous year because a large portion, $162 million, is a loan owed to the Alabama Trust Fund. The money was borrowed in fiscal year 2010 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. 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 the fiscal year were up $203 million, or 4 percent as compared to the previous fiscal year. Income tax revenues were up by $196 million, sales and use tax revenues were up by $77 million and utility tax revenues were down $71 million. Expenditures, as limited by the budget, were up 6 percent, or $277 million. A large portion of the increase, $174 million, was in financial assistance to local school systems and the next largest, $49 million, was in support of state universities. The ETF transferred out $437 million, with the largest of these transfers going to supplement operations of the Alabama Community College System, a major Proprietary fund. The Alabama Community College System received $305 million in transfers as mandated by the legislature in the appropriations acts. Due to Other Funds in the ETF of $430 million includes $423 million owed to the Education Rainy Day Account in the Alabama Trust Fund. The ETF fund balance decreased $89 million to a deficit of $292 million, as taxes receivable decreased $68 million and payables had a net increase of $24 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 $46 million during the fiscal year. Investment income climbed from $97 million to $278 million during the fiscal year, an increase of $180 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, $492 million was transferred out to support these other funds. During the fiscal year, the amount constitutionally restricted for Trust Capital decreased by $75 million, a 2 percent decrease.

The Medicaid Fund accounts for a portion of the Medicaid program that is funded by Federal revenues and certain other non-state revenue sources. Federal revenues increased 1 percent, or $33 million. Overall, revenues were up 7 percent, or $313 million. Expenditures increased 5 percent, or $194 million, with the largest increase being $469 million in Hospital Care. Nursing Home Care decreased $201 million. Most of the decrease in Nursing Home Care can be attributed to a shift in payments between the General Fund and the Medicaid Fund. The net change in fund balance for Medicaid was a $45 million increase, bringing the total fund balance to a deficit of $37 million.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, including all federal aid reimbursements. Amendment No. 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 decreased $77 million, or 9 percent, primarily because the federal stimulus programs ended in the previous year. Expenditures decreased $18 million, or 1 percent. The cash balance declined from $477 million to $338 million. Of the $419 million fund balance, $24 million is in inventory of materials on hand and $395 million is restricted to cover 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 declined $126 million, or 6 percent. Expenses for food assistance decreased $110 million, or 7 percent. This decrease is due to the elevated participation in the program in 2011 related to tornado relief of $149 million and an increase in participation in the food assistance program of $39 million in the current fiscal year. Spending on various children's programs declined $37 million, or 9 percent. The fund balance at year end is $86 million, an increase of $21 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 and the Medicaid Fund had negative fund balances at September 30. This is not typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). The Education Trust Fund had negative fund balance at September 30 resulting from the interfund loan owed to the Alabama Trust Fund. Without the loan, the accrual of taxes receivable in the Education Trust Fund almost always assures a positive fund balance. Medicaid often has a negative fund balance because

GAAP requires the accrual of claims payable and the related federal receivable, but not the State matching amounts which will be recorded as revenues when received in the next fiscal year. The Public Road and Bridge Fund retains enough cash to cover 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 increased by $199 million.

The Unemployment Compensation Trust Fund has again improved its financial condition. The net assets increased two years in a row, by $131 million in the current year and by $120 million in the prior year. This has resulted in a positive net asset balance at the end of the current fiscal year. Revenues during the current fiscal year decreased as compared to the prior fiscal year because of a decrease in the employer rates. The minimum rate decreased from 0.00225 to 0.00125 and the maximum rate decreased from 0.0084 to 0.0074 for the employer shared cost. Another factor in the lower revenues was a special assessment in the prior year which provided additional revenue to be pay interest owed to the Federal Government. The assessment was approximately $6 for each employee. Benefits dropped $301 million because the unemployment rate decreased, some claimants exhausted their benefits, and the ARRA Federal Additional Compensation program, which provided an additional $25 weekly benefit, ended in 2011. Revenues from federal grants decreased $220 million both because of the end of the ARRA stimulus program and because there were fewer claims in the current fiscal year as compared to the prior fiscal year. Due to Other Governments decreased by $44 million because the Unemployment Compensation Trust Fund repaid advances owed to the Federal Government. The trust fund cash grew from $11 million to $109 million, and net assets now stands at $98 million.

The net assets of the State Port Authority are $294 million, an increase of $15 million. Operating revenues were $145 million, an increase of $23 million, or 19 percent over the prior year, resulting from a number of factors. Revenues at McDuffie Coal Terminal increased $10 million, or 16 percent, the result of a continued strong market for export metallurgical coal. General Cargo/Intermodal experienced an increase in revenues of $7 million, or 26 percent, the result of the continued expansion of capabilities for handling steel cargoes. The Bulk Handling and Warehouse division saw an increase in revenues of $4 million, or 163 percent, as additional volumes were secured with new customers. Depreciation and amortization expenses decreased $2 million a result of a change in the estimated useful lives of capital assets. Personnel costs were $2 million higher than the prior year. Maintenance and repair costs of the facilities were $1 million higher as the Port Authority continued its focused maintenance programs in the operating units.

The Alabama Community College System's net assets increased $61 million in 2012, primarily because of a $35 million decrease in student scholarships and decreases in various other expenses. Student scholarships decreased primarily because of the change in Pell Grant regulations which affected student eligibility. Also, charges for services increased during the fiscal year because tuition increased by $2 per credit hour. The College System has $50 million more in capital assets at year-end resulting from building additions and construction in progress. The College System has an operating loss of $608 million. However, federal grants of $351 million and transfers from the ETF and other governmental funds of $308 million result in an overall increase in net assets. Grant revenue declined from $402 million to $351 million primarily because of the reduction in Pell benefits caused by changes in Pell regulations coupled with a decrease in enrollment. The legislature appropriated transfers from the ETF were $33 million less than the prior year.

The net assets of the Alcoholic Beverage Control Board declined by $6 million in fiscal year 2012, increasing the deficit in net assets to $25 million. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative. Non-current liabilities, such as compensated absences and other post-employment benefits, and some of the current liabilities are not deducted from the distribution amount. The deficit gets larger primarily because the liability for other post-employment benefits is growing. This liability increased by $4 million during the fiscal year.

Budgetary Highlights

General Fund

The original budget for the General Fund was decreased by a net of $118 million during fiscal year 2012. Expenditures were decreased by $90 million and Transfers Out decreased by $28 million, and these budgetary changes are reflected in the final budget on the Budgetary Comparison Schedule. 10.62 percent proration was declared on March 16, 2012 because cash collections were not meeting budget projections. This decreased the budget by $187 million. The Medicaid Agency, the Department of Corrections, the Department of Mental Health, the Department of Human Resources, the Department of Public Health, and the Department of Public Safety were cut by $68 million, $45 million, $12 million, $9 million, $6 million, and $6 million, respectively. Actual tax revenues were $40 million less than the final budget because of the weak economy. Also, the budgeted tax revenues were reduced by $90 million because cash collections were short.

There were significant budgetary variances between the final budget and actual results. Unexpended and reverted appropriations from fiscal year 2012 were reappropriated to fiscal year 2013; therefore, many agencies did not spend all of their appropriations during fiscal year 2012. The Department of Corrections has $7 million to carryover to fiscal year 2013. The Medicaid Agency, Department of Finance, and Department of Emergency Management have approximately $3 million each to carryover. These appropriations will be needed in the future because revenues are not improving much because the economy is sluggish.

There were budget increases to various agencies as a result of supplemental appropriations which totaled $47 million. The Department of Corrections received $45 million of this supplemental appropriation. This supplemental appropriation was needed for institutional services. The largest expenditures for institutional services are correctional officer salaries and benefits, and medical care for prisoners. The District Attorneys and the Department of Human Resources received $1 million each of the supplemental appropriations. The Department of Human Resources appropriation was for adult protective services. Conditional and other appropriations were approximately $22 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 $5 million are included in the original budget and are included in the budgeted amounts as Other on the Budgetary Comparison Schedule. Emergency appropriations cannot exceed two percent of the total amount appropriated. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by $11 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by $33 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 2012 the State had invested $21.4 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled $164 million.

Capital Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Assets Not Being Depreciated:						
Land	$ 303,718	$ 293,033	$ 85,882	$ 83,496	$ 389,600	$ 376,529
Historical Exhibits	4,006	2,632	2,350	2,350	6,356	4,982
Construction In Progress	234,594	193,976	102,270	75,691	336,864	269,667
Construction In Progress - Intangibles	11,320	2,983	-	-	11,320	2,983
Construction In Progress - Infrastructure	4,969,348	5,044,586	-	-	4,969,348	5,044,586
Infrastructure	13,292,571	12,853,456	-	-	13,292,571	12,853,456
Inexhausible Intangible Assets	-	-	10	10	10	10
Total Capital Assets Not Being Depreciated	**18,815,557**	**18,390,666**	**190,512**	**161,547**	**19,006,069**	**18,552,213**
Capital Assets Being Depreciated:						
Buildings	1,482,683	1,434,486	1,654,752	1,605,771	3,137,435	3,040,257
Equipment	675,919	669,840	566,921	542,855	1,242,840	1,212,695
Software and Other Intangible Assets	27,152	14,111	12,855	6,759	40,007	20,870
Total Capital Assets Being Depreciated	2,185,754	2,118,437	2,234,528	2,155,385	4,420,282	4,273,822
Less Accumulated Depreciation	1,068,866	1,026,599	929,441	871,340	1,998,307	1,897,939
Total Capital Assets Being Depreciated, Net	**1,116,888**	**1,091,838**	**1,305,087**	**1,284,045**	**2,421,975**	**2,375,883**
Capital Assets, Net	**$ 19,932,445**	**$ 19,482,504**	**$ 1,495,599**	**$ 1,445,592**	**$ 21,428,044**	**$ 20,928,096**

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 78.72, which exceeds the State's goal.

The State maintains 5,390 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 2012 and 2011 the State estimated it would need to spend $334.9 and $319.6, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2012, the State spent $439,145,000 for roadway preservation and $52,639,000 for bridge preservation. The State spent $375,653,000 for roadway preservation and $60,306,000 for bridge preservation in fiscal year 2011. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately $334,931,000 to preserve all roadway assets and approximately $10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above.

More detailed information about the State's capital assets is presented in Note 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 by the State is by amendment to the *Constitution of Alabama of 1901*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. 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	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 708,349	$ 742,217	$ -	$ -	$ 708,349	$ 742,217
Revenue Bonds	216,937	246,086	662,924	657,155	879,861	903,241
Total	$ 925,286	$ 988,303	$ 662,924	$ 657,155	$ 1,588,210	$ 1,645,458

The Alabama Community College System issued $37,055,000 in new bonds and $24,325,000 in refunding bonds. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The General Fund budget for fiscal year 2013 is $52 million greater than fiscal year 2012 primarily because of Amendment 856 to the *Constitution of Alabama of 1901*. Amendment 856 revises the method for distributions from the Alabama Trust Fund beginning with fiscal year 2013 and also provides for the transfer of $146 million from the Alabama Trust Fund to the General Fund for the fiscal years 2013, 2014, and 2015. The Medicaid Agency received an appropriation increase of $40 million for fiscal year 2013 over fiscal year 2012 from the General Fund. Also, the Department of Public Health and the Department of Senior Services received increases of $16 million and $11 million, respectively.

The Rolling Reserve Act (Act 2011-3) caps appropriations from the Education Trust Fund (ETF) beginning with fiscal year 2013. The cap will be the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues in the 15 completed fiscal years preceding the date on which the calculation is made; (2) if the percentage growth in the ETF for the last completed fiscal year exceeds the 15 year average growth rate, an amount equal to 40 percent of the growth in the last completed year is added to the cap; (3) up to 95 percent of any new revenue enacted for the ETF; and (4) any nonrecurring revenue. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the *Constitution of Alabama of 1901* (prior to the third day of each Regular Session). The Act creates an ETF Budget Stabilization Fund to receive revenues in excess of the appropriation cap remaining after paying back transfers from the constitutional ETF Rainy Day Account. This Fund will generally be used to reduce any future proration. Any monetary interest that accrues in this fund will be retained by the fund. There is a balance of $40 million in this fund because of a supplemental appropriation from the ETF to the ETF Budget Stabilization Fund in fiscal year 2012. When the balance in the ETF Budget Stabilization Fund is equal to 20 percent of the current year's appropriations from the ETF, then the excess funds will be distributed to the ETF Capital Fund, also created in this act. The Capital Fund will be used for capital improvements in public education, including the acquisition of sites and equipment for buildings and facilities, and for the payment on indebtedness incurred for those purposes. The act also repeals the existing ETF Proration Prevention Account and transfers any existing funds in this account to the ETF Budget Stabilization Fund. The Education Trust Fund budget for fiscal year 2013 is $275 million greater than fiscal year 2012. The K-12 Local Boards of Education received an appropriation increase of $109 million for fiscal year 2013 over fiscal year 2012 from the Education Trust Fund. The 4 year Universities received an increase of $35 million.

Total tax collections are up approximately 3.5 percent for the first 5 months of fiscal year 2013 as compared to the first 5 months of fiscal year 2012. The State's seasonally adjusted unemployment rate, at 6.9 percent in January 2013, was up from December 2012's rate of 6.8 percent, and below January 2012's rate of 7.3 percent. However, many unemployed workers have exhausted their unemployment benefits. The number of employed workers actually decreased from January 2012 to January 2013 from 1,971,000 to 1,966,000.

Requests for Information

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

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2012

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	$ 1,999,041	$ 511,521	$ 2,510,562	$ 1,512,307
Investments	3,338,727	196,226	3,534,953	6,729,039
Internal Balances	33,377	(33,377)	-	-
Due from Primary Government	-	-	-	191,973
Due from Component Units	19,104	-	19,104	52,590
Investment Sales Receivable	85,495	-	85,495	675
Accounts Receivable	29,864	119,724	149,588	714,003
Due from Other Governments	477,083	766	477,849	667,575
Taxes Receivable	809,515	-	809,515	-
Interest and Dividends Receivable	17,060	750	17,810	21,100
Mortgages, Notes, and Loans Receivable	52	-	52	584,846
Securities Lending Collateral	232,080	212	232,292	12,896
Inventory	38,691	40,297	78,988	41,393
Restricted Assets	19,345	-	19,345	100,352
Other Assets	16,529	35,004	51,533	237,235
Capital Assets, Net of Accumulated Depreciation	1,116,888	1,305,087	2,421,975	5,252,723
Capital Assets Not Depreciated	18,815,557	190,512	19,006,069	1,017,410
Deferred Outflows	-	-	-	10,254
TOTAL ASSETS	**27,048,408**	**2,366,722**	**29,415,130**	**17,146,371**
LIABILITIES				
Warrants Payable	15,246	60	15,306	1,421
Investment Purchases Payable	156,420	-	156,420	1,505
Salaries Payable	156,381	6,243	162,624	16,724
Due to Primary Government	-	-	-	19,104
Due to Component Units	189,480	2,493	191,973	52,590
Accounts Payable	633,871	86,127	719,998	559,168
Interest Payable	7,570	9,823	17,393	70,725
Tax Refunds Payable	113,375	-	113,375	-
Due to Other Governments	189,166	2,770	191,936	117,255
Securities Lending Obligation	232,080	212	232,292	12,896
Unearned Revenue	8,896	85,951	94,847	754,603
Amounts Held in Custody for Others	66,537	6,966	73,503	369,835
Noncurrent Liabilities:				
Due Within One Year	98,425	31,929	130,354	485,139
Due In More Than One Year	1,973,372	718,896	2,692,268	6,929,567
TOTAL LIABILITIES	**3,840,819**	**951,470**	**4,792,289**	**9,390,532**
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	19,546,191	877,771	20,423,962	3,166,654
Restricted for:				
Permanent - Expendable	-	5,365	5,365	831,076
Permanent - Non-expendable	74,692	6,206	80,898	1,275,844
Unemployment Compensation	-	98,296	98,296	-
Alabama Trust Capital	2,960,365	-	2,960,365	-
Economic Development and Regulation	166,177	-	166,177	-
Education	225,309	346,268	571,577	-
Natural Resources and Recreation	114,520	-	114,520	-
Health	156,191	739	156,930	-
Social Services	231,589	-	231,589	-
Protection of Persons and Property	199,668	-	199,668	-
Transportation	426,680	-	426,680	-
General Government	699,769	-	699,769	-
Debt Service	319	62,336	62,655	926,103
Capital Projects	30,578	25,455	56,033	26,623
Other Purposes	-	-	-	139,212
Unrestricted	(1,624,459)	(7,184)	(1,631,643)	1,390,327
TOTAL NET ASSETS	**$ 23,207,589**	**$ 1,415,252**	**$ 24,622,841**	**$ 7,755,839**

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 ACTIVITIES

For the Fiscal Year Ended September 30, 2012

(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	$ 212,061	$ 37,249	$ 21,437	$ 3,469
Education and Cultural Resources	6,395,835	55,504	900,651	9,465
Natural Resources and Recreation	141,992	75,025	50,536	1,583
Health	6,466,200	357,958	4,969,368	67
Social Services	2,439,369	52,081	2,037,652	6,848
Protection of Persons and Property	1,152,596	230,996	184,750	13,510
Transportation	1,200,214	194,020	33,472	824,560
General Government	944,250	221,018	222,366	4,611
Debt Service - Interest and Other Charges	47,963	-	-	-
Total Governmental Activities	19,000,480	1,223,851	8,420,232	864,113
Business-type Activities				
Unemployment Compensation	701,971	474,633	363,301	-
State Port Authority	134,185	143,644	154	1,262
Alabama Community College System	804,701	193,500	351,365	5,207
Alcoholic Beverage Control Board	274,718	276,879	390	-
Nonmajor Proprietary Funds	61,296	61,548	1,034	-
Total Business-type Activities	1,976,871	1,150,204	716,244	6,469
Total Primary Government	**20,977,351**	**2,374,055**	**9,136,476**	**870,582**
Component Units:				
Public School and College Authority	299,694	9,906	-	-
Mental Health	904,645	63,172	35,035	-
Housing Finance Authority	87,659	16,318	53,822	-
Water Pollution Control Authority	22,607	23,373	18,392	-
University of Alabama	3,678,912	2,587,296	768,771	68,974
Auburn University	895,300	486,375	207,499	17,195
University of South Alabama	627,939	459,449	29,368	15,525
Public Education Employees' Health Insurance	741,853	741,229	8	-
State Employees' Health Insurance Board	427,606	425,638	19	-
Nonmajor Component Units	1,149,729	533,457	255,856	8,450
Total Component Units	**8,835,944**	**5,346,213**	**1,368,770**	**110,144**

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

Contributions to Permanent Funds and Endowments
Extraordinary Items
Transfers
Total General Revenues, Contributions, Special and Extraordinary Items, and Transfers

Change in Net Assets
Net Assets, October 1, 2011, as Restated
Net Assets, September 30, 2012

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
$ (149,906)	$ 0	$ (149,906)	$ 0
(5,430,215)	-	(5,430,215)	-
(14,848)	-	(14,848)	-
(1,138,807)	-	(1,138,807)	-
(342,788)	-	(342,788)	-
(723,340)	-	(723,340)	-
(148,162)	-	(148,162)	-
(496,255)	-	(496,255)	-
(47,963)	-	(47,963)	-
(8,492,284)	0	(8,492,284)	0
-	135,963	135,963	-
-	10,875	10,875	-
-	(254,629)	(254,629)	-
-	2,551	2,551	-
-	1,286	1,286	-
0	(103,954)	(103,954)	0
(8,492,284)	**(103,954)**	**(8,596,238)**	**0**
-	-	-	(289,788)
-	-	-	(806,438)
-	-	-	(17,519)
-	-	-	19,158
-	-	-	(253,871)
-	-	-	(184,231)
-	-	-	(123,597)
-	-	-	(616)
-	-	-	(1,949)
-	-	-	(351,966)
0	**0**	**0**	**(2,010,817)**
2,280,723	-	2,280,723	-
3,291,987	-	3,291,987	-
540,666	-	540,666	-
598,533	-	598,533	-
278,196	-	278,196	-
324,751	-	324,751	-
161,447	11,832	173,279	-
132,567	-	132,567	-
-	-	-	2,209,551
1,253	-	1,253	8,022
292,612	-	292,612	386,602
1,105,986	14,560	1,120,546	44,336
-	40	40	33,913
-	-	-	(761)
(276,178)	276,178	-	-
8,732,543	**302,610**	**9,035,153**	**2,681,663**
240,259	**198,656**	**438,915**	**670,846**
22,967,330	1,216,596	24,183,926	7,084,993
$ 23,207,589	**$ 1,415,252**	**$ 24,622,841**	**$ 7,755,839**

BALANCE SHEET
Governmental Funds

September 30, 2012
(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	$ 110,120	$ 127,238	$ 22,196	$ 58,717	$ 338,359
Investments	-	-	2,430,142	-	60,058
Due from Other Funds	21,254	409	584,544	8,424	482
Due from Component Units	9	1	-	11,520	2
Investment Sales Receivable	-	-	85,189	-	-
Accounts Receivable	500	3	10,510	1,726	7,782
Due from Other Governments	6	111	-	208,704	144,057
Taxes Receivable	223,046	197,340	-	-	24,233
Interest and Dividends Receivable	2,761	-	10,416	-	2
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	671	782	215,802	361	2,064
Inventory	4,003	-	-	-	24,259
Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	**$ 362,370**	**$ 325,884**	**$ 3,358,799**	**$ 289,452**	**$ 601,298**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 1,029	$ 3,085	$ 0	$ 485	$ 3,790
Investment Purchases Payable	-	-	156,064	-	-
Salaries Payable	45,391	6,403	-	1,789	20,609
Due to Other Funds	170,114	429,689	122	21,843	2,822
Due to Component Units	141	154	-	39,888	18
Accounts Payable	14,474	53,842	91	255,914	129,395
Tax Refunds Payable	-	113,375	-	-	-
Due to Other Governments	7,074	10,299	-	6,549	10,723
Securities Lending Obligation	671	782	215,802	361	2,064
Deferred Revenue	108,796	-	3,029	-	-
Amounts Held in Custody for Others	343	3	-	-	12,238
Compensated Absences	1,046	83	-	9	366
Total Liabilities	**349,079**	**617,715**	**375,108**	**326,838**	**182,025**
Fund Balances					
Nonspendable:					
Inventory	4,003	-	-	-	24,259
Permanent Fund Principal	-	-	-	-	-
Restricted for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	26,355	-	-
Health	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-
Transportation	-	-	-	-	395,014
General Government	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Alabama Trust Capital	-	-	2,957,336	-	-
Assigned for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	2	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health	19	-	-	-	-
Social Services	2	-	-	-	-
Protection of Persons and Property	1,785	-	-	-	-
General Government	77	-	-	-	-
Unassigned	7,403	(291,831)	-	(37,386)	-
Total Fund Balances	**13,291**	**(291,831)**	**2,983,691**	**(37,386)**	**419,273**
TOTAL LIABILITIES AND FUND BALANCES	**$ 362,370**	**$ 325,884**	**$ 3,358,799**	**$ 289,452**	**$ 601,298**

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 114,339	$ 1,158,289	$ 1,929,258
-	686,951	3,177,151
16,346	53,477	684,936
546	5,871	17,949
-	306	85,495
-	7,365	27,886
4,722	119,483	477,083
49,677	315,219	809,515
-	3,662	16,841
-	52	52
642	11,435	231,757
-	1,265	29,527
-	19,345	19,345
-	333	333
$ 186,272	**$ 2,383,053**	**$ 7,507,128**
$ 664	$ 6,094	$ 15,147
-	356	156,420
19,025	60,691	153,908
6,297	44,288	675,175
365	142,797	183,363
32,330	116,216	602,262
-	-	113,375
1,074	153,423	189,142
642	11,435	231,757
35,624	116,943	264,392
3,504	50,449	66,537
440	997	2,941
99,965	**703,689**	**2,654,419**
-	1,265	29,527
-	74,692	74,692
-	166,103	166,103
-	119,173	119,173
-	88,165	114,520
-	156,191	156,191
86,307	109,658	195,965
-	199,480	199,480
-	31,666	426,680
-	698,705	698,705
-	24,320	24,320
-	638	638
-	-	2,957,336
-	1,653	1,653
-	9,652	9,654
-	180	180
-	2	21
-	203	205
-	30,931	32,716
-	43,955	44,032
-	(77,268)	(399,082)
86,307	**1,679,364**	**4,852,709**
$ 186,272	**$ 2,383,053**	**$ 7,507,128**

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

September 30, 2012

(Amounts in Thousands)

Total Fund Balances for Governmental Funds		$4,852,709
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	302,961	
Historical Exhibits	4,006	
Construction in progress	208,821	
Construction in progress - Infrastructure	4,969,348	
Infrastructure	13,292,571	
Buildings	1,332,583	
Equipment	637,745	
Intangibles	22,234	
Intangible Assets Under Development	11,320	
Accumulated Depreciation - Buildings	(522,205)	
Accumulated Depreciation - Equipment	(391,759)	
Amortization - Intangibles	(3,508)	
		19,864,117
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.		255,496
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.		180,593
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	(177,837)	
Compensated Absences	(272,027)	
Claims and Judgments	(12,744)	
Due to Component Units	(5,699)	
Other Post-Employment Benefits	(604,352)	
		(1,072,659)
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	(683,715)	
Revenue Bonds Payable	(154,770)	
Unamortized Premiums	(37,884)	
Unamortized Discounts	364	
Unamortized Loss	8,344	
Deferred Debt Financing Costs	2,564	
Accrued Interest Payable	(7,570)	
		(872,667)
Net Assets of Governmental Activities		$23,207,589

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

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK WARRIOR
COOSA
GEORGIA
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, 2012

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	$ 1,095,704	$ 5,535,573	$ 0	$ 0	$ 345,905
Licenses, Permits, and Fees	156,142	99	-	-	139,439
Fines, Forfeits, and Court Settlements	26,375	248	-	5,732	-
Investment Income	15,699	-	277,517	9	450
Federal Grants and Reimbursements	2,724	438	-	3,761,038	828,130
Other Revenues	14,008	157	75,982	811,500	38,786
Total Revenues	**1,310,652**	**5,536,515**	**353,499**	**4,578,279**	**1,352,710**
EXPENDITURES					
Current:					
Economic Development and Regulation	5,797	200	-	-	-
Education and Cultural Resources	4,456	5,074,913	-	-	-
Natural Resources and Recreation	3,172	716	517	-	-
Health	710,265	70,354	-	4,379,186	-
Social Services	9,314	27,630	-	-	-
Protection of Persons and Property	527,287	47,871	-	-	-
Transportation	-	-	-	-	1,328,026
General Government	229,006	16,433	5,088	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	827	92	-	-	1,499
Debt Service - Interest and Other Charges	22	31	-	-	44
Total Expenditures	**1,490,146**	**5,238,240**	**5,605**	**4,379,186**	**1,329,569**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(179,494)**	**298,275**	**347,894**	**199,093**	**23,141**
OTHER FINANCING SOURCES (USES)					
Transfers In	416,691	57,515	1,058	124,462	82
Capital Leases	-	-	-	-	4,891
Insurance Recovery Proceeds	115	-	-	-	1,634
Transfers Out	(204,605)	(437,380)	(491,863)	(297,232)	(92,854)
Total Other Financing Sources (Uses)	**212,201**	**(379,865)**	**(490,805)**	**(172,770)**	**(86,247)**
Net Change in Fund Balances	**32,707**	**(81,590)**	**(142,911)**	**26,323**	**(63,106)**
Fund Balances, October 1, 2011, as Restated	(20,150)	(210,241)	3,126,602	(63,709)	484,243
Increase (Decrease) in Inventory	734	-	-	-	(1,864)
Fund Balances, September 30, 2012	**$ 13,291**	**$ (291,831)**	**$ 2,983,691**	**$ (37,386)**	**$ 419,273**

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 183,384	$ 1,460,521	$ 8,621,087
397	383,036	679,113
4	128,070	160,429
-	32,665	326,340
1,746,383	2,070,619	8,409,332
34,196	336,275	1,310,904
1,964,364	**4,411,186**	**19,507,205**
-	184,000	189,997
-	1,320,519	6,399,888
-	146,954	151,359
-	1,275,328	6,435,133
2,042,339	383,736	2,463,019
-	530,111	1,105,269
-	229,724	1,557,750
548	679,866	930,941
-	24,069	24,069
3,046	55,117	60,581
2,650	45,148	47,895
2,048,583	**4,874,572**	**19,365,901**
(84,219)	**(463,386)**	**141,304**
173,477	914,855	1,688,140
38,490	2,170	45,551
44	3,535	5,328
(110,563)	(339,464)	(1,973,961)
101,448	**581,096**	**(234,942)**
17,229	**117,710**	**(93,638)**
69,078	1,561,626	4,947,449
-	28	(1,102)
$ 86,307	**$ 1,679,364**	**$ 4,852,709**

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, 2012

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds		($93,638)
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	555,829	
Depreciation Expense	(82,344)	
		473,485
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.		(21,840)
In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to nonspendable fund balance.		(1,102)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		3,583
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.		18,629
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.		(41)
Long-term debt proceeds provide current financial resources to governmental funds, which increases long-term liabilities in the Statement of Net Assets. Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Capital lease proceeds	(45,551)	
Repayment of bond principal	52,094	
Repayment of capital lease principal	8,488	
Repayment of other debt principal	166	
Accrued interest and debt-related amortization	2,747	
		17,944
Increases in long-term liabilities for certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Other post-employment benefits	(153,125)	
Compensated absences	(1,592)	
Claims and judgments	(2,044)	
		(156,761)
Change in Net Assets of Governmental Activities		$240,259

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 NET ASSETS
Proprietary Funds

September 30, 2012
(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 108,519	$ 32,295	$ 321,544	$ 36,093	$ 13,070
Investments, Short-term	-	18,113	118,802	-	5,371
Due from Other Funds	41	-	-	284	10
Due from Component Units	-	-	-	-	-
Accounts Receivable	5,146	18,400	95,492	554	132
Due from Other Governments	26	740	-	-	-
Interest and Dividends Receivable	750	-	-	-	-
Securities Lending Collateral	24	-	-	186	2
Inventory	-	4,380	8,000	26,743	1,174
Other Current Assets	-	9,836	-	-	300
Total Current Assets	**114,506**	**83,764**	**543,838**	**63,860**	**20,059**
Noncurrent Assets					
Investments, Long-term	-	38,319	15,621	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	8,122	16,652	90	4
Capital Assets, Net of Accumulated Depreciation	-	505,467	789,179	1,784	8,657
Capital Assets Not Depreciated	-	87,350	100,532	-	2,630
Total Noncurrent Assets	**0**	**639,258**	**921,984**	**1,874**	**11,291**
TOTAL ASSETS	**114,506**	**723,022**	**1,465,822**	**65,734**	**31,350**
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	60	-
Salaries Payable	-	2,493	-	3,721	29
Due to Other Funds	6,501	-	-	26,438	773
Due to Component Units	-	-	-	2,394	99
Accounts Payable	9,412	6,603	38,176	31,839	97
Interest Payable	-	9,823	-	-	-
Due to Other Governments	195	-	-	2,574	1
Claims Payable	-	535	-	-	3,098
Unearned Revenue	-	-	78,449	-	416
Funds Held in Escrow	78	-	6,888	-	-
Compensated Absences	-	1,755	2,390	75	1
Securities Lending Obligation	24	-	-	186	2
Notes and Capital Leases Payable	-	-	1,024	-	-
Revenue Bonds Payable	-	8,290	14,761	-	-
Total Current Liabilities	**16,210**	**29,499**	**141,688**	**67,287**	**4,516**
Noncurrent Liabilities					
Claims Payable	-	2,165	-	-	-
Unearned Revenue, Noncurrent	-	2,575	4,511	-	-
Compensated Absences	-	2,633	16,490	6,779	330
Other Post-employment Benefits	-	11,003	-	16,658	156
Notes and Capital Leases Payable	-	-	4,138	-	1,678
Revenue Bonds Payable	-	364,811	275,061	-	-
Other Long-term Liabilities	-	16,525	469	-	-
Total Noncurent Liabilities	**0**	**399,712**	**300,669**	**23,437**	**2,164**
TOTAL LIABILITIES	**16,210**	**429,211**	**442,357**	**90,724**	**6,680**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	222,368	644,010	1,784	9,609
Restricted for:					
Permanent - Expendable	-	-	5,365	-	-
Permanent - Non-expendable	-	-	6,206	-	-
Unemployment Compensation	98,296	-	-	-	-
Education	-	-	336,624	-	9,644
Health	-	-	-	-	739
Debt Service	-	56,531	5,805	-	-
Capital Projects	-	-	25,455	-	-
Unrestricted	-	14,912	-	(26,774)	4,678
TOTAL NET ASSETS	**$ 98,296**	**$ 293,811**	**$ 1,023,465**	**$ (24,990)**	**$ 24,670**

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

Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 511,521	$ 69,783
142,286	63,084
335	13,729
-	441
119,724	1,971
766	-
750	219
212	323
40,297	9,164
10,136	13,047
826,027	**171,761**
53,940	98,492
-	11,170
-	714
24,868	585
1,305,087	41,798
190,512	26,530
1,574,407	**179,289**
2,400,434	**351,050**
60	99
6,243	2,473
33,712	1,398
2,493	417
86,127	31,489
9,823	-
2,770	24
3,633	12,872
78,865	-
6,966	-
4,221	97
212	323
1,024	1,132
23,051	8,370
259,200	**58,694**
2,165	44,803
7,086	-
26,232	4,760
27,817	8,468
5,816	2,149
639,872	49,254
16,994	2,329
725,982	**111,763**
985,182	**170,457**
877,771	12,522
5,365	-
6,206	-
98,296	-
346,268	-
739	-
62,336	-
25,455	6,258
(7,184)	161,813
$ 1,415,252	**$ 180,593**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for Goods and Services	$ 0	$ 144,686	$ 191,354	$ 273,468	$ 46,339
Premiums and Contributions	463,073	-	-	-	14,337
Rents and Leases	-	-	-	-	728
Total Operating Revenues	**463,073**	**144,686**	**191,354**	**273,468**	**61,404**
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	462,176	50,704	3,826
Utilities and Communications	-	-	25,361	3,228	207
Professional Services	-	-	-	5,250	375
Supplies, Materials, and Operating Expenses	-	-	146,759	192,369	34,202
Interest	250	-	11,881	-	-
Depreciation	-	27,322	36,782	1,296	587
Claims and Benefits	696,352	-	-	2	21,994
Operations and Maintenance	-	72,264	-	-	-
General and Administrative	-	16,616	-	-	-
Other	-	-	116,419	21,869	18
Total Operating Expenses	**696,602**	**116,202**	**799,378**	**274,718**	**61,209**
Operating Income (Loss)	**(233,529)**	**28,484**	**(608,024)**	**(1,250)**	**195**
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	11,832	4,000
Grants	363,301	154	351,365	390	1,034
Investment Income	1,370	(1,042)	2,146	-	98
Other Nonoperating Revenues	10,190	3,066	7,494	3,411	46
Interest Expense	(605)	(17,983)	-	-	(87)
Other Nonoperating Expenses	(4,764)	-	(5,323)	-	-
Total Nonoperating Revenues (Expenses)	**369,492**	**(15,805)**	**355,682**	**15,633**	**5,091**
Income (Loss) Before Contributions and Transfers	**135,963**	**12,679**	**(252,342)**	**14,383**	**5,286**
Capital Contributions	-	1,262	5,207	-	-
Contributions to Endowments	-	-	40	-	-
Transfers In	11,427	818	307,673	642	3,731
Transfers Out	(16,218)	(50)	-	(20,764)	(11,081)
Increase (Decrease) in Net Assets	**131,172**	**14,709**	**60,578**	**(5,739)**	**(2,064)**
Total Net Assets, October 1, 2011, as Restated	(32,876)	279,102	962,887	(19,251)	26,734
Total Net Assets, September 30, 2012	**$ 98,296**	**$ 293,811**	**$ 1,023,465**	**$ (24,990)**	**$ 24,670**

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

Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 655,847	$ 71,731
477,410	47,839
728	18,297
1,133,985	**137,867**
516,706	32,745
28,796	20,159
5,625	11,421
373,330	45,887
12,131	2,673
65,987	6,354
718,348	9,696
72,264	-
16,616	-
138,306	9,019
1,948,109	**137,954**
(814,124)	**(87)**
15,832	-
716,244	241
2,572	8,173
24,207	329
(18,675)	(140)
(10,087)	(212)
730,093	**8,391**
(84,031)	**8,304**
6,469	-
40	-
324,291	10,493
(48,113)	(168)
198,656	**18,629**
1,216,596	161,964
$ 1,415,252	**$ 180,593**

STATEMENT OF CASH FLOWS
Proprietary Funds

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	$ 467,950	$ 142,613	$ 169,874	$ 271,083	$ 60,378
Receipts from Interfund Services	-	-	-	29	-
Receipts from Operating Grants	476,702	-	122,014	-	-
Receipts from Interfund Reimbursements	5,950	-	-	-	-
Receipts from Other Operating Activities	10,190	-	10,011	15,525	4,574
Payments for Goods Held for Resale	-	-	-	(191,478)	(32,438)
Payments for Other Goods & Services	-	(53,332)	(288,621)	(22,526)	(24,087)
Payments for Employees Services	-	(33,925)	(462,174)	(45,465)	(3,792)
Payments for Taxes, Fines, Penalties, & Similar Fees	(55)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,947)	(6)
Payments for Other Operating Activities	(157,408)	-	(209)	(8,334)	-
Payments for Claims	(702,409)	-	-	(2)	-
Net Cash Provided by (Used In) Operating Activities	**100,920**	**55,356**	**(449,105)**	**16,885**	**4,629**
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	4,927	-	231,307	-	1,038
Transfers from Other Funds for Noncapital Financing	7,946	-	306,810	553	3,731
Payments for Noncapital Financing Grants & Donations	(5,562)	-	(2,561)	-	-
Transfers to Other Funds for Noncapital Financing	(11,625)	-	-	(17,320)	(11,067)
Net Cash Provided By (Used In) Noncapital Financing Activities	**(4,314)**	**0**	**535,556**	**(16,767)**	**(6,298)**
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	61,380	-	-
Receipts from Capital Grants & Contributions	-	1,613	4,249	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	3,750	50	38	-
Payments to Acquire, Construct, & Improve Capital Assets	-	(24,623)	(90,150)	(812)	(1,528)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(7,895)	(49,107)	-	(75)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(20,397)	(11,532)	-	(87)
Bond Issuance Cost	-	-	(87)	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**0**	**(47,552)**	**(85,197)**	**(774)**	**(1,690)**
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	24,676	-	2,000
Receipts from Interest & Dividends on Investments & Loans	633	1,138	2,147	-	98
Purchase of Investments	-	(701)	(18,779)	-	(2,209)
Net Cash Provided By (Used In) Investing Activities	**633**	**437**	**8,044**	**0**	**(111)**
Net Increase (Decrease) In Cash and Cash Equivalents	**97,239**	**8,241**	**9,298**	**(656)**	**(3,470)**
Cash Balance as Restated, October 1, 2011	11,280	24,054	312,246	36,689	16,540
Cash Balance, September 30, 2012	**108,519**	**32,295**	**321,544**	**36,033**	**13,070**
Add: Warrants Payable	-	-	-	60	-
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 108,519**	**$ 32,295**	**$ 321,544**	**$ 36,093**	**$ 13,070**

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

Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 1,111,898	$ 51,999
29	132,269
598,716	-
5,950	-
40,300	3,115
(223,916)	(14,660)
(388,566)	(71,283)
(545,356)	(30,183)
(55)	(1)
(1,953)	(4,711)
(165,951)	(30,978)
(702,411)	(32,304)
(271,315)	**3,263**
237,272	-
319,040	10,454
(8,123)	-
(40,012)	(145)
508,177	**10,309**
61,380	-
5,862	-
3,838	143
(117,113)	(3,208)
(57,077)	(9,304)
(32,016)	(2,928)
(87)	-
(135,213)	**(15,297)**
26,676	486,192
4,016	3,488
(21,689)	(476,197)
9,003	**13,483**
110,652	**11,758**
400,809	57,926
511,461	**69,684**
60	99
$ 511,521	**$ 69,783**

Continued on next page...

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama Community 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)	**$ (233,529)**	**$ 28,484**	**$ (608,024)**	**$ (1,250)**	**$ 195**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	41	-	-	2	(10)
Accounts Receivable	(244)	(535)	557	(289)	479
Due From Other Governments	19	-	-	-	-
Inventory	-	(356)	86	(930)	(125)
Other Assets	-	(2,864)	(506)	-	24
Salaries Payable	-	649	-	362	(2)
Due to Other Funds	5,961	-	-	851	(17)
Accounts Payable	4,469	(1,547)	(5,274)	(2,843)	(110)
Due to Other Governments	(49,694)	-	-	(707)	-
Claims Payable	-	(130)	-	-	(399)
Unearned Revenue	-	(1,538)	(3,434)	1	(49)
Funds Held in Escrow	-	-	668	-	(2)
Compensated Absences	-	13	-	159	1
Other Post-employment Benefits	-	2,541	-	4,445	40
Other Liabilities	-	86	679	-	(26)
Operating Interest Expense	250	-	-	-	-
Depreciation	-	27,322	36,782	1,296	587
Amortization Expense	-	3,127	-	-	-
Nonoperating Revenues	373,647	154	129,361	15,788	4,043
Nonoperating Expenses	-	(50)	-	-	-
Total Adjustments	334,449	26,872	158,919	18,135	4,434
Net Cash Provided (Used) by Operating Activities	**$ 100,920**	**$ 55,356**	**$ (449,105)**	**$ 16,885**	**$ 4,629**
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Donations and Transfers In of Capital Assets	-	-	-	140	-
Capital Assets Acquired by Capital Lease or Other Debt	-	-	153	-	-
Disposals and Other Reductions to Capital Assets	-	(3,454)	(5,703)	(329)	(40)
Capital Assets Acquired on Account	-	2,839	-	130	94
Revenue Bond Amortizations and Other Debt Adjustments	-	(683)	1,402	-	-
Interest Accruals and Other Adjustments	736	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	925	361	-	-
Transfers In (Out)	67	-	-	(3,296)	-

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

Total Enterprise Funds	Governmental Activities Internal Service Funds
$ (814,124)	**$ (87)**
33	1,998
(32)	17,976
19	-
(1,325)	72
(3,346)	(5,185)
1,009	173
6,795	(285)
(5,305)	(17,124)
(50,401)	-
(529)	(6,188)
(5,020)	75
666	-
173	213
7,026	2,110
739	(2)
250	2,673
65,987	6,354
3,127	-
522,993	493
(50)	(3)
542,809	3,350
$ (271,315)	**$ 3,263**
140	1,682
153	-
(9,526)	(3,595)
3,063	3,897
719	217
736	511
1,286	4,244
(3,229)	15

STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds

September 30, 2012
(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 67,604	$ 54,721	$ 181,621
Investments			
Time Deposits	-	-	2,000
U.S. Treasury Securities	1,540,444	48,488	34,880
U.S. Agency Securities	519,375	22,721	-
State and Local Government Securities	-	2,960	10,490
Mortgage Backed Securities	860,232	79,763	3,460
Corporate Stocks	13,916,299	4,420	-
Corporate Bonds	5,794,950	133,308	1,950
Real Estate	2,855,669	840	-
Commercial Paper	1,183,399	-	-
International Stocks	3,762,164	-	-
Mutual and Money Market Funds	358,705	901,623	594
Receivables			
Due from Other Funds	-	-	122
Employer Contributions Receivable	78,158	-	-
Member Contributions Receivable	57,469	-	-
Federal On-Behalf Contributions Receivable	7,422	-	-
Investment Sales Receivable	52,226	3	-
Accounts Receivable	5,637	-	18
Interest and Dividends Receivable	128,655	2,930	-
Securities Lending Collateral	2,002,569	5,616	294
Other Assets	200	-	-
Capital Assets, Net of Accumulated Depreciation	141,828	-	-
Capital Assets Not Depreciated	7,620	-	-
TOTAL ASSETS	**33,340,625**	**1,257,393**	**235,429**
LIABILITIES			
Warrants Payable	$ 42,041	$ 209	$ 21,572
Investment Purchases Payable	81,058	22	-
Salaries Payable	2,077	37	-
Due to Other Funds	3	4	-
Accounts Payable	1,784	43,408	519
Due to Other Governments	-	-	4,582
Claims Payable	48,335	-	-
Securities Lending Obligation	2,002,569	5,616	294
Deferred Revenue	2,390	-	-
Amounts Held in Custody for Others	-	-	208,462
Compensated Absences	4,470	66	-
Other Post-employment Benefits	5,180	79	-
Notes and Mortgages Payable	1,000	-	-
TOTAL LIABILITIES	**2,190,907**	**49,441**	**235,429**
NET ASSETS			
Held in Trust for Beneficiaries	-	1,207,952	-
Held in Trust for Pension and Other Employee Benefits	31,149,718	-	-
TOTAL NET ASSETS	**$ 31,149,718**	**$ 1,207,952**	**$ 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, 2012

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	$ 974,970	$ 127,029
Employer	1,359,285	-
Federal On-Behalf	38,559	-
Total Contributions	2,372,814	127,029
Investment Earnings		
Investment Interest and Dividends	1,034,005	32,543
Net Increase (Decrease) in Fair Value of Investments	3,697,290	125,794
Securities Lending Income	23,502	14
Total Investment Earnings	4,754,797	158,351
Less:		
Investment Expense	7,732	-
Securities Lending Interest and Fees	6,678	4
Net Investment Income	4,740,387	158,347
Other Additions		
Licenses and Fees	2,964	-
Miscellaneous	4,855	466
Total Other Additions	7,819	466
Total Additions	**7,121,020**	**285,842**
DEDUCTIONS		
Benefit Payments and Refunds	3,454,526	175,292
Administrative Expense	36,954	7,620
Transfers Out	1	640
Total Deductions	**3,491,481**	**183,552**
Changes in Net Assets	**3,629,539**	**102,290**
Net Assets Held in Trust for Beneficiaries, October 1, 2011, as Restated	27,520,179	1,105,662
Net Assets Held in Trust for Beneficiaries, September 30, 2012	**$ 31,149,718**	**$ 1,207,952**

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

STATEMENT OF NET ASSETS
Component Units

September 30, 2012
(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	$ 214,646	$ 63,436	$ 2,913	$ 1,493	$ 421,408
Investments	24,386	1	677,232	206,973	3,202,468
Due from Primary Government	14,449	170,397	-	5,700	-
Due from Component Units	-	52,578	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	-	-	193	-	370,599
Due from Other Governments	-	2,605	-	417,233	-
Interest and Dividends Receivable	-	-	14,248	1,779	382
Mortgages, Notes, and Loans Receivable	-	-	351,414	-	141,241
Securities Lending Collateral	62	322	-	9	-
Inventory	-	1,304	-	-	25,471
Restricted Assets	-	-	-	-	-
Other Assets	6,738	211	26,935	6,585	98,519
Capital Assets, Net of Accumulated Depreciation	10,044	20,426	-	65	2,739,798
Capital Assets Not Depreciated	-	27,469	-	-	336,944
Deferred Outflows	-	-	-	-	-
TOTAL ASSETS	**270,325**	**338,749**	**1,072,935**	**639,837**	**7,336,830**
LIABILITIES					
Warrants Payable	275	692	-	-	-
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	-	8,467	-	-	-
Due to Primary Government	-	12,317	-	3,242	-
Due to Component Units	-	4	-	-	52,578
Accounts Payable	7,104	59,343	186	135	292,211
Interest Payable	34,199	111	17,754	954	-
Due to Other Governments	9,197	4,282	-	52,867	22,970
Securities Lending Obligation	62	322	-	9	-
Unearned Revenue	-	-	16,078	-	352,722
Amounts Held in Custody for Others	-	-	302,254	95	28,438
Noncurrent Liabilities:					
Due Within One Year	163,325	2,363	38,356	27,155	52,012
Due In More Than One Year	2,339,388	77,083	364,318	187,193	1,682,804
TOTAL LIABILITIES	**2,553,550**	**164,984**	**738,946**	**271,650**	**2,483,735**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	10,044	33,673	-	65	1,538,583
Restricted for:					
Permanent - Expendable	-	-	-	-	574,592
Permanent - Non-expendable	-	-	-	-	656,249
Debt Service	44,340	4,038	259,519	368,746	-
Capital Projects	-	11,154	-	-	-
Other Purposes	-	-	-	-	-
Unrestricted	(2,337,609)	124,900	74,470	(624)	2,083,671
TOTAL NET ASSETS	**$ (2,283,225)**	**$ 173,765**	**$ 333,989**	**$ 368,187**	**$ 4,853,095**

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
$ 100,875	$ 122,620	$ 6,835	$ 11,918	$ 566,163	$ 1,512,307
1,356,443	426,680	203,447	214,025	417,384	6,729,039
-	-	-	713	714	191,973
-	-	-	8	4	52,590
-	-	-	653	22	675
48,780	63,937	3,319	486	226,689	714,003
-	-	1,836	336	245,565	667,575
2,165	-	65	1,056	1,405	21,100
57,456	3,919	-	1,000	29,816	584,846
-	-	42	10,881	1,580	12,896
4,692	-	-	-	9,926	41,393
-	95,627	-	-	4,725	100,352
40,335	19,498	387	158	37,869	237,235
1,197,689	417,538	-	2,032	865,131	5,252,723
211,154	145,291	-	-	296,552	1,017,410
-	4,889	-	-	5,365	10,254
3,019,589	**1,299,999**	**215,931**	**243,266**	**2,708,910**	**17,146,371**
-	-	35	3	416	1,421
-	-	-	1,456	49	1,505
2,401	-	182	386	5,288	16,724
-	-	573	691	2,281	19,104
-	-	1	4	3	52,590
70,024	53,995	94	4,514	71,562	559,168
12,641	-	-	-	5,066	70,725
-	-	-	-	27,939	117,255
-	-	42	10,881	1,580	12,896
179,443	44,706	-	4,180	157,474	754,603
23,448	-	-	-	15,600	369,835
36,384	17,939	63,929	42,379	41,297	485,139
794,254	446,596	961	2,035	1,034,935	6,929,567
1,118,595	**563,236**	**65,817**	**66,529**	**1,363,490**	**9,390,532**
740,943	227,340	-	2,032	613,974	3,166,654
168,284	10,323	-	-	77,877	831,076
290,524	203,071	-	-	126,000	1,275,844
-	-	-	-	249,460	926,103
14,202	-	-	-	1,267	26,623
5,161	90,765	-	-	43,286	139,212
681,880	205,264	150,114	174,705	233,556	1,390,327
$ 1,900,994	**$ 736,763**	**$ 150,114**	**$ 176,737**	**$ 1,345,420**	**$ 7,755,839**

STATEMENT OF ACTIVITIES
Component Units

For the Fiscal Year Ended September 30, 2012
(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	**$ 299,694**	**$ 904,645**	**$ 87,659**	**$ 22,607**	**$ 3,678,912**
Program Revenues					
Charges for Services	9,906	63,172	16,318	23,373	2,587,296
Operating Grants and Contributions	-	35,035	53,822	18,392	768,771
Capital Grants and Contributions	-	-	-	-	68,974
Total Program Revenues	**9,906**	**98,207**	**70,140**	**41,765**	**3,425,041**
Net (Expense) Revenue	**(289,788)**	**(806,438)**	**(17,519)**	**19,158**	**(253,871)**
General Revenues:					
Payments from State of Alabama	219,293	781,125	-	90	457,758
Grants and Contributions Not Restricted to Specific Programs	-	7,888	-	-	-
Unrestricted Investment Earnings	278	1	26,815	-	238,720
Miscellaneous	-	104	-	-	10,269
Contributions to Permanent Funds and Endowments	-	-	-	-	29,209
Extraordinary Items	-	-	-	-	(761)
Total General Revenues, Contributions, Special and Extraordinary Items	**219,571**	**789,118**	**26,815**	**90**	**735,195**
Change in Net Assets	**(70,217)**	**(17,320)**	**9,296**	**19,248**	**481,324**
Net Assets, October 1, 2011, as Restated	(2,213,008)	191,085	324,693	348,939	4,371,771
Net Assets, September 30, 2012	**$ (2,283,225)**	**$ 173,765**	**$ 333,989**	**$ 368,187**	**$ 4,853,095**

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
$ 895,300	**$ 627,939**	**$ 741,853**	**$ 427,606**	**$ 1,149,729**	**$ 8,835,944**
486,375	459,449	741,229	425,638	533,457	5,346,213
207,499	29,368	8	19	255,856	1,368,770
17,195	15,525	-	-	8,450	110,144
711,069	**504,342**	**741,237**	**425,657**	**797,763**	**6,825,127**
(184,231)	**(123,597)**	**(616)**	**(1,949)**	**(351,966)**	**(2,010,817)**
247,583	104,391	-	-	399,311	2,209,551
-	-	-	-	134	8,022
61,739	26,972	778	10,304	20,995	386,602
-	30,939	-	1	3,023	44,336
570	3,764	-	-	370	33,913
-	-	-	-	-	(761)
309,892	**166,066**	**778**	**10,305**	**423,833**	**2,681,663**
125,661	**42,469**	**162**	**8,356**	**71,867**	**670,846**
1,775,333	694,294	149,952	168,381	1,273,553	7,084,993
$ 1,900,994	**$ 736,763**	**$ 150,114**	**$ 176,737**	**$ 1,345,420**	**$ 7,755,839**

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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 Community College System
- Alabama Fire College
- Alabama Technology Network
- 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
- 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 †
- 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 raises and manages money and property for the benefit of the Alabama Educational Television Commission, a State agency. 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.

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

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 twenty directors of the Authority are appointed by state officials.

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

The State Employees' Insurance Board operates health insurance plans for state employees 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 Crimson Tide Foundation, Southern Research Institute, UAB Research Foundation, Triton Health Systems, L.L.C., and UAB Hospital Management, L.L.C. are blended component units of the University of Alabama, therefore, are included in all amounts reported for the University. The University of South Alabama includes the Professional Liability Trust Fund, the General Liability Trust Fund, and the USA HealthCare Management, LLC as blended component units.

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

Excellence at Alabama State University are component units. For Auburn University, the University's component units are the Auburn University Foundation, Tigers Unlimited Foundation, Auburn Alumni Association, Auburn Research and Technology Foundation, and Auburn University Real Estate Foundation, Inc. The University of Montevallo Foundation 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, University of South Alabama Health Services Foundation, and 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. The Alabama A&M University has two component units – The Alabama A&M University Foundation, Inc. and the Trust for Educational Excellence at Alabama A&M University.

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 Alabama Higher Education Loan Corporation, 1772 Platt Place, Montgomery, AL 36117.

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 and 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

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

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

The Teachers' Retirement System (TRS), a discretely presented component unit, operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a 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, Cahaba Trace Commission, and North Alabama Agriplex Board are legally separate organizations whose boards are not controlled by the State nor are they fiscally dependent on the State. All four 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 Community 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
- 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
- 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
- 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
- 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.

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, nursing facility tax, pharmaceutical services tax, federal grants, oil and gas royalties, investment sales receivables, and interest.

2. Financial Statement Presentation

a. Major Funds
The State reports six major governmental funds. The **General Fund** is the State's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The **Education Trust Fund** accounts for the revenues collected for the support, maintenance, and development of public education in Alabama. General sales and uses taxes, income taxes, and utilities taxes are the primary revenues restricted to this fund. The **Alabama Trust Fund** consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income earned on the trust balance is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service. **Medicaid** accounts for the portion of the Medicaid program that is funded by Federal revenues and Medicaid provider taxes. The **Public Road and Bridge Fund** accounts for highway construction, maintenance, and operations. Revenues in the fund consist of federal revenues, gasoline taxes, and other motor fuel taxes. The **Public Welfare Trust Fund** accounts for the administration of a broad range of social and protective services programs that provide financial assistance to individuals. Revenues restricted to the fund include federal revenues, property taxes, and liquor and wine taxes.

The State reports 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 Community College System** accounts for the revenues and expenses of the State's Community and Technical Colleges, Athens State University, the Alabama Technology Network, 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 account for the proceeds of specific revenue resources that are restricted or committed to specified purposes other than debt service or capital projects. Examples include public health, education, and corrections.

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

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

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

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

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

Fiduciary Fund Types:
Pension and Other Employee Benefit Trust Funds account for resources that are 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 nonmajor component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September. The difference in fiscal years has no material effect on the financial statements.

E. Assets, Liabilities, 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 deposit treasury cash in any available bank product in any bank or savings association that is a qualified public depository and that has been designated as a state depositary according to law, so long as the bank or savings association agrees to pay interest on the money. Also, the State Treasurer may invest in 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; and 3) commercial paper with the highest quality credit rating at the time of purchase and in banker's acceptances. 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 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 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, the largest portion of Mortgages, Notes, and Loans Receivable consists of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to various Universities. The loans are reported net of an allowance for uncollectible loans.

Due from Other Governments as reported for the component units consists almost entirely of amounts owed by local governments. Most of the amount consists of loans made to local governments by the Water Pollution Control 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 Nonspendable Fund Balance. 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 held by pension plans and endowments is based on independent appraisals. Real estate investments held by Risk Management, an internal service fund, are reported at cost less accumulated depreciation and less an allowance for any impairment in value. 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, certificates of deposit and mutual funds.

7. Capital Assets

Capital assets, including buildings, land, equipment, intangibles, and infrastructure (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Most capital assets are defined by the State as 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 twenty minutes to nine hours and forty-five minutes semi-monthly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of sixty days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours and twenty minutes semi-monthly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. 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	85.2%	49.5%
State Employees	79.7	37.1

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.

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

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

F. 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. 57: OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, the Provisions Related to the Frequency and Timing of Measurements
- GASB Statement No. 64: Derivative Instruments: Application of Hedge Accounting Termination Provisions, an Amendment of GASB Statement No. 53

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports $5.8 billion of restricted net assets for the primary government, of which $293,660,000 is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Assets as of October 1, 2011 have been restated for prior period adjustments necessary to conform to GAAP. The Education Trust Fund was restated $(7,146,000) for taxes receivable that should have been reported in the Public Welfare Trust Fund. The Public Welfare Trust Fund was restated $4,080,000 in total, which included the tax receivable of $7,146,000 and an understatement of amounts due to the Medicaid Fund of $(3,066,000). Medicaid was restated $18,709,000 because due from other funds was understated by $7,586,000 and due from component units was understated by $11,123,000. The funds which understated the amounts due to Medicaid were the Public Welfare Trust Fund in the amount of $3,066,000 and various nonmajor special revenue funds in the amount of $4,520,000. The amount due from component units was owed by Mental Health, a major component unit.

The Alabama Fire College and the Alabama Industrial Development and Training Institute (AIDT) were legally separated from the Alabama Community College System (ACCS). The beginning balance for ACCS differs from the previous year by $(65,234,000), which consists of $(15,639,000) for the Fire College separation, $(57,016,000) for the AIDT separation, $(261,000) in capital asset restatements and $7,682,000 in restatements that consisted primarily of overstated liability for funds held in escrow. The Fire College is reported in nonmajor proprietary funds as an enterprise fund and the AIDT is included in nonmajor governmental funds under miscellaneous special revenue funds. The addition of AIDT to nonmajor governmental funds added $8,073,000 in fund net assets, while $49,812,000 was added to governmental activities net assets for AIDT's capital assets, and $(869,000) for AIDT's long term compensated absence liability.

Nonmajor governmental funds were stated differently by $60,543,000, which includes $8,073,000 for the AIDT separation discussed in the previous paragraph, and restatements of $(4,520,000) for the above mentioned amounts due to the Medicaid Fund. Revenue Allocated to Local Governments, a nonmajor special revenue fund, was restated $60,333,000 because due to other governments was overstated. Nonmajor special revenue funds also were restated $369,000 for overstated compensated absences, $(976,000) for understated accounts payable, $(573,000) for understated deferred revenue, and $(604,000) for overstated accounts receivable. General Obligation Bond Projects, a nonmajor capital project fund, was restated $(1,589,000) for understated payables. The Marine, Game, and Fish Endowment Fund, a permanent fund was restated $30,000 for overstated accounts payable.

The financial statements for nonmajor capital projects and nonmajor special revenue funds differ from last year's financial statements by an additional $81,749,000 because general obligation project money being used for grants were reclassified from capital projects to special revenue funds.

The State Port Authority was restated by $(32,309,000) for errors in capital asset depreciation.

The Alabama Health Insurance Plan, a nonmajor enterprise fund, was restated $(111,000) because claims payable were understated.

On the government-wide financial statements, beginning net assets for governmental activities were restated from $22,795,295,000 to $22,967,330,000, an increase of $172,035,000. Included in this restatement is $76,186,000 in the governmental funds discussed above. Additionally, there are restatements of $96,537,000 in governmental capital assets and $(688,000) in governmental long-term debt. The increase in governmental capital assets includes the $49,812,000 in AIDT capital assets discussed earlier. The remaining $46,725,000 in capital asset restatements occurred primarily because buildings were understated. The $(688,000) in governmental long-term debt consisted of AIDT's $(869,000) in compensated absences and $181,000 in compensated absences for the High School of Math and Science.

Mental Health, a major component unit, was restated $(11,861,000), of which $(11,123,000) was for the amount owed to the Medicaid Fund, and $(368,000) in capital asset restatements and $(370,000) in understated federal receivables.

Alabama Agricultural and Mechanical University, a nonmajor component unit, was restated by $4,407,000, primarily for understatement of grants receivable.

Among other nonmajor component units, the Historical Commission was restated of $(194,000) for capital asset overstatements, Red Mountain Recreation Commission was restated $(84,000), and West Alabama University was restated $609,000.

C. Fund Balance/Net Assets Deficits

1. Primary Government

The Education Trust Fund, a major governmental fund, had a deficit in unassigned fund balance of $291,831,000. The fund owes the Alabama Trust Fund $422,978,000 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 Medicaid Fund, a major governmental fund, had a deficit unassigned fund balance of $37,386,000. The deficit is the result of the accrual of claims outstanding at September 30, 2012. The expense is recognized in fiscal year 2012 along with a receivable for the federal share of the claims. The State matching money will not be available until fiscal year 2013 when the claims are paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of $26,774,000, with a total net asset deficit of $24,990,000. 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 as transfers to other funds.

Other Internal Service Funds, a nonmajor proprietary fund, had a deficit in unrestricted net assets of $401,000 and an overall deficit in net assets of $376,000 created by the accrual of other post employment benefits.

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net assets of $781,000. The Board owes the State Employees' Insurance Board, a major component unit, $1,000,000. The Board also has liabilities to employees for health care and dependent care reimbursements. The fund does not break even on those employee liabilities until the end of December because benefits are paid out 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 $2,337,609,000 causing a deficit in total net assets of $2,283,225,000. The Authority issues bonds to raise money for grants which are made to local school systems and component unit universities 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.

Water Pollution Authority, a major component unit, had a deficit in unrestricted net assets of $624,000 but a positive balance in net assets of $368,187,000.

Drinking Water Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of $207,000 but a positive balance in overall net assets of $176,745,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of $7,630,000 and positive overall net assets of $32,535,000. 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 $126,887,000 with an overall deficit in total net assets of $75,852,000. 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 Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of $19,334,000. 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.

D. Education Trust Fund Budget Stabilization Fund

Act 2011-003 creates an Education Trust Fund Budget Stabilization Fund. This fund will generally be used to reduce any future proration in the Education Trust Fund (ETF). The fund will receive money only when the ETF has revenues in excess of an appropriation cap defined in the Act. The cap will be the sum of recurring revenues deposited into the ETF in the last completed fiscal year preceding the calculation year adjusted up or down by: (1) the average annual percentage change in recurring revenues in the 15 completed fiscal years preceding the date on which the calculation is made; (2) if the percentage growth in the ETF for the last completed fiscal year exceeds the 15 year average growth rate, an amount equal to 40 percent of the growth in the last completed year is added to the cap; (3) up to 95 percent of any new revenue enacted for the ETF; and (4) any nonrecurring revenue. The Finance Director and the Legislative Fiscal Officer must certify their computation of the cap at the same time as the certification required by Amendment 803 to the Constitution of Alabama of 1901 (prior to the third day of each Regular Session). Amounts in the ETF Budget Stabilization Fund may be withdrawn only to prevent proration in the ETF. The Governor must certify to the State Comptroller and notify the Legislature that proration would occur in the ETF before funds may be withdrawn. While the calculation of the appropriation cap does not begin until fiscal year 2013, the ETF Budget Stabilization Fund has a balance of $40,000,000 because the legislature made a supplemental appropriation to the fund in fiscal year 2012.

NOTE 3 - ASSETS

A. Cash Deposits

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

Bank deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975,* as amended, requires all State organizations, including component units, to deposit monies in a bank that participates in the SAFE Program. The SAFE 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 1) bonds, notes, or treasury bills of the United States or in obligations of any agency or instrumentality of the United States of America, including but not limited to the Federal Land Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Intermediate Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies, or in any other obligations guaranteed as to principal and interest by the United States, or in money market mutual funds which invest solely in securities otherwise authorized by law; 2) obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself; and 3) commercial paper with the highest quality credit rating at the time of purchase and in banker's acceptances.

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

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

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

2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The RSA administers the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). RSA may invest in any types of investments that the Board of Control of each individual system approves. Each Board is limited only by the "Prudent 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.

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, 2012, 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	$ 1,947	$ -	$ 78	$ 16,277
Other U S Government Guaranteed Securities	702,872	13,648	1,648,927	723,387
U S Agency Securities	519,667	8,079	567,234	735,627
State and Local Government Securities	11,170	-	13,450	8,426
Mortgage Backed Securities	744,096	925	947,898	654,027
Commercial Paper	46,993	-	1,176,581	258,054
Corporate Bonds	656,471	425	2,602,152	470,029
Private Placements	-	-	3,328,057	39,997
Repurchase Agreements	-	-	-	61,907
International Bonds	6,610	-	-	120,972
Bond Mutual Funds	48,775	1,448	636,243	1,086,804
Domestic Equities	600,151	1,087	13,920,718	524,662
International Equities	148,416	209	3,762,164	16,983
International Equities Mutual Funds	62,390	-	-	-
Other Mutual Funds	198,543	969	621,548	1,569,619
Real Estate	76,689	230	2,856,508	419,174
Commingled Funds	-	-	-	114,221
Guaranteed Investment Contracts	-	-	-	38,374
	$ 3,824,790	$ 27,020	$ 32,081,558	$ 6,858,540
Reconciliation to the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets				
Investments Per Investment Note	$ 3,824,790	$ 27,020	$ 32,081,558	$ 6,858,540
Certificates of Deposit †	27,999	61,931	2,000	28,304
Money Market Accounts - Savings †	79,728	111,092	9,950	271,681
Other Cash Equivalents †	(581,492)	(3,817)	(54,774)	(238,956)
Investments Classified as Restricted Assets †	(12,298)	-	-	-
Repurchase Agreements ††	-	-	-	(36,920)
Foundations and pooled investments §	-	-	-	(153,610)
Investments per Statements	$ 3,338,727	$ 196,226	$ 32,038,734	$ 6,729,039

† 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.

For the Fiscal Year Ended September 30, 2012

The ratings of the State's investments as of September 30, 2012 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		$ 879,258	$ 16,581	$ 2,019,824	$ 852,789	$ 1,767,918
	AAA	7,624	-	-	10,310	48,342
Aa1		17,994	-	12,599	111,242	13,692
	AA+	4,545	-	-	63,996	-
Aa2		37,129	32	15,621	8,955	13,593
	AA	8,181	-	-	3,468	115,664
Aa3		38,384	108	90,177	23,848	761
	AA-	2,860	-	-	5,013	-
Aa		-	-	-	516	15,600
A1		73,381	46	142,782	57,094	16,205
	A+	1,417	-	-	3,361	-
A2		66,059	88	181,574	75,180	7,560
	A	7,814	-	-	7,358	232,099
A3		90,315	51	243,111	88,864	6,123
	A-	14,914	-	-	13,658	-
A		-	-	-	2,071	-
P1		9,613	-	276,821	126,590	100,961
P2		78,791	-	869,457	257,699	239,992
Baa1		63,252	24	390,000	117,745	6,858
	BBB+	4,841	-	-	8,351	-
Baa2		136,942	98	486,454	158,074	10,784
	BBB	5,948	-	-	13,947	87,216
Baa3		38,284	32	121,981	52,245	4,106
	BBB-	3,529	-	-	9,495	-
Baa		-	-	-	339	-
Ba		-	33	-	-	-
Ba1		10,411	-	94,870	30,461	1,433
	BB+	239	-	-	387	-
Ba2		1,255	-	-	-	-
	BB	488	-	-	366	9,342
Ba3		7,734	-	10,364	2,943	135
	BB-	183	-	-	-	-
B1		2,073	-	20,732	6,174	418
	B+	9	-	-	123	-
B2		3,142	-	-	-	-
	B	1,774	-	-	366	4,824
B3		1,025	-	-	-	-
	B-	50	-	-	154	-
B		-	-	-	-	22
Caa1		3,555	-	-	-	-
Caa2		1,943	-	-	-	-
	CCC	1,285	-	-	2,582	-
Caa3		3,708	-	-	-	-
	CC	703	-	-	1,096	-
Ca		736	-	-	-	-
C		265	-	-	-	2,946
	D	1,992	-	-	1,132	-
U S Govt Guaranteed Securities §		929,041	5,478	10,465	113,926	669,799
Not Rated †		177,335	1,954	3,362,803	339,067	960,609
		$ 2,740,021	$ 24,525	$ 8,349,635	$ 2,570,985	$ 4,337,002

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

† 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 AA+. 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 percent 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 investment guidelines state that the maximum effective maturity of any purchase will be five years. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities. Average effective duration should be plus or minus 30 percent of the index duration. The portfolio is benchmarked against the Barclays Capital 1 - 3 Year Government Index.

The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

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

As of September 30, 2012 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	$ -	$ 1,013	$ 934	$ -	$ 1,947
Other U S Government Guaranteed Securities	9,230	465,587	150,126	77,929	702,872
U S Agency Securities	12,273	371,845	47,879	87,670	519,667
State and Local Government Securities	-	2,714	51	8,405	11,170
Mortgage Backed Securities	8	42,755	47,491	653,842	744,096
Commercial Paper	46,993	-	-	-	46,993
Corporate Bonds	27,387	281,891	237,118	110,075	656,471
International Bonds	-	3,885	2,683	42	6,610
Bond Mutual Funds	47,398	1,377	-	-	48,775
Total	**$ 143,289**	**$ 1,171,067**	**$ 486,282**	**$ 937,963**	**$ 2,738,601**

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	$ 2,131	$ 5,226	$ 108	$ 6,183	$ 13,648
U S Agency Securities	1,462	5,841	51	725	8,079
Mortgage Backed Securities	-	754	25	146	925
Corporate Bonds	20	145	111	149	425
Bond Mutual Funds	1,066	246	84	52	1,448
Total	**$ 4,679**	**$ 12,212**	**$ 379**	**$ 7,255**	**$ 24,525**

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	$ 264	$ 392,541	$ 646,484	$ 53,029	$ 1,092,318
U S Agency Securities	236	172,306	177,615	29,003	379,160
Mortgage Backed Securities	24	1,820	19,127	599,528	620,499
Commercial Paper	919,195	-	-	-	919,195
Corporate Bonds	136,356	730,242	536,380	412,482	1,815,460
Private Placements	-	706,874	44,154	2,544,892	3,295,920
Bond Mutual Funds	227,083	-	-	-	227,083
Total	**$ 1,283,158**	**$ 2,003,783**	**$ 1,423,760**	**$ 3,638,934**	**$ 8,349,635**

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	$ -	$ 78	$ -	$ -	$ 78
U S Government Guaranteed Securities	20,551	220,640	289,955	25,463	556,609
U S Agency Securities	1,138	104,370	71,442	11,124	188,074
State and Local Government Securities	602	3,029	1,575	8,244	13,450
Mortgage Backed Securities	1,005	13,196	19,727	293,471	327,399
Commercial Paper	257,386	-	-	-	257,386
Corporate Bonds	145,771	295,262	221,028	124,631	786,692
Private Placements	-	15,476	-	16,661	32,137
Bond Mutual Funds	138,183	224,281	46,696	-	409,160
Total	**$ 564,636**	**$ 876,332**	**$ 650,423**	**$ 479,594**	**$ 2,570,985**

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	$ 8,262	$ 1,926	$ 6,089	$ -	$ 16,277
Other U S Government Guaranteed Securities	60,809	111,109	94,375	2,641	268,934
U S Agency Securities	20,533	319,465	327,848	67,782	735,628
State and Local Government Securities	-	142	1,440	420	2,002
Mortgage Backed Securities	2,749	2,653	29,708	509,639	544,749
Commercial Paper	257,954	-	-	-	257,954
Corporate Bonds	17,379	17,764	13,721	8,172	57,036
Private Placements	434	500	-	150	1,084
Repurchase Agreements	37,521	-	-	24,386	61,907
Guaranteed Investment Contracts	1,329	5,299	31,746	-	38,374
Bond Mutual Funds	480,324	8,941	47,478	1,741	538,484
Total	**$ 887,294**	**$ 467,799**	**$ 552,405**	**$ 614,931**	**$ 2,522,429**

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	$ 28,152	5.0
Collateralized Mortgage Obligations	429	2.6
Corporate Bonds	48,421	5.4
Commingled Bond Funds	87,108	0.6
Prime Fund:		
U S Government Guaranteed Securities	12,729	5.5
Collateralized Mortgage Obligations	176	2.7
Corporate Bonds	25,691	5.2
Commingled Bond Funds	110,021	1.5
Intermediate Fund:		
U S Government Guaranteed Securities	363,188	1.9
Mortgage Backed Securities	50,978	1.7
Collateralized Mortgage Obligations	57,696	1.1
Corporate Bonds	324,569	1.7
Commingled Bond Funds	118,259	2.3
Total	**$ 1,227,417**	

3. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy of the Alabama Trust Fund states that the aggregate market value of international equities is limited to 9 percent of the aggregate market value of the total portfolio. The exposure to emerging market securities shall be limited to 20 percent of the market value of the international portfolio. Not more than 5 percent of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than 7 percent in any one corporation at market. Not more than 5 percent of the outstanding shares of any one company may be held by the portfolio.

In 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, 2012 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	Discretely Presented Component Units
	Cash	International Equities	International Bond	International Equities	International Equities	International Equities	International Equities
Australian Dollar	$ 16	$ 2,480	$ -	$ -	$ 287,205	$ 10,023	$ -
Bermudian Dollar	-	-	-	-	-	-	17
Brazilian Real	-	2,282	-	-	-	-	39
British Pound Sterling	69	31,747	-	36	745,960	25,644	142
Canadian Dollar	7	3,406	-	-	-	-	47
Chinese Yuan	-	7	-	-	-	-	72
Danish Krone	-	4,341	-	-	39,565	1,206	35
Emerging Markets	-	-	-	-	440,786	-	-
Euro	245	34,518	-	78	888,505	31,388	223
Hong Kong Dollar	26	12,831	-	-	101,143	3,472	32
Indian Rupee	-	3	-	-	-	-	-
Israeli New Shekel	-	-	-	-	18,625	570	57
Japanese Yen	-	18,430	-	26	646,309	22,459	85
Mexican Peso	-	1,383	2,683	-	-	-	13
Neth Antilles Guilder	-	16	-	-	-	-	-
New Zealand Dollar	-	-	-	-	2,791	85	-
Norwegian Krone	-	1,081	-	-	32,563	995	-
Other	-	-	-	69	-	-	14
Russian Rouble	-	1	-	-	-	-	24
Singapore Dollar	-	471	-	-	62,247	1,871	-
South African Rand	-	100	-	-	-	-	-
South Korean Won	-	2,560	-	-	-	-	-
Swedish Krona	-	4,110	-	-	103,806	3,621	42
Swiss Franc	-	11,070	-	-	281,496	9,829	65
Taiwan New Dollar	-	3	-	-	-	-	15
Turkish Lira	-	3	-	-	-	-	10
Totals	**$ 363**	**$ 130,843**	**$ 2,683**	**$ 209**	**$ 3,651,001**	**$ 111,163**	**$ 932**

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

4. Custodial Credit Risk

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

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

Alabama Trust Fund (ATF) – The ATF's custodian, Bank of New York Mellon (BNYM), 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 cash 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	$ -	$ 78	$ -
Other U S Government Guaranteed Securities	4,119	28,200	316
U S Agency Securities	2,052	1,130	113
State and Local Government Securities	-	10,490	-
Mortgage Backed Securities	6,387	3,460	440
Corporate Bonds	2,561	1,950	854
Repurchase Agreements	-	-	61,306
Domestic Equities	3	-	-
International Equities	-	-	23
Other Mutual Funds	8,286	-	26,577
Total	**$ 23,408**	**$ 45,308**	**$ 89,629**

5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. The State of Alabama has large investments in U.S. Government obligations which are disclosed in the tables in this note. Standard & Poor's downgraded the rating of the U.S. Government to AA+, however the Moody's rating is still Aaa.

The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed 1 percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than 15 percent is invested in one industry (does not apply to U.S. government and agency securities), and no more than 5 percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2012, there were no investments that exceeded the 5 percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, and short-term investments are limited to 50%, 10%, 65%, 25%, and 20%, respectively, of the fair value 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. Real estate and alternative investments are limited to 15% and 10%, respectively, of the book value of each System's portfolio. As of September 30, 2012, the Teachers' Retirement System (TRS) and Employees' Retirement System (ERS) owned debt and equity securities of Raycom Media Corporation which represented approximately 8.26% and 9.12%, respectively, of the TRS and the ERS investments.

The Alabama Water Pollution Control Authority has no stated policy for concentration of credit risk. As of September 30, 2012, the Authority entered into Guaranteed Investment Contracts with AIG that comprise 10.25 percent of total holdings.

The Public Education Employees' Health Insurance Board (PEEHIB) owned securities in Marriott International, FMC Technologies Inc., Dominion Resources Inc., American Electric Power Co. Inc., Dairy Farmers of America, Great Plains Energy Inc., and American Water Works Co. Inc. that constituted 20%, 19%, 17%, 7%, 6%, 6%, and 5%, respectively, of the total fair value of investments. PEEHIB's policies regarding concentration of credit risk are the same as RSA's above. The State Employees' Insurance Board (SEIB) owned debt securities in American Water Capital Corp and AGC Capital Inc. that comprised 13% and 8%, respectively, of investment holdings. SEIB has no policy for concentration of credit risk.

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 for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the lender or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of 102% 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). Cash collateral administered by State Street for ATF is invested in the State Street Global Securities Lending Trust (GSLT). As of September 30, 2012, the average term of the loans secured by QDF was 40, 43, and 43 days, respectively for the TRS, ERS, and JRF. As of September 30, 2012, the average term of the loans secured by GSLT was 63 days for the ATF. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's and the GSLT's guidelines. The Investment Manager (State Street Bank) shall maintain the dollar-weighted average maturity of QDF and GSLT in a manner that the Investment Manager believes is appropriate to the objective of each; provided, that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the QDF and GSLT not to exceed 75 calendar days and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of the QDF and GSLT not to exceed 180 calendar days. At the time of purchase (i) all eligible securities with maturities of 13 months or less shall (a) be rated at least A1, P1 or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (b) be determined by the Investment Manager to be of comparable quality and (ii) all eligible securities with maturities in excess of 13 months shall (a) be rated at least A-, A3 or A- by at least any two of S&P, Moody's or Fitch, or (b) be determined by the Investment Manager to be of comparable quality. The QDF and the GSLT may invest up to 10% of its assets at time of purchase in commingled vehicles managed by State Street Global Advisors or its affiliates that conform to the Investment Policy Guidelines. The QDF and the GSLT both have duration pools. The duration pools include all asset backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The duration pools will not make additional investments.

The Bank of New York Mellon (BNYM) administers a portion of the securities lending program for the ATF. Certain securities from ATF are loaned to borrowers approved by the ATF Board of Trustees. Approved borrowers of securities provide acceptable cash collateral in the form of Federal funds or New York Clearing House funds as applicable for a particular loan. All security loans are open loans and can be terminated on demand by the ATF, BNYM, or the borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102% of the market value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105% of the market value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BNYM shall, in accordance with BNYM's reasonable and customary practices, mark loaned securities to their market value each business day based upon the market value of the loaned securities as of the close of business the preceding business day, employing the most recently available pricing information, and receive and deliver collateral in order to maintain the amount of cash collateral at no less than the collateral requirement. The ATF cannot pledge or sell collateral securities received unless the borrower defaults. As of September 30, 2012, the average term of the loans was 44 days. Cash collateral investments are matured as needed to fulfill loan obligations. All approved investments shall be for the account and risk of ATF. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, ATF agrees to pay BNYM on demand cash in an amount equal to such deficiency.

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

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

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	$ 155,457	$ 207	$ 254,918	$ 108,963	$ 12,637
Domestic Equity	68,248	-	1,256,236	97,482	-
International Equity	3,231	-	226,422	3,084	-
Total Lent for Cash Collateral	226,936	207	1,737,576	209,529	12,637
For Non-cash Collateral					
Domestic Fixed Maturities	75,534	498	813,280	360,668	18,304
Domestic Equity	6,121	-	361,507	13,242	-
International Equity	-	-	443,644	13,611	-
Total Lent for Non-Cash Collateral	81,655	498	1,618,431	387,521	18,304
Total Securities Lent	**$ 308,591**	**$ 705**	**$ 3,356,007**	**$ 597,050**	**$ 30,941**
Type of Collateral Received					
Cash Collateral					
Cash Collateral - Invested in					
State Street Quality D Fund	$ 0	$ 0	$ 1,793,340	$ 102,823	$ 0
State Street Global Securities Lending Trust	58,498	212	404	111,912	12,896
BNYM Investments	173,582	-	-	-	-
Total Cash Collateral	232,080	212	1,793,744	214,735	12,896
Non-Cash Collateral					
For Lent Domestic Fixed Maturities					
Securities Collateral - US Dollars	79,577	514	861,428	389,251	19,221
For Lent Domestic Equity Securities					
Securities Collateral					
Canadian Dollars	-	-	77,155	-	-
US Dollars	7,003	-	335,668	16,171	-
For Lent International Equity Securities					
Securities Collateral					
Euro	-	-	84,270	1,650	-
Swiss Franc	-	-	113	-	-
British Pound Sterling	-	-	89,579	1,136	-
US Dollar	-	-	345,773	12,295	-
Total Non-Cash Collateral	**86,580**	**514**	**1,793,986**	**420,503**	**19,221**
Total Collateral Received	**$ 318,660**	**$ 726**	**$ 3,587,730**	**$ 635,238**	**$ 32,117**

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, 2012, the ATF had investments in TBA mortgage-backed securities in the amount of $68,902,000. 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. For Business-Type activities, decreases in construction in progress are large relative to increases in buildings because Port Authority constructs some equipment assets. As of September 30, 2012, 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	$ 293,033	$ 10,791	$ 106	$ 303,718
Historical Exhibits	2,632	1,374	-	4,006
Construction in progress	193,976	54,550	13,932	234,594
Construction in progress - Software and Other	2,983	8,337	-	11,320
Construction in progress - Infrastructure	5,044,586	363,877	439,115	4,969,348
Infrastructure	12,853,456	439,115	-	13,292,571
Total capital assets not being depreciated	**18,390,666**	**878,044**	**453,153**	**18,815,557**
Capital assets being depreciated:				
Buildings	1,434,486	68,137	19,940	1,482,683
Equipment	669,840	54,190	48,111	675,919
Software and Other Intangible Assets	14,111	13,658	617	27,152
Total capital assets being depreciated	**2,118,437**	**135,985**	**68,668**	**2,185,754**
Less accumulated depreciation:				
Buildings	613,694	35,366	8,437	640,623
Equipment	410,948	50,181	37,772	423,357
Software and Other Intangible Assets	1,957	3,151	222	4,886
Total accumulated depreciation	**1,026,599**	**88,698**	**46,431**	**1,068,866**
Total capital assets being depreciated, net	**1,091,838**	**47,287**	**22,237**	**1,116,888**
Governmental-type activities capital assets, net	**$ 19,482,504**	**$ 925,331**	**$ 475,390**	**$ 19,932,445**

Depreciation Expense for the current year is charged as follows:

Economic Development and Regulation	2,271
Social Services	6,168
Education and Cultural Resources	6,300
Natural Resources and Recreation	7,417
Health	8,657
General Government	9,168
Protection of Persons and Property	22,978
Transportation	25,739
Total Depreciation Expense	**$ 88,698**

The capital assets for business-type activities are:

BUSINESS-TYPE ACTIVITIES
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 83,496	$ 2,386	$ -	$ 85,882
Historical Exhibits	2,350	-	-	2,350
Construction in progress	75,691	77,131	50,552	102,270
Inexhaustible Intangible Assets	10	-	-	10
Total capital assets not being depreciated	**161,547**	**79,517**	**50,552**	**190,512**
Capital assets being depreciated:				
Buildings	1,605,771	54,885	5,904	1,654,752
Equipment	542,855	27,515	3,449	566,921
Software and Other Intangible Assets	6,759	6,269	173	12,855
Total capital assets being depreciated	**2,155,385**	**88,669**	**9,526**	**2,234,528**
Less accumulated depreciation				
Buildings	576,681	37,986	4,632	610,035
Equipment	292,115	27,136	3,254	315,997
Software and Other Intangible Assets	2,544	865	-	3,409
Total accumulated depreciation	**871,340**	**65,987**	**7,886**	**929,441**
Total capital assets being depreciated, net	**1,284,045**	**22,682**	**1,640**	**1,305,087**
Business-type activities capital assets, net	**$ 1,445,592**	**$ 102,199**	**$ 52,192**	**$ 1,495,599**

Depreciation Expense for the current year is charged as follows:

State Port Authority	27,322
Alabama Community College System	36,782
Alcoholic Beverage Control Board	1,296
Other Nonmajor Enterprise Funds	587
Total Depreciation Expense	**$ 65,987**

The capital assets for component units are:

COMPONENT UNITS
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 211,541	$ 18,484	$ 2,975	$ 227,050
Historical Exhibits	110,446	2,147	-	112,593
Construction in progress	540,122	631,874	494,229	677,767
Total capital assets not being depreciated	**862,109**	**652,505**	**497,204**	**1,017,410**
Capital assets being depreciated:				
Buildings	6,874,096	532,835	51,525	7,355,406
Equipment	2,008,653	120,012	36,164	2,092,501
Software and Other Intangibles	72,541	42,715	-	115,256
Total capital assets being depreciated	**8,955,290**	**695,562**	**87,689**	**9,563,163**
Less accumulated depreciation				
Buildings	2,465,609	196,030	16,608	2,645,031
Equipment	1,515,106	131,006	32,525	1,613,587
Software and Other Intangible Assets	40,237	11,585	-	51,822
Total accumulated depreciation	**4,020,952**	**338,621**	**49,133**	**4,310,440**
Total capital assets being depreciated, net	**4,934,338**	**356,941**	**38,556**	**5,252,723**
Component Units capital assets, net	**$ 5,796,447**	**$ 1,009,446**	**$ 535,760**	**$ 6,270,133**

Depreciation Expense for the current year is charged as follows:

Alabama Public School and College Authority	343
Mental Health	1,233
Water Pollution Control Authority	14
University of Alabama	191,755
Auburn University	61,554
University of South Alabama	32,537
State Employee Insurance Board	294
Other Nonmajor Component Units	50,891
Total Depreciation Expense	**$ 338,621**

G. Investment 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, 2012 and 2011, the impact of credit risk is minimized. The swap agreement is based on an original notional amount

of $60,455,000, valued at $59,560,000 at September 30, 2012, and expires on October 1, 2021. As of September 30, 2012, the interest rate swap had a negative fair value of approximately $14,424,000 and is included in the Statement of Net Assets in Noncurrent Liabilities: Due in More Than One Year as Other Long-Term Liabilities. The $925,000 change in fair value is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Assets and is included in Charges for Services in the Statement of Activities. In accordance with the swap agreement, the Authority posted collateral of approximately $7.6 million at September 30, 2012 due to the negative position of the interest rate swap. 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 2014 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 embedded derivatives at the date of execution of this transaction were $918,000 for 2004 bonds and $3,343,000 for 2006 bonds. The values of the borrowings at the date of execution were $1,070,000 for the 2004 bonds and $3,997,000 for the 2006 bonds. The September 30, 2012 values of the borrowings are included in the Statement of Net Assets in Noncurrent Liabilities and included in Capital leases/Notes/Mortgages in the table of Changes in Noncurrent Liabilities in Note 4.E.9. Interest is being accreted on, and added to, the borrowing through the expiration date of the option. At September 30, 2012, $378,000 was accreted and is included in Expenses in the Statement of Activities. At September 30, 2012, the negative fair values of the derivatives are approximately $(23,609,000) and are included in Noncurrent Liabilities and included in Other Long-term Liabilities in the table of Changes in Noncurrent Liabilities in Note 4.E.9. For the year ended September 30, 2012, the $(2,948,000) change in the fair value of the derivatives is included in unrestricted investment earnings in the Statement of Activities.

Fair Value. At September 30, 2012, the embedded derivatives had fair values of $(23,609,000). 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 though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

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

Credit Risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2012, the swap counterparty was rated Aa3 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, 2012, no events of termination have occurred.

Alabama State University – During fiscal year 2005, the Board of Trustees of the University authorized the University to enter into a swaption agreement relating to a forward-starting interest rate swap in the notional amount of $6,775,000 relating to the University's Series 2002B Bonds. Under the agreement, the University received a cash payment in the amount of $550,000 from Bear Sterns Capital Markets, Inc. (BSCM). BSCM transferred its interests in the swaption to J. P. Morgan Chase Bank (JPM) which may, at its option, execute the swap agreement within one year of January 1, 2012, which represents the exercise period. In the event JPM elects to exercise its option to enter into the swap agreement during the exercise period, JPM would be required to pay the University an exercise payment in the amount of $138,400 or $70,650 on January 1, 2013. If exercised, the swap agreement would require the University to pay a fixed rate to JPM, which in turn, would be obligated to pay the University a variable rate priced at the Bond Market Association Municipal Swap Index plus 0.25%. On January 3, 2012, JPM notified the University of their intent to exercise the option with their required payment of $138,400, pursuant to the terms in the ISDA Master Agreement, with an effective date of January 5, 2012. As a result of JPM exercising the option, the University was required to make a cash settlement payment of $3,866,950. JPM delayed the payment date to March 15, 2012 and did not charge the University for additional interest from January 5, 2012 to March 15, 2012. In March 2012, the University paid JPM $4,053,550. The $(472,000) difference between the prior year fair value and the settlement payment is included in unrestricted investment earnings in the Statement of Activities.

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

The following table presents the investment derivative instruments outstanding as of September 30, 2012 (in thousands), as reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets:

Investment Derivative Instruments
(Amounts in thousands)

	Changes in Fair Value §	Fair Value		
	Amount	Classification	Amount	Notional
TRS				
Domestic Options Written	$ 2,788	Corporate Stocks	$ (113)	$ (7,072)
Domestic Options Purchased	(3,437)	Corporate Stocks	-	-
International Options Written	(424)	International Stocks	(304)	5
Total Options Written	$ (1,073)	Totals	$ (417)	$ (7,067)
ERS				
Domestic Options Written	$ 1,338	Corporate Stocks	$ (61)	$ (3,803)
Domestic Options Purchased	(1,641)	Corporate Stocks	-	-
International Options Written	(203)	International Stocks	(145)	3
Total Options Written	$ (506)	Totals	$ (206)	$ (3,800)
JRF				
Domestic Options Written	$ 104	Corporate Stocks	$ -	$ -
Domestic Options Purchased	13	Corporate Stocks	-	-
International Options Written	(6)	International Stocks	(5)	4
Total Options Written	$ 111	Totals	$ (5)	$ 4

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

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

GASB Statement No. 53 requires that the fair value of the financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either an investment derivative or a hedge derivative. All of the ATF's derivative exposures as of September 30, 2012, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 and No. 64 are not applicable.

All derivative instruments are presented in the Statement of Net Assets as Investments 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. In the note, futures and credit default swaps are included in derivatives, and total return swaps and interest rate swaps are included in corporate bonds.

The following table presents the derivative instruments outstanding as of September 30, 2012 for ATF:

Investment Derivative Instruments
(Amounts in thousands)

	Changes in Fair Value §	Fair Value as of September 30, 2012	
	Amount	Amount	Notional
Credit Default Swaps	$ 149	$ 158	$ (1,787)
Total Return Swaps	(26)	(26)	(26)
Interest Rate Swaps	(189)	(186)	(30,775)
Total Swaps	$ (66)	$ (54)	$ (32,588)
Futures	(118)	(121)	(18,120)
Total Futures	$ (118)	$ (121)	$ (18,120)
Total Derivatives	$ (184)	$ (175)	$ (50,708)

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

GASB Statement No. 53 requires the disclosure of the maximum amount of loss due to credit risk, based on the fair value of the instrument at the end of the fiscal year. The maximum amount of loss associated with all derivatives held by the ATF is $330,000. 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.

Alabama Trust Fund
(Amounts in thousands)

Type	Fair Value	Notional Amount	Maturity Date	Reference Rate
Interest Rate Swap	$ (41)	$ (23,225)	6/30/2014	Pay 0.45%; Receive US LIBOR 3 Month rate
Interest Rate Swap	$ (145)	$ (7,550)	5/15/2019	Pay 1.42%; Receive US LIBOR 3 Month rate
Total Return Swap	$ (26)	$ (26)	1/12/2041	Pay US LIBOR 1 Month Rate; Receive IOS Index IOS.FN30.400.10 Rate
Totals	$ (212)	$ (30,801)		

NOTE 4 - LIABILITIES

A. Future Commitments

1. Construction Projects

a. Primary Government
At September 30, 2012, the Department of Transportation had construction and maintenance contracts of $2,751,761,000. The amount already performed was $2,238,323,000, leaving an outstanding balance of $513,438,000. The funding sources for this amount are 65 percent Federal funds and 35 percent state and local funds.

The State Port Authority has contracts for several projects with estimated costs to complete of approximately $4,600,000.

b. Component Units
The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2012 of approximately $109,756,000, 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 $647,800,000. At September 30, 2012, the estimated remaining cost to complete the projects was approximately $220,300,000 which will be funded from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2012. The estimated remaining costs to complete the construction and renovation was approximately $60,500,000 which is expected to be financed from private gifts, grants, bond proceeds and University funds.

Jacksonville State University, a nonmajor component unit, had commitments for construction projects of $2,081,000 at September 30, 2012.

Alabama State University, a nonmajor component unit, had commitments on construction of capital projects of $22,034,000 at September 30, 2012.

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 costs of training employees.

a. Primary Government
The State has committed to economic development grants totaling $349,963,000 as of September 30, 2012. It is expected that in fiscal year 2013, $27,899,000 of commitments will be paid from appropriations, $5,335,000 from prior year carry forward appropriations, and $63,793,000 will be paid from existing general obligation bond proceeds restricted for that purpose. The remaining $252,936,000 is expected to be paid in fiscal year 2014 or later.

b. Component Units
The Alabama Incentives Finance Authority, a component unit, has committed to economic development grants of $5,097,000 for fiscal year 2013 and $28,950,000 in fiscal year 2014 or later. The Twenty-first Century Authority, a component unit, has committed to economic development grants of $3,051,000 for fiscal year 2013.

c. State Entity
The State as a whole has an additional $182,502,000 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. Of these grant commitments, all are expected to be paid in fiscal year 2014 or later.

4. Encumbrances
Encumbrances represent commitments related to unperformed contracts and purchase orders for goods and services. Encumbrances are reported within governmental funds as restricted, committed, or assigned fund balance. At September 30, 2012, there were encumbrances in the Public Road and Bridge Fund totaling $71,017,000, the Medicaid Fund $2,349,000, the Public Welfare Trust Fund $3,778,000, and nonmajor governmental funds $29,201,000.

5. Other Commitments
The Alabama Housing Finance Authority, a component unit, has designated $73,299,000 of its unrestricted net assets for fiscal year September 30, 2012 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

The Department of Transportation finances its own risk for state employee injury compensation. The Department had $9,823,000 in claims liabilities at the end of the year.

C. Pollution Remediation Obligations

Auburn University conducts groundwater monitoring, monitored natural attenuation and clean-up in accordance with the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances and Control Act. Additionally, asbestos abatement is necessary as older buildings on campus are demolished or renovated. The University, with the assistance of an outside consultant, prepared a 30-year Post Closure Cost Estimate related to all active and inactive solid waste management units managed through the University RCRA Facility permit. The University does not expect to recover any funds from insurance or other third parties related to these obligations.

D. Conduit Debt

Troy University, a nonmajor 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, 2012 is $3,810,000. 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. Troy University has procured a policy of municipal bond insurance securing payment of debt service on the $4,820,000 Troy University Special Limited Obligation Revenue Bond Series 1997 from MBIA Insurance Corporation.

Revenue bonds were issued by Alabama Housing Financing Authority, a component unit, which constituted conduit debt outstanding at year-end totaling $158,933,000 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.

E. Long-term Debt

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

The Supreme Court of Alabama has ruled that 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 many capital improvements and developmental grant programs by issuing debt through such public corporations. The legislature (through enabling legislation) and the Governor (by executive order) have created public corporations and authorities of the State for the purpose of financing projects and programs such as public highways, public educational facilities, judicial buildings, 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
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	46,410,000	25,541,641	71,951,641
2017	48,330,000	23,364,654	71,694,654
2018-2022	253,640,000	81,183,996	334,823,996
2023-2027	170,540,000	29,978,663	200,518,663
2028-2032	35,225,000	5,431,250	40,656,250
Total	683,715,000	**$ 254,035,841**	**$ 937,750,841**
Unamort Prem	30,003,264		
Unamort Loss	(5,369,544)		
	$ 708,348,720		

GENERAL OBLIGATION BONDS PAYABLE

General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2012
Series 2001				
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	3,450,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	55,235,000
Series 2002				
Series A - Economic Development	09/01/02	09/01/22	3.0% to 5.0%	32,790,000
Series 2005				
Series A - Universities and Economic Development	02/01/05	08/01/25	3.0% to 5.0%	76,250,000
Series 2006 - Economic Develop. & Industry Recruitment	02/01/06	02/01/26	3.5% to 5.0%	49,440,000
Series 2007 - Economic Develop. & Industry Recruitment	08/01/07	08/01/27	3.5% to 5.0%	250,295,000
Series 2010				
Series A - Refunding Bonds	03/23/10	06/01/21	3.0% to 5.0%	36,085,000
Series B - Refunding Bonds	03/23/10	06/01/21	3.0% to 4.0%	11,660,000
Series C - Refunding Bonds	05/11/10	06/01/21	3.3% to 5.0%	58,510,000
Series D - Economic Development	05/11/10	06/01/32	3.0% to 5.0%	110,000,000
Sub-total General Obligation Bonds				683,715,000
‡ Plus: Unamortized Premiums				30,003,264
†† Less: Unamortized Loss				(5,369,544)
Total General Obligation Bonds				**$ 708,348,720**

‡ Unamortized premiums were $446,843 for Series 2001-E, $515,002 for Series 2002-A, $3,407,066 for Series 2005-A, $759,824 for Series 2006, $6,999,525 for Series 2007-A, $3,086,018 for Series 2010-A, $530,928 for Series 2010-B, $5,252,418 for Series 2010-C and $9,005,640 for Series 2010-D.

†† Unamortized accounting losses were $821,853 for Series 2010-A, $240,921 for Series 2010-B, and $4,306,770 for 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, 2012**
Alabama Corrections Institution Finance Authority				
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	$ 1,895,000
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%	5,860,000
Alabama Building Renovation Finance Authority				
Series 2006	08/01/06	09/01/31	4.00% to 5.00%	26,635,000
Series 2010	07/21/10	09/01/24	2.50% to 4.00%	23,915,000
Alabama Judicial Building Authority				
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%	21,720,000
Alabama Public Health Care Authority				
Series 2005	09/28/05	09/01/35	4.00% to 4.50%	49,890,000
Alabama Federal Aid Highway Finance Authority				
Series 2011	08/23/11	03/01/17	1.00% to 5.00%	77,265,000
Sub-total Revenue Bonds Payable				211,180,000
‡ Less: Unamortized Discounts				(364,195)
§ Plus: Unamortized Premiums				10,321,269
†† Less: Unamortized Loss				(4,199,673)
Net Primary Government Revenue Bonds Payable, Governmental Activities				**$ 216,937,401**

† Amounts are due on October 1, but historically are paid a few days prior to the end of the previous fiscal year (September 30). The above schedule reflects the debt in the year it is actually paid.

‡ Unamortized Discount $364,195 for Public Health Care Authority.

§ Unamortized premium is $7,076,210 for Federal Aid Highway Finance Authority, $315,509 for Montgomery Downtown Redevelopment Authority, $98,757 for Alabama Corrections Institution Finance Authority, $2,124,689 for Building Renovation Finance Authority and $706,104 for Judicial Building Authority.

†† Unamortized accounting losses were $1,040,047 for the Alabama Building Renovation Finance Authority, $185,992 for Montgomery Downtown Redevelopment Authority, $25,104 for Alabama Corrections Institution Finance Authority, $687,125 for Public Health Care Authority, $2,063,585 for Federal Aid Highway Finance Authority and $197,820 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, 2012, the outstanding principal balance of the 2008-A bonds was $60,285,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67 percent of LIBOR (London Interbank Offered Rate). The rate at 9/30/12 was 1.156 percent.

The Alabama Community 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, 2012
State Port Authority				
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	$ 142,065,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	50,140,000
Series 2006-D	12/07/06	10/01/30	Variable	21,600,000
Series 2008-A	04/01/08	10/01/21	Variable	60,285,000
Series 2010	12/09/10	10/01/40	5.75% to 6.00%	106,045,000
Alabama Community College System	Various	Various	1.25% to 6.30%	291,321,882
Sub-total Revenue Bonds Payable, Proprietary Funds				671,456,882
§ Less: Unamortized Premium				705,434
†† Less: Unamortized Loss				(9,238,303)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				**$ 662,924,013**

§ Unamortized premium $705,434 for Alabama State Port Authority.

†† Unamortized accounting losses were $7,739,056 for Alabama State Port Authority and $1,499,247 for Alabama Community College System.

Revenue Bonds
Debt Service Requirements to Maturity

	Governmental Activities		Business-type Activities	
Maturity	Principal	Interest	Principal	Interest
2013	$ 28,755,000	$ 8,976,701	$ 23,051,462	$ 29,008,535
2014	23,785,000	7,670,050	29,408,105	27,999,862
2015	24,840,000	6,511,313	24,734,779	27,253,512
2016	23,935,000	5,354,413	29,686,485	27,428,073
2017	24,960,000	4,326,488	27,408,224	25,342,465
2018-2022	30,725,000	15,536,657	147,042,827	111,028,709
2023-2027	23,425,000	9,769,538	119,120,000	81,946,345
2028-2032	21,090,000	4,923,450	100,980,000	57,367,898
2033-2037	9,665,000	883,125	87,760,000	35,214,171
2038-2042	0	0	82,265,000	10,146,388
Total	211,180,000	**$ 63,951,735**	671,456,882	**$ 432,735,958**
Unamort Prem	10,321,269		705,434	
Unamort Loss	(4,199,673)		(9,238,303)	
Unamort Disc	(364,195)		0	
	$ 216,937,401		**$ 662,924,013**	

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 Finance Authority issues bonds to provide funds which are used to make loans to local governments for planning, designing, acquiring, or constructing sanitary drinking water and related facilities. Proceeds from the loan agreements are used for payment of debt service related to the bonds.

The 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, 2012, the outstanding principal balance of the 2009-A bonds was $4,105,000. The interest rate is variable and equal to 70 percent of LIBOR plus 3 percent, but at no time less than 4.3 percent. The interest rate was 4.3 percent as of September 30, 2012.

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, 2012
Alabama Incentives Finance Authority				
Series 2009-A	09/17/09	09/01/29	3.00% to 4.00%	$ 21,870,000
Series 2009-B	09/17/09	09/01/29	1.93% to 4.97%	92,010,000
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	16,490,000
Alabama Public School and College Authority				
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	62,675,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	42,295,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	927,765,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	42,250,000
Series 2009-A	10/21/09	05/01/24	5.00% to 5.00%	397,605,000
Series 2009-B	10/21/09	05/01/19	3.00% to 5.00%	133,845,000
Series 2009-C	10/21/09	05/01/29	3.00% to 4.00%	33,115,000
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
Series 2010-C	11/29/10	12/01/20	2.48% to 2.48%	52,055,000
Series 2010-D	11/29/10	12/01/20	3.77% to 3.77%	13,275,000
Series 2011-A	06/02/11	05/01/26	4.60% to 4.60%	51,270,000
Series 2011-B	06/02/11	05/01/21	2.00% to 5.00%	22,580,000
Series 2012-A	02/29/12	03/01/24	3.00% to 5.00%	79,340,000
Series 2012-B	02/29/12	03/01/29	2.50% to 5.00%	85,435,000
State Industrial Development Authority				
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	50,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	4,430,000
Series 2012	07/10/12	06/01/23	2.12% to 2.12%	15,700,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2012	03/08/12	06/01/21	3.00% to 5.00%	92,810,000
Alabama Revolving Loan Fund Authority				
Series 2010	03/01/10	03/01/20	8.18% to 8.18%	19,890,000
Sub-Total Revenue Bonds, Component Units				$ 2,688,117,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2012
Sub-Total from previous page				**$ 2,688,117,000**
Alabama Housing Finance Authority				
Single family Bond Programs	2000-2010	2016-2039	Various	402,674,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	5,885,000
Revolving Fund Loan Bonds, Series 2003A	01/01/03	08/15/26	3.00% to 5.00%	30,520,000
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	20,160,000
Revolving Fund Loan Bonds, Series 2003C	08/01/03	08/15/15	2.50% to 4.25%	3,290,000
Revolving Fund Loan Bonds, Series 2008	02/01/08	08/15/29	3.00% to 4.00%	30,630,000
Revolving Fund Loan Bonds, Series 2010-A	06/21/10	08/15/23	3.00% to 4.00%	31,270,000
Revolving Fund Loan Bonds, Series 2010-B	08/02/10	08/15/21	2.00% to 3.00%	59,465,000
Revolving Fund Loan Bonds, Series 2010-C	12/01/10	08/15/23	2.00% to 4.00%	32,710,000
Alabama Drinking Water Finance Authority				
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	30,835,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,165,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	40,090,000
Revolving Fund Loan Bonds, Series 2012-A	02/01/12	08/15/24	0.05% to 4.00%	43,120,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	9,265,000
Series 2009-A	09/25/10	09/01/29	4.33% to 4.33%	4,105,000
Sub-total Revenue Bonds Payable, Component Units				$ 3,456,301,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2012	
Sub-Total from previous page				$ 3,456,301,000	
Higher Education					
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	660,880,000	
University of Alabama - Birmingham	1993	2041	2.50% to 5.75%	799,175,000	
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	81,716,000	
Alabama A&M University	1980	2033	3.00% to 5.38%	54,140,000	
Alabama State University	1965	2038	1.90% to 8.50%	232,977,000	
Auburn University	1978	2038	1.40% to 6.00%	754,894,329	
Jacksonville State University	1993	2023	2.25% to 5.00%	79,545,000	
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	54,125,000	
University of Montevallo	1985	2030	3.00% to 4.60%	28,029,000	
University of North Alabama	1999	2035	1.35% to 5.40%	46,695,000	
University of South Alabama	1999	2038	2.00% to 5.25%	353,114,000	
Troy University	1998	2028	2.75% to 6.50%	111,835,000	
Total Revenue Bonds Payable				6,713,426,329	
Less: Unamortized Discounts				(10,530,743)	†
Less: Unamortized Loss				(74,390,195)	‡
Plus: Unamortized Premium				179,276,268	§
Net Revenue Bonds Payable, Component Units				**$ 6,807,781,659**	

† Unamortized discounts were $7,708,319 for the University of Alabama - Birmingham, $42,000 for the University of South Alabama, $198,609 for the University of Montevallo, $15,864 for Auburn University, $5,000 for State Industrial Development Authority, $867,303 for the University of North Alabama, $1,462,528 for Alabama State University and $231,120 for the University of West Alabama.

‡ Unamortized accounting loss was $4,209,187 for Alabama State University, $401,916 for the Alabama Space and Science Commission, $3,288,798 for the Water Pollution Control Authority, $40,569,995 for the Public School and College Authority, $2,199,948 for the University of Alabama - Tuscaloosa, $13,251,382 for Auburn University, $150,288 for the Mental Health Finance Authority, $331,000 for the University of South Alabama, $1,412,615 for Incentives Financing Authority, $2,499,041 for Alabama A & M University, $624,398 for Jacksonville State University, $65,621 for the University of West Alabama, $346,210 for the Alabama Revolving Loan Fund Authority, $1,942,986 for the Alabama Drinking Water Finance Authority, and $3,096,810 for Twenty-first Century Authority.

§ Unamortized premiums were $1,711,069 for the University of Alabama - Tuscaloosa, $29,605,291 for Auburn University, $13,009,613 for the Alabama Twenty-first Century Authority, $118,416,147 for Alabama Public School and College Authority, $6,958,000 for the University of South Alabama, $2,156,028 for the Water Pollution Control Authority, $242,414 for the Mental Health Finance Authority, $962,491 for Alabama State University, $3,426,817 for Incentives Financing Authority, $2,217,073 for Alabama A & M University $15,261 for the University of West Alabama, $48,726 for the Alabama Revolving Loan Fund Authority, and $507,338 for the Alabama Drinking Water Finance Authority.

COMPONENT UNITS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2013	$ 333,704,538	$ 294,585,875	$ 628,290,413
2014	325,541,349	283,389,875	608,931,224
2015	322,477,361	270,341,055	592,818,416
2016	332,983,719	257,120,266	590,103,985
2017	429,435,501	243,047,132	672,482,633
2018-2022	1,509,891,861	987,124,840	2,497,016,701
2023-2027	1,584,984,000	654,709,947	2,239,693,947
2028-2032	801,929,000	363,320,610	1,165,249,610
2033-2037	714,822,000	188,626,506	903,448,506
2038-2042	357,657,000	37,437,287	395,094,287
Total	6,713,426,329 †	**$ 3,579,703,393**	**$ 10,293,129,722**
Unamort Disc	(10,530,743)		
Unamort Loss	(74,390,195)		
Unamort Prem	179,276,268		
	$ 6,807,781,659		

† 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.

During the year ended September 30, 2012, the Alabama Housing Finance Authority called approximately $85,056,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities.

On February 29, 2012, the Alabama Public School and College Authority issued Series 2012-A Pool Refunding bonds in the amount of $79,340,000 with interest rates from 3 percent to 5 percent and Series 2012-B Capital Improvement, Economic Development and Training Refunding Bonds in the amount of $85,435,000 with interest rates ranging from 2.5 percent to 5 percent. An original issue premium of $27,075,000 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, the Series 2002-A bonds and to refund on an advance basis, the Series 2002-B and Series 2003 bonds with a total outstanding principal amount of $181,460,000. The refunding resulted in an accounting loss of $13,079,000. The Authority recognized an economic gain of $25,218,000 and a reduction in cash flows required to service the new debt compared to the cash flows to service the old debt of $5,065,000.

On March 8, 2012, the Alabama Twenty First Century Authority issued Series 2012-A Tobacco Settlement Revenue Refunding Bonds in the amount of $92,810,000 with interest rates ranging from 3 percent to 5 percent. An original issue premium of $13,010,000 was received on the sale of the bonds. The Series 2012-A bond proceeds were used to refund Series 2000 and Series 2001 bonds with an aggregate principal amount outstanding of $102,030,000. The refunding resulted in an accounting loss of $3,097,000. The Authority had an economic gain related to the refunding of $16,430,000 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of $27,292,000.

On January 25, 2012, Alabama Drinking Water Finance Authority issued the 2012-A Revolving Fund Loan Refunding bonds in the amount of $45,210,000 for the purpose of refunding, on a current basis, the Series 1998-A, 2000-A, 2000-C, 2002-A Bonds that had an aggregate principal balance of $69,870,000. The refunding resulted in an accounting loss of approximately $2,046,000 that has

been capitalized and is being amortized on a straight-line basis, through 2024. Although the refunding resulted in a loss, the Authority reduced its aggregate debt service by approximately $23,100,000 over the next 13 years and obtained an economic gain (the difference between the present value of old and new debt service requirements) of approximately $15,900,000. As of September 30, 2012, the unamortized deferred refunding costs totaled $1,943,000 for the Series 1998-A, 2000-A, 2000-B, 2000-c and 2002-A Bonds.

On March 1, 2012, Alabama State University issued Series 2012-A General Tuition and Fee Revenue Bonds in the amount of $31,475,000 (interest rates from 2 percent to 5 percent) and Series 2012-B General Tuition and Fee Revenue Bonds in the amount of $11,550,000 (interest rates from 2 percent to 5.4 percent). The Series 2012 bonds were for the purposes of currently refunding the Series 2002 A and B in the amount of $24,050,000. The reacquisition price exceeded the carrying amount of the old debt by $1,015,926. Future debt service payments on the new debt are expected to exceed that of the old debt by $6,275,559. The transaction resulted in an economic gain of $2,146,762.

In July, 2012, the University of Alabama - Birmingham refinanced two series of its hospital revenue bonds: the Series 2008B Bonds with a principal balance of $109,930,000 and the Series 2007A Bonds, which were variable rate obligations with a principal balance of $40,000,000 with Series 2012A, 2012B, and 2012C hospital revenue bonds in the amounts of $20,580,000, $65,000,000 and $65,000,000, respectively. The 2012A bonds pay interest of 2.57 percent and mature in 2027. The 2012B and 2012C pay variable interest and are due annually through 2042.

On March 27, 2012, Auburn University issued Series 2012A General Fee Bonds with a par value of $120,135,000 and interest rates ranging from 2 to 5 percent due 2042. The 2012A bonds refunded $97,810,000 of outstanding Series 2003 and Series 2004A bonds. This refunding resulted in the University recognizing a loss of $9,868,000 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 23 years by $21,387,000 and resulted in an economic gain of $18,721,000.

On March 27, 2012, Auburn University issued Series 2012B General Fee Bonds with a par value of $3,505,000 and interest rate of 2.9 percent due 2024. The 2012B bonds refunded $3,050,000 of outstanding Series 2004B bonds. This refunding resulted in the University recognizing a loss of $476,000 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 13 years by $530,000 and resulted in an economic gain of $418,000.

During 2012, the University of Alabama Huntsville issued Series 2012-A and 2012-B General Fee Revenue Bonds in the amount of $24,870,000 with interest rates ranging from 0.73 percent to 4.28 percent due 2031. The bonds refinanced a portion of the Series 2002-A and Series 2003-A bonds. The undiscounted cash flows required to service principal and interest under the old bonds as of September 30, 2012 would have been $35,600,000 compared to undiscounted cash flow requirement of $32,800,000 under the new bonds. The economic gain to the University was approximately $2,000,000. A difference of $705,000 between the reacquisition price and the net carrying amount of the Series 2002-A and 2003-A bonds has been deferred.

On June 1, 2012 the Alabama College System issued Series 2012 refunding bonds in the amount of $24,325,000 with interest rates from 2 percent to 4 percent. The bond proceeds were used to advance refund $25,255,000 of the Series 2003 and Series 2005 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,546,000. The economic gain to the Alabama College System was $1,655,000.

Defeased Bonds:

Component Units	Amount
University of Alabama in Tuscaloosa	$ 14,100,000

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, 2012, were as follows:

Component Units	Amount
Water Pollution Control Authority	$ 926,132

This list is 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	83,000	19,000	64,000
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
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	**$ 991,000**	**$ 746,025**	**$ 244,975**
Component Units			
State Industrial Development Authority †	$ 100,000	$ 38,390	$ 61,610
Mental Health Finance Authority	100,000	99,981	19
Alabama Public School and College Authority-Pool Bonds	Unlimited		
Alabama Public School and College Authority-Capital Improvement Bonds	208,000	-	208,000
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Agricultural Center Corporation	100,000	-	100,000
Alabama Incentives Financing Authority	300,000	175,000	125,000
Total Component Units	**832,000**	**313,371**	**518,629**
Total Reporting Entity	**$ 1,823,000**	**$ 1,059,396**	**$ 763,604**

† 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 9/30/12, $50,000 was outstanding.

7. Hedging Derivatives

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into a derivative transaction with Wells Fargo Bank, N.A. (successor to Wachovea Bank, N.A. the original counterparty). 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 May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty a fixed payment of 6.10 percent and receives a variable payment of the one-month LIBOR rate plus 0.85 percent. The Corporation paid $803,000 and $847,000 under the interest rate swap agreement for the years ended September 30, 2012 and 2011, respectively, which is reflected as an increase in interest expenses.

Fair Value. At September 30, 2012 the fair value of the interest rate swap is $(4,889,000). The changes in fair value are reported as a deferred outflows 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, 2012 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 Aa3 by Moody's Investors Services and AA- by Standard & Poor's Ratings Services as of September 30, 2012.

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, 2012, 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.

Alabama State University – Alabama State University has entered into a pay-fixed interest rate swap agreement with J. P. Morgan Chase Bank with an objective of hedging cash flows on its Series 2004 Series General Revenue bonds with an effective date of August 27, 2004 and a maturity date of March 1, 2033. The terms of the agreement are for the University to pay 3.222 percent and receive 68 percent of the 30 day LIBOR rate. The notional amount at September 30, 2012 was $22,525,000 and the hedging derivative liability was a negative $5,365,217. The $(1,021,743) change in fair value is reported in deferred outflows on the Statement of Net Assets.

As of September 30, 2012, the synthetic interest rates on the swapped portion of the 2004 general revenue bonds were 3.075 percent. The fair value of the pay-fixed rate swap was estimated through forecasting expected cash flows that are discounted. The University's interest rate swap hedging derivatives have been determined to be effective using the synthetic instrument method.

Interest Rate Risk. The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is sensitive to interest rate changes. Because rates have changed since the effective date of the swap, a negative fair value existed at September 30, 2012. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the University's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. As the yield curve rises, the value of the swap will increase and as rates fall, the value of the swap will decrease.

Credit Risk. As of September 30, 2012, the University is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivatives' fair value.

Basis Risk. The University receives 68 percent of 1-month LIBOR Index from J.P. Morgan Chase Bank (JPM) and pays a floating rate to its bondholders set by the Remarketing Agent. The University incurs basis risk when its bonds trade at a yield above 68 percent of 1-month LIBOR Index. If the relationship of the University's bonds trade to a percentage of LIBOR greater than 68 percent, the University will experience an increase in debt service above the fixed rate on the swap.

Termination Risk. The interest rate swap agreement has a stated termination date of March 1, 2033; however, the University and counterparty, JPM have the right to terminate the agreement prior to such date upon the occurrence of certain extraordinary events, and further, JPM ahs retained an option to terminate the agreement at any time on or after March 1, 2012 for any reason with no obligation to make any termination payment other than the amount of any regular periodic payment accruing to the termination date. In addition, if the University terminates the agreement prior to March 1, 2033, the University would be liable to the counterparty for a payment equal to the swap's negative fair value.

Rollover Risk. The University is not exposed to rollover risk, because the maturity dates for hedged variable-rate bonds and the interest rate swap agreement are the same, March 2033.

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

Maturity	Governmental Activities Principal	Business-Type Activities Principal	Component Units Principal
2013	$ 9,193,958	$ 1,023,859	$ 10,599,672
2014	9,139,224	2,386,451	16,758,723
2015	8,101,126	364,926	6,748,244
2016	5,939,821	2,001,075	6,741,744
2017	14,529,288	98,780	7,529,239
2018-2022	25,800,009	539,133	56,263,407
2023-2027	30,444,287	389,800	23,612,012
2028-2032	27,390,834	36,318	23,915,924
2033-2037	21,090,991	-	31,150,000
2038-2042	16,573,094	-	7,545,000
2043-2047	10,798,114	-	-
2048-2052	2,219,283	-	-
Total	181,220,029	6,840,342	190,863,965
Interest	(102,666)	-	(18,820,561)
Net	**$ 181,117,363**	**$ 6,840,342**	**$ 172,043,404**

At September 30, 2012 assets recorded under capital leases were as follows (amounts expressed in thousands):

	Governmental Activities
Buildings	$ 131,159
Equipment	5,553
Less: accumulated depreciation	(39,578)
Total	**$ 97,134**

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		$ 742,217	$ -	$ (33,868)	$ 708,349	$ 41,790
Revenue Bonds		246,086	-	(29,149)	216,937	28,755
Capital Leases/Notes/Mortgages		144,811	45,551	(9,245)	181,117	9,194
Claims & Judgments		74,115	17,167	(22,863)	68,419	15,648
Compensated Absences	†	279,996	23,019	(23,190)	279,825	3,038
Other Long-Term Liabilities	††	779	3,550	-	4,329	-
Other Post-Employment Benefits		457,587	253,798	(98,564)	612,821	-
Total Governmental Activities		**1,945,591**	**343,085**	**(216,879)**	**2,071,797**	**98,425**
Business-type Activities:						
Revenue Bonds		657,155	61,380	(55,611)	662,924	23,051
Capital Leases/Notes/Mortgages		8,871	153	(2,184)	6,840	1,024
Claims & Judgments		6,216	22,454	(22,872)	5,798	3,633
Compensated Absences	†	31,416	1,290	(2,253)	30,453	4,221
Other Long-Term Liabilities	‡	17,537	328	(871)	16,994	-
Other Post-Employment Benefits		20,789	11,489	(4,462)	27,816	-
Total Business-Type Activities		**741,984**	**97,094**	**(88,253)**	**750,825**	**31,929**
Total Primary Government		**$ 2,687,575**	**$ 440,179**	**$ (305,132)**	**$2,822,622**	**$ 130,354**
Component Units:						
Revenue Bonds		$ 7,026,925	$ 781,460	$(1,000,603)	$6,807,782	$ 333,705
Arbitrage		1,859	-	(933)	926	-
Capital Leases/Notes/Mortgages		173,326	5,246	(6,529)	172,043	10,600
Compensated Absences	†	134,293	8,251	(8,752)	133,792	33,018
Claims & Judgments		122,745	1,159,568	(1,174,493)	107,820	107,816
Other Long-Term Liabilities	§	149,744	4,431	(16,699)	137,476	-
Other Post-Employment Benefits		44,049	17,687	(6,869)	54,867	-
Total Component Units		**$ 7,652,941**	**$1,976,643**	**$(2,214,878)**	**$7,414,706**	**$ 485,139**

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

†† Other Long-term liabilities are payable as follows: Department of Finance, $2,329,000 and Department of Corrections, $2,000,000.

‡ Other Long-term liabilities are payable as follows: State Port Authority, $16,525,000, and Alabama College System, $469,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, $10,114,000, Auburn University, $41,656,000, University of South Alabama, $63,613,000, University of North Alabama, $327,000, University of Alabama Huntsville, $179,000, Alabama State University, $5,365,000, and University of Alabama at Birmingham, $16,222,000.

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2012 consisted of (amounts in thousands):

	DUE FROM												
DUE TO	General Fund	Education Trust Fund	Alabama Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Nonmajor Govern-mental	Unem-ployment Compen-sation	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Internal Service Funds	Fidu-ciary Funds	Total
General Fund	$ 0	$ 190	$ 0	$ 18	$ 0	$ 0	$ 1,919	$ 0	$ 19,097	$ 0	$ 30	$ 0	$ 21,254
Education Trust	-	-	-	-	-	2	52	-	355	-	-	-	409
Alabama Trust	161,566	422,978	-	-	-	-	-	-	-	-	-	-	584,544
Medicaid Fund	215	518	-	-	-	2,917	4,774	-	-	-	-	-	8,424
Public Road & Bridge Fund	67	-	-	-	-	4	196	-	-	-	215	-	482
Public Welfare Trust Fund	-	-	-	9,337	-	-	560	-	6,449	-	-	-	16,346
Nonmajor Governmental	6,274	5,443	122	11,681	1,772	1,264	18,426	6,500	338	773	884	-	53,477
Unemployment Compensation	-	-	-	-	-	-	41	-	-	-	-	-	41
Alcoholic Beverage Control Board	-	-	-	-	-	-	284	-	-	-	-	-	284
Nonmajor Enterprise Funds	-	-	-	-	-	-	10	-	-	-	-	-	10
Internal Service Funds	1,894	559	-	807	1,050	2,108	18,006	-	199	-	269	7	24,899
Fiduciary Funds	98	1	-	-	-	2	20	1	-	-	-	-	122
Totals	$ 170,114	$ 429,689	$ 122	$ 21,843	$ 2,822	$ 6,297	$ 44,288	$ 6,501	$ 26,438	$ 773	$ 1,398	$ 7	$ 710,292

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

The Education Trust Fund has the most interfund payables, $429,689,000 in total. Of that amount, $422,978,000 is to repay the Education Trust Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall in fiscal year 2009. 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, $170,114,000 in total. Of that amount, $161,566,000 is to repay the General Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall in fiscal year 2010. 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 $44,288,000. Of that amount, $4,774,000 is owed to Medicaid, $18,426,000 is owed to other Nonmajor Governmental Funds, and $18,006,000 is owed to Internal Service Funds for goods and services.

Medicaid owed $9,337,000 to the Public Welfare Trust Fund and $11,681,000 to Nonmajor Governmental Funds. Of the latter amount, $3,652,000 is due to Public Health, $1,942,000 is due to Youth Services, $5,252,000 is due to Senior Services, $1,000 is due

to Legislative Reference Services, and $834,000 is due to Rehabilitation Services. The Alcoholic Beverage Control Board (ABC) has interfund payables totaling $26,438,000. ABC owed $19,097,000 to the General Fund and $6,449,000 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 receivables, $422,978,000 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 $53,477,000. The Internal Service Funds rank third in receivables, at $24,899,000. Risk Management, an Internal Service Fund, financed several buildings and building renovations for various Nonmajor Governmental Funds in the amount of $10,806,000 for a period of longer than one year. The remaining Internal Service Fund receivable of $14,093,000 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 General Fund ranks fourth in receivables, at $21,254,000. $19,097,000 of that amount is due from ABC as discussed above.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2012, 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	$ 0	$ 128	$ 13	$ 141
Education Trust Fund	-	2	6	146	154
Medicaid Fund	-	39,888	-	-	39,888
Public Road and Bridge Fund	-	-	18	-	18
Public Welfare Trust Fund	-	346	19	-	365
Nonmajor Governmental	14,449	127,689	104	555	142,797
Alcoholic Beverage Control Board	-	2,383	11	-	2,394
Nonmajor Enterprise Funds	-	-	99	-	99
Internal Service Funds	-	89	328	-	417
Totals	$ 14,449	$ 170,397	$ 713	$ 714	$ 186,273

The largest payable of $127,689,000 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 $39,888,000 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 $5,700,000 that is due from the primary government as a whole.

Balances owed to state funds by component units at September 30, 2012 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	$ 9	$ 0	$ 9
Education Trust Fund	-	-	-	1	-	1
Medicaid	11,520	-	-	-	-	11,520
Public Road and Bridge Fund	-	-	-	2	-	2
Public Welfare Trust Fund	544	-	-	2	-	546
Nonmajor Governmental	3	3,242	572	633	1,421	5,871
Internal Service Funds	250	-	1	44	860	1,155
Totals	$ 12,317	$ 3,242	$ 573	$ 691	$ 2,281	$ 19,104

The component units of the State owe $19,104,000 to various funds of the State. The largest amount, $11,520,000, is owed by Mental Health to Medicaid for match payments related to programs for eligible patients in the care of Mental Health. The second largest amount, $3,242,000 is owed to Nonmajor Governmental by Water Pollution Control Authority primarily for payroll costs. $1,421,000 is owed to Nonmajor Governmental by Nonmajor Component Units. Of that amount, $1,078,000 is owed by the Drinking Water Finance Authority to the Department of Environmental Management primarily for payroll costs. Risk Management, an Internal Service Fund, financed building renovations for Crime Victims Compensation, a Nonmajor Component Unit in the amount of $782,000 for a period of longer than one year. The remaining Internal Service Fund receivable of $373,000 is owed for routine billings of services rendered.

C. Balances Between Component Units

Balances owed between component units at September 30, 2012 consisted of (amounts in thousands):

	PAYABLE FROM					
PAYABLE TO	Mental Health	Public Education Employees' Health Insur	State Employees' Health Insurance	University of Alabama	Nonmajor Component Units	Total
Mental Health	$ 0	$ 0	$ -	$ 52,578	$ 0	$ 52,578
State Employee's Health Insurance	4	1	-	-	3	8
Nonmajor Component Units	-	-	4	-	-	4
Totals	$ 4	$ 1	$ 4	$ 52,578	$ 3	$ 52,590

The component units of the State had interfund payables due to other component units totaling $52,590,000. The largest amount, $52,578,000, is owed by the University of Alabama to Mental Health for the purchase of the Bryce Hospital property.

D. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2012 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 Governmental	Unemployment Compensation	State Port Auth	Alabama Community College System	Alcoholic Beverage Control Board	Non-major Enterprise	Internal Service Funds	Total
General Fund	$ 0	$ 0	$ 0	$ 27,119	$ 0	$ 78,852	$ 92,367	$ 0	$ 0	$ 0	$ 0	$ 0	$ 6,267	$ 204,605
Education Trust Fund	-	-	-	7,270	-	12,564	108,553	-	-	305,152	-	3,731	110	437,380
Alabama Trust	337,406	-	-	-	-	-	154,457	-	-	-	-	-	-	491,863
Medicaid	-	-	-	-	-	79,965	217,267	-	-	-	-	-	-	297,232
Public Road & Bridge Fund	-	-	-	-	-	-	92,854	-	-	-	-	-	-	92,854
Public Welfare Trust Fund	-	27,314	-	39,262	12	-	43,975	-	-	-	-	-	-	110,563
Nonmajor Governmental	59,547	30,201	1,058	50,811	46	1,316	177,002	11,427	818	2,521	642	-	4,075	339,464
Unemployment Compensation	-	-	-	-	-	-	16,218	-	-	-	-	-	-	16,218
State Port Auth	-	-	-	-	-	-	50	-	-	-	-	-	-	50
Alcoholic Beverage Control Board	19,738	-	-	-	-	780	246	-	-	-	-	-	-	20,764
Nonmajor Enterprise	-	-	-	-	-	-	11,081	-	-	-	-	-	-	11,081
Internal Service Funds	-	-	-	-	24	-	144	-	-	-	-	-	-	168
Fiduciary Funds	-	-	-	-	-	-	641	-	-	-	-	-	-	641
Totals	$416,691	$57,515	$1,058	$124,462	$ 82	$173,477	$914,855	$11,427	$818	$ 307,673	$ 642	$3,731	$10,452	$ 2,022,883

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 $204,605,000 transferred to other funds by the General Fund, $138,227,000 was transferred in compliance with the appropriation acts. Of that amount, $78,847,000 was transferred to the Public Welfare Trust Fund, $39,674,000 was transferred to the Fair Trial Tax Fund, a Nonmajor Governmental Fund, and $14,088,000 was transferred to other Nonmajor Governmental Funds. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

The General Fund transferred, in aggregate, $92,367,000 to Nonmajor Governmental Funds. That amount includes two of the appropriated transfers discussed in the previous paragraph, plus an additional $30,925,000 transferred to debt service funds.

Of the $437,380,000 transferred out of the Education Trust Fund, the appropriation acts as adjusted by proration required the transfer of $400,251,000 to other funds. Of that amount, $305,152,000 was transferred to supplement the operations of the Alabama Community College System. The appropriation acts also mandated that $8,940,000 be transferred to K-12 school systems from Sixteenth Section Land Grants pursuant to a class settlement agreement. The Education Trust Fund Budget Stabilization Fund, a safety net established to prevent proration in the Education Trust Fund, received $40,000,000 in accordance with a supplemental appropriation act. The Public Welfare Trust Fund received $12,564,000, and the remaining Education Trust Fund transfers were made in small amounts to comply with a various statutes.

The Alcoholic Beverage Control Board transferred $19,738,000 to the General Fund and $780,000 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 $337,406,000, and the Nonmajor Governmental Funds received $154,457,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received $13,655,000, the County Government Capital Improvement Fund received $49,065,000, the Municipal Government Capital Improvement Fund received $49,065,000, the Alabama Capital Improvement Trust Fund received $33,224,000, the County and Municipal Capital Improvement Trust Fund received $8,306,000, and the Senior Services Trust Fund received $1,142,000.

Medicaid transferred out $79,965,000 to the Public Welfare Trust Fund, and $217,267,000 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 $41,000 more transfers in for Internal Service Funds because transfers of capital assets were made between general government and Internal Service Funds.

NOTE 6 - RISK MANAGEMENT

A. Finance Department Division of Risk Management

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

There was no significant reduction in insurance coverage by the three Division of Risk Management funds from the prior year. These funds do not have acquisition costs; therefore, no cost is amortized for the period. The funds use the accrual basis of accounting for reporting purposes. As required by GASB Statement No. 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 a professional actuary based on prior claims data. Non-incremental claims adjustment expenses have not been included as part of the liability for any of the funds.

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

1. State Insurance Fund

The State Insurance Fund (SIF) was established in 1923 and is under the *Code of Alabama 1975*, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. 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 wind, and a $20,000,000 specific loss deductible for wind losses. Excess insurance covers claims exceeding the deductible with a $2 billion limit for named wind storms and a $1 billion limit for all other perils. Payments received in fiscal years 2012, 2011, and 2010 for settlements in excess of deductibles totaled $18,500,000, $50,917,000, and $2,274,000, respectively.

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

(Amounts in Thousands)	September 30,	
	2012	2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 14,577	$ 10,092
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	10,502	22,414
Increase (Decrease) in provision for insured events of prior years	(2,057)	(974)
Total incurred claims and adjustment expenses	8,445	21,440
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(3,842)	(9,192)
Claims and adjustment expenses attributable to insured events of prior years	(7,688)	(7,763)
Total payments	(11,530)	(16,955)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 11,492	$ 14,577

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

2. General Liability Trust Fund

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto liability is fully 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 procured effective January 15, 2011. The coverage will aggregate paid losses in excess of $500,000 per claim. When these losses exceed $3,000,000 in a policy year, claims in excess of the $500,000 deductible will be reimbursed up to a maximum recovery of $10,000,000 in any policy year. Payments received in fiscal years 2012, 2011 and 2010 for settlements in excess of deductibles for old claims (prior to April 2002) totaled $0, $199,000, and $0, respectively.

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

(Amounts in Thousands)	September 30,	
	2012	2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 28,547	$ 29,727
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	7,600	2,102
Increase (Decrease) in provision for insured events of prior years	(2,148)	5,003
Total incurred claims and adjustment expenses	5,452	7,105
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(608)	(816)
Claims and adjustment expenses attributable to insured events of prior years	(5,741)	(7,469)
Total payments	(6,349)	(8,285)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 27,650	$ 28,547

3. State Employee Injury Compensation Trust Fund

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

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

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

(Amounts in Thousands)	September 30,	
	2012	2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 30,459	$ 29,260
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	5,867	3,357
Increase (Decrease) in provision for insured events of prior years	(2,597)	3,864
Total incurred claims and adjustment expenses	3,270	7,221
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(2,354)	(1,089)
Claims and adjustment expenses attributable to insured events of prior years	(3,191)	(4,933)
Total payments	(5,545)	(6,022)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 28,184	$ 30,459

The Department of Transportation finances its own risk for state employee injury compensation. This table includes the changes in claims liabilities for the Department of Transportation as well as Risk Management. Claims liabilities at the beginning of the year for Transportation totaled $10,168,000, and total claims payments were $1,744,000 in 2012. The Department of Transportation had $9,822,000 in claims liabilities at the end of the year.

B. Health Insurance Plans

1. State Employees' Insurance Plan

The State Employees' Insurance Plan (SEIP) was established in 1965 by Alabama Act No. 833 to provide health insurance benefits for state employees. The SEIP is administered by the State Employees' Insurance Board (SEIB). The monthly premiums for employee and dependent coverage are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans. The State pays a monthly premium for each employee and the employee pays the established dependent premium. The SEIB establishes claims liabilities based on estimates of the ultimate cost of claims (including estimated future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

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 past two years (approximately 58 percent of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)	September 30,	
	2012	2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 49,666	$ 55,450
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	420,687	417,312
Adjustment to estimated claims incurred but not reported at end of year	(1,104)	(8,025)
Total incurred claims and adjustment expenses	419,583	409,287
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(400,229)	(391,673)
Claims and adjustment expenses attributable to insured claims of prior years	(26,641)	(23,398)
Total payments	(426,870)	(415,071)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 42,379	$ 49,666

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

2. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of public educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. The 2012 and 2011 employer rate per participant was $714 and $752, respectively. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Note that $573,000 of unpaid claims at year-end is classified as due to the primary government.

The following table presents the changes in claims liabilities during 2012 and 2011:

(Amounts in Thousands)	September 30, 2012	September 30, 2011
Unpaid claims and claim adjustment expense at beginning of year	$ 72,421	$ 76,793
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	741,837	750,967
Increase (Decrease) in provision for insured events of prior years	(1,852)	(15)
Total incurred claims and adjustment expenses	739,985	750,952
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(677,334)	(678,545)
Claims and adjustment expenses attributable to insured events of prior years	(70,570)	(76,779)
Total payments	(747,904)	(755,324)
Total unpaid claims and adjustment expenses at end of year	$ 64,502	$ 72,421

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

3. 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.

In addition to funding via premiums, 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 bearing accounts and used by AHIP to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling $4,000,000 and $5,510,000 in 2012 and 2011, 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 past two years:

(Amounts in Thousands)	September 30,	
	2012	2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 3,385	$ 3,700
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	21,955	21,724
Increase (Decrease) in provision for insured events of prior years	153	(773)
Total incurred claims and adjustment expenses	22,108	20,951
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(20,616)	(19,330)
Claims and adjustment expenses attributable to insured events of prior years	(1,779)	(1,936)
Total payments	(22,395)	(21,266)
Reported claims payable and estimated claims incurred but not reported at end of year	$ 3,098	$ 3,385

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

4. 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 $1,000,000 self-insured retention is covered up to a $10 million policy limit. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the past two years:

(Amounts in Thousands)	September 30, 2012	September 30, 2011
Reported claims payable and estimated claims incurred but not reported at beginning of year	$ 2,830	$ 2,760
Provision for claims	346	663
Total payments	(476)	(593)
Reported claims payable and estimated claims payable incurred but not reported at end of year	$ 2,700	$ 2,830

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 with a special funding situation, established under the 1973 *Alabama Acts* 1163. The JRF provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

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 10 years of credited service and has attained age 70, or (5) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for circuit, appellate, and probate judges is 75 percent of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75 percent of the position's salary immediately prior to retirement.

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, 2012. 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, 2012, the number of participating employers in each system was as follows:

	TRS	ERS	JRF
Cities	-	290	-
Counties	-	65	67
Other Public Entities	-	523	-
Universities	13	-	-
Post-Secondary Institutions	31	-	-
City & County Boards of Education	133	-	-
State Agencies & Other	32	1	1
Total	**209**	**879**	**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, 2012, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 8.26 percent and 9.12 percent, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2011 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, ERS, and JRF are prepared using the entry age method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

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

For the September 30, 2011 actuarial valuations for TRS, ERS, and JRF, 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, 2011 actuarial valuations for the TRS, ERS, and JRF. The remaining amortization period is 30 years for the JRF, TRS, ERS-state employees, and ERS-state policemen.

For the September 30, 2010 actuarial valuation for 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, 2010 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) was 7.25 percent of earnable compensation for fiscal year 2012. State policemen were required to contribute 10 percent of earnable compensation. JRF members and certified firefighter, police officer, and correctional officer members of the TRS and ERS were required to contribute 8.25 percent of earnable compensation.

For fiscal year 2012 the required contribution rate of the employer for ERS (state employees) was 9.42 percent and the rate for TRS was 10.00 percent. The employer contribution rate for ERS state policemen and JRF was 29.92 percent and 24.35 percent, respectively.

a. TRS

A schedule of Annual Required Contributions (ARC) and the percentage contributed for the TRS (cost-sharing plan) is shown below:

	Annual Required Contribution *		
	2012	2011	2010
Primary Government	$ 43,622	$ 56,050	$ 55,361
Major Discretely Presented Component Units			
Auburn University	34,144	41,774	39,952
University of South Alabama	23,381	31,420	32,259
University of Alabama	120,053	143,026	134,517

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

b. JRF

The State is required by law to make all employer contributions on behalf of the local governments for JRF. The funded status of the JRF (Cost-sharing plan with a special funding situation) as of the latest actuarial valuation is as follows:

(Amounts in Thousands)	Judicial Retirement Fund
Actuarial Valuation Date	9/30/2011
Actuarial Accrued Liability (AAL)	$ 393,635
Actuarial Value of Assets	235,870
Unfunded Actuarial Accrued Liability (UAAL)	$ 157,765
Funded Ratio	59.9%
Covered Payroll	$ 41,826
UAAL as a Percentage of Covered Payroll	377.2%

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 2012 for JRF were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2010. The actuarial methods and assumptions for September 30, 2010 and the latest actuarial valuation September 30, 2011 are as follows:

Actuarial Methods for JRF		
Valuation Date:	September 30, 2011	September 30, 2010
Actuarial Cost Method:	Entry Age Normal	Projected Unit Credit
Asset Valuation Method:	5 Yr Smoothed Market	5 Yr Smoothed Market
Amortization Method:	Level Percent Open	Level Percent Open
Remaining Amortization Period:	30 years	30 years
Actuarial Assumptions for JRF		
Investment Rate of Return:	8%*	8%**
Projected Salary Increases:	4%*	5%**
Cost of Living Increases:	3.25%***	None

*Includes inflation at 3.0%

**Includes inflation at 4.5%

***3.25% per year for certain members hired prior to July 30, 1979 and for spouses' benefits subject to increase

The annual pension cost for the JRF was as follows:

Three-Year Trend Information for JRF

(Amounts in Thousands)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 10,814	100	$0
2011	10,906	100	0
2012	10,747	100	0

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	9/30/2011
Actuarial Accrued Liability (AAL)	$ 7,442,779
Actuarial Value of Assets	4,746,479
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,696,300
Funded Ratio	63.8%
Covered Payroll	$ 1,464,712
UAAL as a Percentage of Covered Payroll	184.1%

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 2012 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2010. The actuarial methods and assumptions for September 30, 2010 and the latest actuarial valuation September 30, 2011 are as follows:

Actuarial Methods for ERS (State Employees and State Policemen)		
Valuation Date:	September 30, 2011	September 30, 2010
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5 Yr Smoothed Market	5 Yr Smoothed Market
Amortization Method:	Level Percent Open	Level Percent Open
Remaining Amortization Period:	30 years	30 years

Actuarial Methods for ERS (State Employees and State Policemen)		
Investment Rate of Return:	8%*	8%**
Projected Salary Increases:	3.75% - 7.25%*	4.61% - 7.75%**
Cost of Living Increases:	None	None

*Includes inflation at 3.0%

**Includes inflation at 4.5%

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

Three-Year Trend Information for the State employer segment of ERS

(Amounts in Thousands)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 191,183	100	$0
2011	183,211	100	0
2012	136,554	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, 2012, net assets of the plan totaled $1,594,217,000.

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 197 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, 2012. 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, 2012. 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 $10 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay $151 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 2012 totaled $27,977,000. Of this amount, $1,899,000 was an on-behalf payment for the primary government of the State of Alabama and $1,676,000 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 contributed during the fiscal year in the amount of $1,000,000 as authorized by the SEHIP Board. The Medicare Part D retiree drug subsidy for the primary government, the component units, and the fiduciary funds was $9,843,000, $656,000, and $83,000, respectively, for fiscal year 2012.

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 percent 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	$ 258,282	$ 17,220	$ 2,189
Interest on net OPEB obligation	24,476	1,632	207
Adjustment to ARC	(17,470)	(1,165)	(149)
Annual OPEB cost	265,288	17,687	2,247
Contributions made	(103,027)	(6,869)	(873)
Increase in net OPEB obligation	162,261	10,818	1,374
Net OPEB obligation, beginning of year	478,376	44,049	3,885
Net OPEB obligation, end of year	**$ 640,637**	**$ 54,867**	**$ 5,259**

Percentage of annual OPEB cost contributed: 39%

The net OPEB obligation is liquidated proportionately by all funds paying employee health care benefits through SEHIP.

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, 2011, was as follows:

Retired State Employees' Health Care Trust (SEHIP)

(Amounts in thousands)

Actuarial Valuation Date	09/30/2011
Actuarial Accrued Liability (AAL)	$ 3,369,897
Actuarial Value of Assets	(108,723)
Unfunded Actuarial Accrued Liability (UAAL)	**$ 3,261,174**
Funded Ratio	3%
Covered Payroll	$ 1,506,539
UAAL as a Percentage of Covered Payroll	216%

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 consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2012 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust	
Valuation Date:	September 30, 2009
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%
Medical Cost Trend Rate:	
Medicare Eligible	9%
Pre-Medicare	10.5%
Ultimate Trend Rate:	
Medicare Eligible	5%
Pre-Medicare	5%
Year of Ultimate Trend Rate:	2016
Dental Trend Rate:	5%

*Includes Inflation at 4.5%

The assumed investment rate of return reflects the fact that as of September 30, 2009 the Plan had assets in a trust solely to provide benefits to retirees and their beneficiaries. A policy has been established 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:

	Statutorily Required Contribution*		
(Amounts in Thousands)	**2012**	**2011**	**2010**
Primary Government	$ 17,303	$ 15,223	$ 17,284
Major Discretely Presented Component Units			
Auburn University	9,766	10,604	9,214
University of South Alabama	7,607	7,598	6,078
University of Alabama	26,734	28,601	25,573

* 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
2010	106,078	215,777	49%	424,283
2011	115,908	217,935	53%	526,310
2012	110,768	285,221	39%	700,763

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 $54,000 and $104,000 to the Authority for fiscal year 2012 and fiscal year 2011, 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)

	2012	2011
Fund Balance	$ 301	$ 285
Revenues	317	278
Expenditures	301	262

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 $143,000 in revenues in 2012.

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 UAH Foundation for Excellence, the University of South Alabama Medical Science 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 $6,460,000 during the 2012 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately $1,919,000 for 2012.

An affiliation agreement documents the relationship between HSF and UAB. The operating revenues of UAB include approximately $29,238,000 of funding from HSF in 2012, 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 $8,301,000 during 2012 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 $521,000 for 2012.

NOTE 13 - CONTINGENCIES

A. Grants

The State receives federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes.

Federal grantor agencies from time to time review state records to determine whether the State has complied with the terms and conditions of grant agreements and federal regulations. Any disallowance resulting from a federal audit may become a liability of the State but cannot be reasonably estimated at this time. It is believed that any liability resulting from a determination of noncompliance will not materially affect the State's financial condition.

B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received $94 million in fiscal year 2012, $92 million in fiscal year 2011, $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 trial is scheduled to begin in the spring of 2012 with a common case presentation, to be followed by more than 30 individual state presentations that will be set throughout 2012 and 2013. Alabama's individual hearing has not yet been scheduled. Alabama's potential share of the adjustment could be as much as $80 million if Alabama loses and is deemed to have not diligently enforced its escrow statutes during 2003. If the tobacco industry is successful in the adjustment for 2003, additional arbitration proceedings would be likely for subsequent years. A timetable for a tentative settlement was signed by Attorney General Luther Strange, and a hearing on challenges to the settlement by some states was scheduled for March 7, 2013, in Ft. Myers, Florida.

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 a final order was issued on October 21, 2011, rejecting the plaintiffs' claims of discrimination. The plaintiffs filed an appeal to the U. S. 11th circuit Court of Appeals on November 18, 2011. The appeal has been fully briefed and oral argument was held on December 6, 2012, in Atlanta.

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 $15,000,000 plus accumulated interest of $5 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, and in the Federal district court in Montgomery. Settlement negotiations are in progress.

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.

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 percent 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 percent. The net endowment appreciation of the four-year colleges at September 30, 2012 was $103,929,000.

NOTE 15 - SUBSEQUENT EVENTS

Primary Government

On December 6, 2012, the Alabama Federal Aid Highway Finance Authority issued $327,935,000 Series 2012 Federal Aid Highway Finance Authority Bonds. The interest rates on the bonds range from 4 percent to 5 percent with principal due annually on September 1. The maturity date of the bonds is September 1, 2026.

On January 30, 2013, Medicaid received from the Centers for Medicare and Medicaid Services a notice of disallowance in the amount of $72,056,075 related to certain Tittle XIX expenditures claimed for the period October, 2005 through October, 2007. Medicaid intends to request reconsideration of this disallowance and appeal the disallowance through the proper channels.

Component Units

As of December 20, 2012, the Alabama Housing Finance Authority called approximately $18,230,000 of bonds prior to their scheduled maturities in the single family bond program.

The University of Alabama at Tuscaloosa issued Series 2012A and B General Revenue Bonds on October 16, 2012 totaling $265,700,000 and $20,300,000, respectively. The proceeds from these bond issuances will fund various capital projects. A portion of the proceeds of the 2012A Bonds will be used in a current refunding of the remaining 2001 Bonds in the amount of $23,475,000 and in an advance refunding of a portion of the 2004A Bonds in the amount of $114,190,000.

On October 31, 2012, the Alabama Public School and College Authority issued $33,000,000 Series 2012-C and 2012-D Capital Improvement Direct Loan Bonds. The interest rates on the Series 2012-C and Series 2012-D bonds range from 1.55 percent to 2.02 percent. The bonds will be payable on November 1 each year. The maturity date of the Series 2012-C and Series 2012-D bonds is November 1, 2022.

On October 10, 2012, the Alabama Incentives Financing Authority issued $124,225,000 Series 2012-A Special Obligation Bonds. The interest rate on the bond ranges from 3 percent to 5 percent with principal due annually on September 1. The maturity date of the bonds is September 1, 2042.

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

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
All Budgeted Funds
For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	$ 1,173,418	$ 1,098,170	$ 1,064,933	$ (33,237)
Licenses, Permits and Fees	170,007	159,105	154,290	(4,815)
Fines, Forfeits, and Court Settlements	28,972	27,114	26,293	(821)
Investment Income	17,616	16,486	15,987	(499)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	7,776	7,278	7,058	(220)
Total Revenues	**1,397,789**	**1,308,153**	**1,268,561**	**(39,592)**
EXPENDITURES				
Administrative Office of Courts	104,317	103,744	102,480	1,264
Agriculture and Industries	12,011	10,735	10,735	-
Attorney General	9,596	13,045	13,045	-
Auditor	1,014	906	830	76
Commission on Higher Education	-	-	-	-
Corrections	381,532	380,867	373,498	7,369
Economic and Community Affairs	10,248	9,158	7,811	1,347
Education	-	-	-	-
Emergency Management	13,220	11,826	9,181	2,645
Examiners of Public Accounts	9,737	8,703	8,703	-
Finance	10,730	10,126	7,357	2,769
Governor	2,594	3,593	2,775	818
Human Resources	-	-	-	-
Industrial Relations	1,181	1,064	1,045	19
Legislature	21,819	22,470	21,896	574
Medicaid	646,166	577,797	574,832	2,965
Mental Health	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	56,286	47,336	47,334	2
Public Safety	56,193	50,222	50,049	173
Public Service Commission	-	-	-	-
Rehabilitation Services	-	-	-	-
Revenue	64	57	40	17
Secretary of State	3,973	3,103	2,050	1,053
Transportation	-	-	-	-
Treasurer	1,873	1,675	1,610	65
Youth Services	32,455	9,787	9,787	-
Colleges and Universities	-	-	-	-
Other	197,748	216,494	196,897	19,597
Total Expenditures	**1,572,757**	**1,482,708**	**1,441,955**	**40,753**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(174,968)**	**(174,555)**	**(173,394)**	**1,161**
OTHER FINANCING SOURCES (USES)				
Transfers In	448,034	419,303	406,612	(12,691)
Transfers Out	(273,066)	(244,863)	(244,691)	172
Bonds Issued	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Debt Issuance Premiums	-	-	-	-
Insurance Recovery Proceeds	-	115	115	-
Total Other Financing Sources (Uses)	**174,968**	**174,555**	**162,036**	**(12,519)**
Net Change in Fund Balances	**$ 0**	**$ 0**	**(11,358)**	**$ (11,358)**

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		
$ 5,578,925	$ 5,667,742	$ 5,673,521	$ 5,779	$ 1,507,416	$ 1,648,583	$ 1,366,103	$ (282,480)
96	98	98	-	426,583	466,532	386,593	(79,939)
244	248	248	-	38,763	42,393	35,129	(7,264)
-	-	-	-	3,385	3,702	3,068	(634)
-	-	-	-	9,038,931	9,885,412	8,191,576	(1,693,836)
139	140	139	(1)	1,057,598	1,156,641	958,454	(198,187)
5,579,404	**5,668,228**	**5,674,006**	**5,778**	**12,072,676**	**13,203,263**	**10,940,923**	**(2,262,340)**
-	-	-	-	70,089	71,396	64,229	7,167
-	-	-	-	19,599	21,728	17,205	4,523
-	-	-	-	5,955	7,540	6,514	1,026
-	-	-	-	-	-	-	-
19,935	19,934	17,573	2,361	5,331	5,331	3,923	1,408
-	-	-	-	70,840	84,967	62,602	22,365
-	-	-	-	383,092	384,592	229,358	155,234
3,827,540	3,826,575	3,825,348	1,227	1,243,789	1,318,064	1,125,415	192,649
-	-	-	-	88,437	139,456	111,589	27,867
6,532	6,532	6,532	-	1,865	4,290	2,123	2,167
-	-	-	-	130,618	129,328	84,045	45,283
-	-	-	-	-	3,710	153	3,557
-	-	-	-	2,131,379	2,127,468	2,047,859	79,609
-	-	-	-	101,314	107,748	86,514	21,234
-	-	-	-	-	-	-	-
-	-	-	-	5,672,091	5,632,431	5,041,259	591,172
-	-	-	-	874,084	923,965	870,662	53,303
376,122	376,373	375,605	768	38,403	39,353	27,034	12,319
46,060	46,060	45,964	96	749,563	726,964	628,070	98,894
-	-	-	-	108,581	116,316	75,858	40,458
-	-	-	-	20,834	52,766	47,820	4,946
37,292	37,292	37,292	-	132,931	132,931	101,219	31,712
-	-	-	-	130,116	150,414	128,845	21,569
-	-	-	-	21,937	21,937	3,092	18,845
-	-	-	-	1,253,101	2,356,224	1,474,021	882,203
-	-	-	-	3,943	5,155	2,602	2,553
58,526	58,525	58,350	175	28,670	35,670	29,254	6,416
1,076,532	1,076,532	1,076,532	-	-	1,999	1,999	-
112,046	135,428	134,216	1,212	1,117,124	1,277,028	1,028,190	248,838
5,560,585	**5,583,251**	**5,577,412**	**5,839**	**14,403,686**	**15,878,771**	**13,301,454**	**2,577,317**
18,819	**84,977**	**96,594**	**11,617**	**(2,331,010)**	**(2,675,508)**	**(2,360,531)**	**314,977**
29,696	30,169	30,201	32	2,331,010	2,549,305	2,112,489	(436,816)
(48,515)	(115,146)	(115,146)	-	-	-	-	-
-	-	-	-	-	15,621	15,621	-
-	-	-	-	-	92,408	92,408	-
-	-	-	-	-	13,010	13,010	-
-	-	-	-	-	5,164	5,164	-
(18,819)	**(84,977)**	**(84,945)**	**32**	**2,331,010**	**2,675,508**	**2,238,692**	**(436,816)**
$ 0	**$ 0**	**11,649**	**$ 11,649**	**$ 0**	**$ 0**	**(121,839)**	**$ (121,839)**

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	**$ (11,358)**	**$ 11,649**	**$ (121,839)**	
Reconciliation to GAAP Basis:				
Perspective Differences:				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	121,839	$ 352
Basis Differences:				
Accruals of revenues and other revenue adjustments	52,175	(110,174)		275
Accruals of expenditures, expenses and other non-budgeted items	(26,568)	14,036		-
To remove asset purchases treated as budgetary expenditures	17,475	-		-
To remove encumbrances recognized as expenditures	1,882	3,800		216
To recognize prior budget year expenditures/expenses	(1,262)	(1,180)		(34)
To remove budget expenditures/expenses not accrued as liabilities	363	279		7
Entity Differences:				
Add net operating results for funds not budgeted				(143,727)
Net Change in Fund Balances/Net Assets - GAAP Basis	**32,707**	**(81,590)**	**0**	**(142,911)**
Fund Balances/Net Assets, October 1, 2011, as Restated	**(20,150)**	**(210,241)**		**3,126,602**
Increase (Decrease) in Inventory	734	-		-
Fund Balances/Net Assets, September 30, 2012	**$ 13,291**	**$ (291,831)**		**$ 2,983,691**

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
$ 12,196	$ (139,676)	$ 13,583	$ 136,254	$ (55,871)	$ (13,687)	$ (13,361)	$ (1,303)	$ (60,326)
6,955	34,855	52,706	59,001	(65)	12,398	(352)	463	(2,707)
797	11,747	(45,350)	(97,783)	54,066	(3,182)	21,712	1,816	15,181
-	-	-	678	546	10,917	1,384	-	1,034
2,349	40,782	3,778	18,190	91	1,979	364	63	5,190
(878)	(4,420)	(588)	(60,927)	(258)	(229)	(7)	-	(183,376)
4,894	1,012	(196)	8,357	534	150	(1)	(59)	39,077
10	(7,406)	(6,704)	53,940	199,613	10,283	3,619,800	101,310	856,773
26,323	**(63,106)**	**17,229**	**117,710**	**198,656**	**18,629**	**3,629,539**	**102,290**	**670,846**
(63,709)	**484,243**	**69,078**	**1,561,626**	**1,216,596**	**161,964**	**27,520,179**	**1,105,662**	**7,084,993**
-	(1,864)	-	28	-	-	-	-	-
$ (37,386)	**$ 419,273**	**$ 86,307**	**$ 1,679,364**	**$1,415,252**	**$ 180,593**	**$ 31,149,718**	**$ 1,207,952**	**$ 7,755,839**

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 $187 million. Approximately $47 million of supplemental appropriations and $22 million of conditional and other appropriations were distributed to various agencies from the General Fund. The Department of Corrections, Department of Human Resources, and District Attorneys received supplemental appropriations in the amounts of $45 million, $1 million, and $1 million, respectively. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill.

During fiscal year 2012, approximately $42 million of supplemental appropriations and $47 million of conditional and other appropriations were distributed from the Education Trust Fund (ETF). A $40 million supplemental appropriation was made to the Education Trust Fund Budget Stabilization Fund. The Department of Education received a supplemental appropriation of $2 million. $14 million was repaid to the ETF Rainy Day Account as a conditional appropriation. Also, $24 million and $9 million were appropriated for Veterans Affairs and 16th Section Lands, respectively.

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

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes federal funds which are included in the Earmarked Funds. Most of the $1.5 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 10.62% in 2012. The Education Trust Fund was not prorated in 2012. The General Fund has 8 years to pay back $162 million which was withdrawn in 2010. The Education Trust Fund paid back $14 million during fiscal year 2012, and has a remaining balance of $423 million due in 3 years resulting from a 2009 withdrawal. At the end of fiscal year 2012 there were no funds left that could be drawn from either Rainy Day Account.

Encumbrance Accounting

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

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

Lapsing of Appropriations

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

Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution of Alabama of 1901*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always equals or exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No. 41 requires that budgetary comparison schedules be presented as RSI based on the fund, organization, or program structure that the government uses for its legally adopted budget for a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund. The budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. The Earmarked Fund group does not correspond to a major GAAP fund and these perspective differences are included in the Budget-to-GAAP Reconciliation. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Governmental Funds subsection of the Combining and Individual Fund Statements and Schedules Section of the CAFR. This schedule provides 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, 2012

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Premiums and investment revenue:										
Earned	20,108	26,051	28,012	28,682	31,625	31,505	32,760	32,489	30,401	36,732
Ceded	9,220	9,355	8,866	11,098	15,067	16,582	17,022	16,803	16,625	20,834
Net Earned	10,888	16,696	19,146	17,584	16,558	14,923	15,738	15,686	13,776	15,898
2. Unallocated Expenses	1,321	1,226	1,435	2,012	2,012	3,030	3,273	3,010	2,863	2,774
3. Estimated losses and expenses, end of accident year:										
Incurred	20,571	19,113	15,806	17,978	34,751	9,843	15,975	17,531	113,642	38,861
Ceded	6,950	5,857	990	89	23,973	-	-	5,781	91,228	28,359
Net incurred	13,621	13,256	14,816	17,889	10,778	9,843	15,975	11,750	22,414	10,502
4. Net paid (cumulative) as of:										
End of Accident Year	6,724	2,956	2,229	6,245	4,617	2,840	5,135	6,493	9,192	3,842
One Year Later	12,336	8,432	10,068	12,391	14,468	6,257	11,681	10,178	16,880	
Two Years Later	11,636	9,549	12,021	14,930	15,893	6,613	14,307	10,241		
Three Years Later	11,983	10,301	12,138	14,977	16,160	6,710	14,310			
Four Years Later	11,066	10,347	12,096	15,160	16,159	6,750				
Five Years Later	10,957	10,231	12,094	15,159	16,158					
Six Years Later	10,730	10,231	12,091	15,159						
Seven Years Later	10,730	10,231	12,089							
Eight Years Later	10,730	10,231								
Nine Years Later	10,730									
5. Reestimated ceded losses and expenses	6,173	23,158	15,668	87	16,293	-	-	2,953	93,029	28,359
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	13,621	13,255	14,816	17,889	10,778	9,843	15,975	11,750	22,414	10,502
One Year Later	13,058	10,602	13,801	16,170	16,661	7,535	14,850	10,750	21,000	
Two Years Later	12,054	10,662	13,247	15,133	16,120	7,240	14,606	10,883		
Three Years Later	11,999	10,623	12,292	15,160	16,160	7,072	14,528			
Four Years Later	11,113	10,347	12,096	15,160	16,159	6,750				
Five Years Later	10,957	10,231	12,094	15,159	16,158					
Six Years Later	10,730	10,231	12,091	15,159						
Seven Years Later	10,730	10,231	12,089							
Eight Years Later	10,730	10,231								
Nine Years Later	10,730									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(2,891)	(3,025)	(2,727)	(2,730)	5,380	(3,093)	(1,447)	(867)	(1,414)	-

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

For the Fiscal Year Ended September 30, 2012

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 Payrol
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
9/30/2010	4,983,745	7,468,682	2,484,937	66.7	1,551,706	160.1
9/30/2011	4,746,479	7,442,779	2,696,300	63.8	1,464,712	184.1

The actuarial assumptions were changed for the projected salary increases. For the September 30, 2010 valuation, projected salary increases ranged from 4.61 percent to 7.75 percent. For the September 30, 2011 valuation, projected salary increases ranged from 3.75 percent to 7.25 percent. The inflation rate used for the actuarial assumptions was changed from 4.5 percent for the September 30, 2010 valuation to 3 percent for the September 30, 2011 valuation. The remaining amortization period was changed for the September 30, 2009 valuation from 20 years for both State employees and State policemen to 30 years for State employees and 26 years for State policemen. The remaining amortization period was changed for the September 30, 2010 valuation for State policemen from 26 years to 30 years.

The Retirement Systems of Alabama issued a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2012. 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 Judicial Retirement Fund

For the Fiscal Year Ended September 30, 2012

Judicial Retirement Fund
(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
9/30/2006	260,664	301,592	40,928	86.4	39,185	104.4
9/30/2007	265,189	315,941	50,752	83.9	41,318	122.8
9/30/2008	259,071	323,428	64,357	80.1	41,167	156.3
9/30/2009	252,646	340,978	88,332	74.1	43,234	204.3
9/30/2010	246,197	358,459	112,262	68.7	43,061	260.7
9/30/2011	235,870	393,635	157,765	59.9	41,826	377.2

The actuarial cost method was changed from the projected unit method to the entry age normal method for the September 30, 2011 valuation. Also, actuarial assumptions were changed for the September 30, 2011. The projected salary increases were changed from 5 percent to 4 percent. The cost of living increases were changed from 0 to 3.25 percent per year for certain members hired prior to July 30, 1979 and for spouses' benefits subject to increase. The inflation rate was changed from 4.5 percent to 3 percent.

The Retirement Systems of Alabama issued a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2012. 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, 2012

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
9/30/2009	88,588	4,142,076	4,053,488	2.1%	1,607,097	252.2%
9/30/2010	97,484	4,162,276	4,064,792	2.3%	1,594,767	254.9%
9/30/2011	108,723	3,369,897	3,261,174	3.2%	1,506,539	216.5%

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	Inflation Rate*
		Medicare Eligible	Pre-Medicare			
9/30/2009	5%	9.0%	10.5%	5%	2016	4.5%
9/30/2010	5%	8.5%	10.5%	5%	2017	4.5%
9/30/2011	5%	7.5%	9.5%	5%	2017	3.0%

*The inflation rate was reduced from 4.5 percent to 3 percent for the 9/30/2011 valuation. The medical cost trend rate was reduced twice for Medicare-eligible retirees from 9 percent to 8.5 percent for the 9/30/2010 valuation, and then from 8.5 percent to 7.5 percent for the 9/30/2011 valuation. The medical cost trend rate for pre-Medicare retirees was reduced from 10.5 percent to 9.5 percent for the 9/30/2011 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, 2012. 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 2012 include approximately 10,870 miles of state maintained highways and 5,390 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,					
	2012		2011		2010	
Category	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,196	84.55	7,146	88.17	7,163	83.90
Non-Interstate National Highway System	2,768	66.27	2,797	70.08	2,807	70.54
Interstate System	906	69.98	906	69.91	906	69.37
Total and Weighted Average Rating	**10,870**	**78.72**	**10,849**	**82.03**	**10,876**	**79.24**

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,					
	2012		2011		2010	
Category	**Structures**	**Rating**	**Structures**	**Rating**	**Structures**	**Rating**
Non-Interstate Non-National Highway System	2,598	6.68	2,599	6.67	2,594	6.69
Non-Interstate National Highway System	1,641	6.88	1,645	6.90	1,629	6.84
Interstate System	1,151	5.99	1,151	6.04	1,151	6.10
Total and Weighted Average Rating	**5,390**	**6.60**	**5,395**	**6.60**	**5,374**	**6.60**

Estimated and Actual Costs

In fiscal years 2012, 2011, 2010, 2009, and 2008, the State estimated it would need to spend $334.9, $319.6, $306.0, $310.0, and $320.0 million, respectively, to preserve and maintain all roadway assets and $10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. The State spent $439,145,000 for roadway preservation and $52,639,000 for bridge preservation in fiscal year 2012. The State spent $375,653,000 for road preservation and $60,306,000 for bridge preservation in fiscal year 2011. In fiscal year 2010, the State spent $387,793,000 for road preservation and $47,020,000 for bridge preservation. In fiscal year 2009, the State spent $316,082,000 for roadway 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 the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately $334,931,000 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".

COMBINING BALANCE SHEET
Nonmajor Governmental Funds by Fund Type

September 30, 2012
(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 1,133,215	$ 344	$ 24,321	$ 409	$ 1,158,289
Investments	607,581	294	-	79,076	686,951
Due from Other Funds	53,477	-	-	-	53,477
Due from Component Units	5,871	-	-	-	5,871
Investment Sales Receivable	156	-	-	150	306
Accounts Receivable	7,324	-	-	41	7,365
Due from Other Governments	119,483	-	-	-	119,483
Taxes Receivable	315,219	-	-	-	315,219
Interest and Dividends Receivable	3,419	-	-	243	3,662
Mortgages, Notes, and Loans Receivable	-	-	-	52	52
Securities Lending Collateral	6,078	-	-	5,357	11,435
Inventory	1,265	-	-	-	1,265
Restricted Assets	19,345	-	-	-	19,345
Other Assets	333	-	-	-	333
TOTAL ASSETS	**$ 2,272,766**	**$ 638**	**$ 24,321**	**$ 85,328**	**$ 2,383,053**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 6,094	$ 0	$ 0	$ 0	$ 6,094
Investment Purchases Payable	-	-	-	356	356
Salaries Payable	60,691	-	-	-	60,691
Due to Other Funds	44,192	-	-	96	44,288
Due to Component Units	142,797	-	-	-	142,797
Accounts Payable	115,975	-	1	240	116,216
Due to Other Governments	153,423	-	-	-	153,423
Securities Lending Obligation	6,078	-	-	5,357	11,435
Deferred Revenue	116,943	-	-	-	116,943
Amounts Held in Custody for Others	50,449	-	-	-	50,449
Compensated Absences	997	-	-	-	997
Total Liabilities	**697,639**	**0**	**1**	**6,049**	**703,689**
Fund Balances					
Nonspendable:					
Inventory	1,265	-	-	-	1,265
Permanent Fund Principal	-	-	-	74,692	74,692
Restricted for:					
Economic Development and Regulation	166,103	-	-	-	166,103
Education and Cultural Resources	114,856	-	-	4,317	119,173
Natural Resources and Recreation	88,165	-	-	-	88,165
Health	155,921	-	-	270	156,191
Social Services	109,658	-	-	-	109,658
Protection of Persons and Property	199,480	-	-	-	199,480
Transportation	31,666	-	-	-	31,666
General Government	698,705	-	-	-	698,705
Capital Projects	-	-	24,320	-	24,320
Debt Service	-	638	-	-	638
Assigned for:					
Economic Development and Regulation	1,653	-	-	-	1,653
Education and Cultural Resources	9,652	-	-	-	9,652
Natural Resources and Recreation	180	-	-	-	180
Health	2	-	-	-	2
Social Services	203	-	-	-	203
Protection of Persons and Property	30,931	-	-	-	30,931
General Government	43,955	-	-	-	43,955
Unassigned	(77,268)	-	-	-	(77,268)
Total Fund Balances	**1,575,127**	**638**	**24,320**	**79,279**	**1,679,364**
TOTAL LIABILITIES AND FUND BALANCES	**$ 2,272,766**	**$ 638**	**$ 24,321**	**$ 85,328**	**$ 2,383,053**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	$ 1,460,521	$ 0	$ 0	$ 0	$ 1,460,521
Licenses, Permits, and Fees	381,809	-	-	1,227	383,036
Fines, Forfeits, and Court Settlements	128,070	-	-	-	128,070
Investment Income	30,216	53	10	2,386	32,665
Federal Grants and Reimbursements	2,070,619	-	-	-	2,070,619
Other Revenues	332,495	2,137	250	1,393	336,275
Total Revenues	**4,403,730**	**2,190**	**260**	**5,006**	**4,411,186**
EXPENDITURES					
Current:					
Economic Development and Regulation	184,000	-	-	-	184,000
Education and Cultural Resources	1,320,175	-	-	344	1,320,519
Natural Resources and Recreation	146,954	-	-	-	146,954
Health	1,275,328	-	-	-	1,275,328
Social Services	383,721	-	-	15	383,736
Protection of Persons and Property	530,111	-	-	-	530,111
Transportation	229,724	-	-	-	229,724
General Government	679,866	-	-	-	679,866
Capital Outlay	22,731	-	1,338	-	24,069
Debt Service - Principal Retirement	2,162	52,955	-	-	55,117
Debt Service - Interest and Other Charges	5,413	39,735	-	-	45,148
Total Expenditures	**4,780,185**	**92,690**	**1,338**	**359**	**4,874,572**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(376,455)**	**(90,500)**	**(1,078)**	**4,647**	**(463,386)**
OTHER FINANCING SOURCES (USES)					
Transfers In	822,666	90,684	107	1,398	914,855
Capital Leases	2,170	-	-	-	2,170
Insurance Recovery Proceeds	3,535	-	-	-	3,535
Transfers Out	(337,523)	(187)	(848)	(906)	(339,464)
Total Other Financing Sources (Uses)	**490,848**	**90,497**	**(741)**	**492**	**581,096**
Net Change in Fund Balances	**114,393**	**(3)**	**(1,819)**	**5,139**	**117,710**
Fund Balances, October 1, 2011, as Restated	1,460,706	641	26,139	74,140	1,561,626
Increase (Decrease) in Inventory	28	-	-	-	28
Fund Balances, September 30, 2012	**$ 1,575,127**	**$ 638**	**$ 24,320**	**$ 79,279**	**$ 1,679,364**

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK WARRIOR
COOSA
ALLAPOOSA
GEORGIA
CAHABA R.
RIVER
RIVER
ALABAMA
TOMBIGBEE
COMECUH 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, 2012
(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	$ 83,724	$ 36,587	$ 11,509	$ 159,076	$ 15,130
Investments	-	-	13,285	-	-
Due from Other Funds	11,034	2,235	593	946	-
Due from Component Units	1,185	1	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	2	12	840	-	-
Due from Other Governments	14,613	75,298	14,999	-	-
Taxes Receivable	203	45	-	168,013	9,814
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	333	225	64	978	93
Inventory	-	-	169	-	-
Restricted Assets	-	-	6,311	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	**$ 111,094**	**$ 114,403**	**$ 47,770**	**$ 329,013**	**$ 25,037**
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	$ 393	$ 838	$ 259	$ 264	$ 0
Salaries Payable	16,068	3,801	1,027	-	-
Due to Other Funds	6,804	614	6,779	1,802	-
Due to Component Units	32	10	21	141,594	-
Accounts Payable	20,603	3,349	13,334	60	-
Due to Other Governments	56	72,475	2,829	61,023	-
Securities Lending Obligation	333	225	64	978	93
Deferred Revenue	-	-	601	-	-
Amounts Held in Custody for Others	-	-	-	-	-
Compensated Absences	197	109	-	-	-
Total Liabilities	**44,486**	**81,421**	**24,914**	**205,721**	**93**
Fund Balances					
Nonspendable:					
Inventory	-	-	169	-	-
Restricted for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	31,335	-	506	-
Natural Resources and Recreation	-	-	-	-	-
Health	66,608	-	-	-	24,944
Social Services	-	1,647	199	-	-
Protection of Persons and Property	-	-	-	-	-
Transportation	-	-	-	22,433	-
General Government	-	-	22,488	100,353	-
Assigned for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-
General Government	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	**66,608**	**32,982**	**22,856**	**123,292**	**24,944**
TOTAL LIABILITIES AND FUND BALANCES	**$ 111,094**	**$ 114,403**	**$ 47,770**	**$ 329,013**	**$ 25,037**

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
$ 28,068	$ 2,936	$ 19,435	$ 29,736	$ 17,507	$ 68,854	$ 660,653	$ 1,133,215
-	-	-	-	3,521	117	590,658	607,581
3,660	-	-	5	8,056	909	26,039	53,477
12	-	-	-	-	-	4,673	5,871
-	-	-	-	-	-	156	156
23	-	-	13	130	1,507	4,797	7,324
-	-	-	24	-	3,939	10,610	119,483
-	128,123	-	5,846	-	253	2,922	315,219
-	-	-	-	-	-	3,419	3,419
171	18	119	183	108	423	3,363	6,078
166	-	-	123	-	633	174	1,265
-	-	-	-	-	-	13,034	19,345
-	-	-	-	-	-	333	333
$ 32,100	**$ 131,077**	**$ 19,554**	**$ 35,930**	**$ 29,322**	**$ 76,635**	**$ 1,320,831**	**$ 2,272,766**
$ 102	$ 1	$ 31	$ 23	$ 32	$ 205	$ 3,946	$ 6,094
3,051	-	-	6,641	4,698	4,550	20,855	60,691
804	-	1,508	794	1,099	1,099	22,889	44,192
426	-	79	-	19	14	602	142,797
9,229	-	2,540	4,303	874	7,188	54,495	115,975
254	-	577	5	26	447	15,731	153,423
171	18	119	183	108	423	3,363	6,078
-	106,136	-	-	-	-	10,206	116,943
-	-	-	78	-	262	50,109	50,449
11	-	-	103	102	56	419	997
14,048	**106,155**	**4,854**	**12,130**	**6,958**	**14,244**	**182,615**	**697,639**
166	-	-	123	-	633	174	1,265
-	-	-	-	-	-	166,103	166,103
1,090	24,922	-	-	-	-	57,003	114,856
-	-	-	-	-	61,758	26,407	88,165
-	-	1,922	-	-	-	62,447	155,921
16,796	-	7,069	-	15,926	-	68,021	109,658
-	-	4,013	-	6,438	-	189,029	199,480
-	-	-	-	-	-	9,233	31,666
-	-	1,696	23,677	-	-	550,491	698,705
-	-	-	-	-	-	1,653	1,653
-	-	-	-	-	-	9,652	9,652
-	-	-	-	-	-	180	180
-	-	-	-	-	-	2	2
-	-	-	-	-	-	203	203
-	-	-	-	-	-	30,931	30,931
-	-	-	-	-	-	43,955	43,955
-	-	-	-	-	-	(77,268)	(77,268)
18,052	**24,922**	**14,700**	**23,800**	**22,364**	**62,391**	**1,138,216**	**1,575,127**
$ 32,100	**$ 131,077**	**$ 19,554**	**$ 35,930**	**$ 29,322**	**$ 76,635**	**$ 1,320,831**	**$ 2,272,766**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	$ 3,149	$ 2,957	$ 0	$ 733,325	$ 343,071
Licenses, Permits, and Fees	32,721	852	-	30,375	-
Fines, Forfeits, and Court Settlements	9	-	2,336	90,882	-
Investment Income	-	-	33	-	-
Federal Grants and Reimbursements	452,887	921,869	214,531	2,233	-
Other Revenues	50,576	12,574	4,256	-	30,645
Total Revenues	**539,342**	**938,252**	**221,156**	**856,815**	**373,716**
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	113,309	-
Education and Cultural Resources	-	895,023	-	152,852	-
Natural Resources and Recreation	-	-	-	2,002	-
Health	643,134	-	-	195,851	327,393
Social Services	-	53,720	24,517	-	-
Protection of Persons and Property	-	-	-	868	-
Transportation	-	-	-	205,480	-
General Government	-	-	169,637	237,427	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	523	-	-	-	-
Debt Service - Interest and Other Charges	616	-	54	-	-
Total Expenditures	**644,273**	**948,743**	**194,208**	**907,789**	**327,393**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(104,931)**	**(10,491)**	**26,948**	**(50,974)**	**46,323**
OTHER FINANCING SOURCES (USES)					
Transfers In	145,612	2,170	8,790	113,933	1
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	513	-	-	-	-
Transfers Out	(28,133)	(1,965)	(36,077)	-	(30,645)
Total Other Financing Sources (Uses)	**117,992**	**205**	**(27,287)**	**113,933**	**(30,644)**
Net Change in Fund Balances	**13,061**	**(10,286)**	**(339)**	**62,959**	**15,679**
Fund Balances, October 1, 2011, as Restated	53,547	43,268	23,113	60,333	9,265
Increase (Decrease) in Inventory	-	-	82	-	-
Fund Balances, September 30, 2012	**$ 66,608**	**$ 32,982**	**$ 22,856**	**$ 123,292**	**$ 24,944**

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
$ 0	$ 167,679	$ 0	$ 119,146	$ 3,528	$ 3,654	$ 84,012	$ 1,460,521
-	-	-	3,466	201	22,711	291,483	381,809
1,191	-	-	-	5	914	32,733	128,070
-	-	-	-	7	859	29,317	30,216
64,769	-	24	503	63,303	33,372	317,128	2,070,619
1,150	3,910	47,045	5,344	522	47,800	128,673	332,495
67,110	**171,589**	**47,069**	**128,459**	**67,566**	**109,310**	**883,346**	**4,403,730**
-	-	-	-	-	-	70,691	184,000
5,542	169,917	-	-	-	-	96,841	1,320,175
-	-	-	-	-	115,973	28,979	146,954
-	-	4,839	-	-	-	104,111	1,275,328
86,362	-	17,802	-	65,726	-	135,594	383,721
-	-	10,105	-	7,843	-	511,295	530,111
-	-	-	-	-	-	24,244	229,724
-	-	4,270	117,102	-	-	151,430	679,866
-	-	-	-	-	-	22,731	22,731
-	-	-	2	53	-	1,584	2,162
10	533	-	-	10	-	4,190	5,413
91,914	**170,450**	**37,016**	**117,104**	**73,632**	**115,973**	**1,151,690**	**4,780,185**
(24,804)	**1,139**	**10,053**	**11,355**	**(6,066)**	**(6,663)**	**(268,344)**	**(376,455)**
26,989	545	-	6,042	20,600	16,182	481,802	822,666
-	-	-	-	-	-	2,170	2,170
3	-	-	-	-	1,363	1,656	3,535
(210)	-	(12,375)	(11,854)	(11,708)	(11,075)	(193,481)	(337,523)
26,782	**545**	**(12,375)**	**(5,812)**	**8,892**	**6,470**	**292,147**	**490,848**
1,978	**1,684**	**(2,322)**	**5,543**	**2,826**	**(193)**	**23,803**	**114,393**
16,083	23,238	17,022	18,256	19,538	62,621	1,114,422	1,460,706
(9)	-	-	1	-	(37)	(9)	28
$ 18,052	**$ 24,922**	**$ 14,700**	**$ 23,800**	**$ 22,364**	**$ 62,391**	**$ 1,138,216**	**$ 1,575,127**

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2012
(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
ASSETS					
Cash and Cash Equivalents	$ 16,773	$ 19,984	$ 40,132	$ 1,730	$ 573
Investments	25	55,218	14,891	-	4,026
Due from Other Funds	6,279	932	11	1,440	-
Due from Component Units	-	4,570	1	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	1,469	1	88	3	132
Due from Other Governments	5	-	-	2,546	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	90	123	185	10	-
Inventory	-	-	-	-	-
Restricted Assets	12,297	-	-	-	697
Other Assets	-	-	-	-	333
TOTAL ASSETS	**$ 36,938**	**$ 80,828**	**$ 55,308**	**$ 5,729**	**$ 5,761**
LIABILITIES AND FUND BALANCES					
Warrants Payable	$ 0	$ 543	$ 57	$ 55	$ 0
Salaries Payable	99	3,599	1,139	288	-
Due to Other Funds	-	8,328	415	23	-
Due to Component Units	8	250	2	-	-
Accounts Payable	592	7,504	1,274	76	437
Due to Other Governments	-	3,070	5	10	-
Securities Lending Obligation	90	123	185	10	-
Deferred Revenue	-	-	8,433	-	56
Amounts Held in Custody for Others	-	27	798	-	-
Compensated Absences	-	82	11	13	-
Total Liabilities	**789**	**23,526**	**12,319**	**475**	**493**
Fund Balances					
Nonspendable:					
Inventory	-	-	-	-	-
Restricted for:					
Economic Development and Regulation	-	-	3	-	-
Education and Cultural Resources	-	-	-	-	5,268
Natural Resources and Recreation	-	-	13	-	-
Health	-	57,302	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	18,676	-	42,973	5,254	-
Transportation	-	-	-	-	-
General Government	-	-	-	-	-
Assigned for:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health	-	-	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	17,473	-	-	-	-
General Government	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	**36,149**	**57,302**	**42,989**	**5,254**	**5,268**
TOTAL LIABILITIES AND FUND BALANCES	**$ 36,938**	**$ 80,828**	**$ 55,308**	**$ 5,729**	**$ 5,761**

Public Health Care Authority	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Miscellaneous Special Revenue Funds	Totals
$ 1,893	$ 346	$ 1,817	$ 0	$ 0	$ 577,405	$ 660,653
165	18,782	-	10,604	426,294	60,653	590,658
-	-	-	-	-	17,377	26,039
-	-	-	-	-	102	4,673
-	-	-	-	156	-	156
-	24	3	-	-	3,077	4,797
5	-	-	-	-	8,054	10,610
-	-	59	-	-	2,863	2,922
-	-	-	69	3,174	176	3,419
-	2	11	-	-	2,942	3,363
-	-	-	-	-	174	174
-	-	-	-	-	40	13,034
-	-	-	-	-	-	333
$ 2,063	**$ 19,154**	**$ 1,890**	**$ 10,673**	**$ 429,624**	**$ 672,863**	**$ 1,320,831**
$ 0	$ 1	$ 1,335	$ 0	$ 0	$ 1,955	$ 3,946
-	-	117	-	-	15,613	20,855
-	1	402	-	-	13,720	22,889
-	-	-	-	-	342	602
160	540	21	-	-	43,891	54,495
-	-	-	-	-	12,646	15,731
-	2	11	-	-	2,942	3,363
-	-	-	21	1,044	652	10,206
-	-	-	-	-	49,284	50,109
-	-	-	-	-	313	419
160	**544**	**1,886**	**21**	**1,044**	**141,358**	**182,615**
-	-	-	-	-	174	174
-	-	-	10,652	-	155,448	166,103
-	-	-	-	-	51,735	57,003
-	18,610	-	-	-	7,784	26,407
1,903	-	-	-	-	3,242	62,447
-	-	-	-	-	68,021	68,021
-	-	-	-	-	122,126	189,029
-	-	-	-	-	9,233	9,233
-	-	4	-	428,580	121,907	550,491
-	-	-	-	-	1,653	1,653
-	-	-	-	-	9,652	9,652
-	-	-	-	-	180	180
-	-	-	-	-	2	2
-	-	-	-	-	203	203
-	-	-	-	-	13,458	30,931
-	-	-	-	-	43,955	43,955
-	-	-	-	-	(77,268)	(77,268)
1,903	**18,610**	**4**	**10,652**	**428,580**	**531,505**	**1,138,216**
$ 2,063	**$ 19,154**	**$ 1,890**	**$ 10,673**	**$ 429,624**	**$ 672,863**	**$ 1,320,831**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
REVENUES					
Taxes	$ 0	$ 6,572	$ 0	$ 0	$ 0
Licenses, Permits, and Fees	6,205	65,430	39,669	-	-
Fines, Forfeits, and Court Settlements	1,977	1,556	8,279	-	-
Investment Income	18	72	1,058	-	336
Federal Grants and Reimbursements	657	26,370	75	83,130	-
Other Revenues	29,560	1,524	827	3,646	4,871
Total Revenues	**38,417**	**101,524**	**49,908**	**86,776**	**5,207**
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	1	-	-
Education and Cultural Resources	-	-	-	-	5,037
Natural Resources and Recreation	-	-	27	-	-
Health	-	99,984	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	94,991	-	42,797	105,996	-
Transportation	-	-	-	-	-
General Government	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	1,002	-	-	-
Debt Service - Interest and Other Charges	3,356	652	-	-	-
Total Expenditures	**98,347**	**101,638**	**42,825**	**105,996**	**5,037**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(59,930)**	**(114)**	**7,083**	**(19,220)**	**170**
OTHER FINANCING SOURCES (USES)					
Transfers In	28,736	8,483	1,748	4,771	-
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	62	4	2	-	23
Transfers Out	-	(9,658)	(2,206)	(4,971)	(222)
Total Other Financing Sources (Uses)	**28,798**	**(1,171)**	**(456)**	**(200)**	**(199)**
Net Change in Fund Balances	**(31,132)**	**(1,285)**	**6,627**	**(19,420)**	**(29)**
Fund Balances, October 1, 2011, as Restated	67,281	58,587	36,362	24,674	5,297
Increase (Decrease) in Inventory	-	-	-	-	-
Fund Balances, September 30, 2012	**$ 36,149**	**$ 57,302**	**$ 42,989**	**$ 5,254**	**$ 5,268**

Public Health Care Authority	Forever Wild Trust	Fair Trial Tax Fund	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	Miscellaneous Special Revenue Funds	Totals
$ 0	$ 0	$ 15,690	$ 0	$ 0	$ 61,750	$ 84,012
-	239	320	-	-	179,620	291,483
-	-	-	-	-	20,921	32,733
-	53	-	(95)	26,481	1,394	29,317
-	-	6	-	-	206,890	317,128
-	1	4,039	1,528	-	82,677	128,673
0	**293**	**20,055**	**1,433**	**26,481**	**553,252**	**883,346**
-	-	-	1,999	-	68,691	70,691
-	-	-	-	-	91,804	96,841
-	7,576	-	-	-	21,376	28,979
2,795	-	-	-	-	1,332	104,111
-	-	-	-	-	135,594	135,594
-	-	-	-	-	267,511	511,295
-	-	-	-	-	24,244	24,244
-	-	59,876	7	253	91,294	151,430
-	-	-	-	-	22,731	22,731
-	-	-	-	-	582	1,584
-	-	-	-	-	182	4,190
2,795	**7,576**	**59,876**	**2,006**	**253**	**725,341**	**1,151,690**
(2,795)	**(7,283)**	**(39,821)**	**(573)**	**26,228**	**(172,089)**	**(268,344)**
1,254	13,655	40,260	33,224	8,306	341,365	481,802
-	-	-	-	-	2,170	2,170
16	-	-	-	-	1,549	1,656
-	(1,536)	(588)	(28,875)	(15,787)	(129,638)	(193,481)
1,270	**12,119**	**39,672**	**4,349**	**(7,481)**	**215,446**	**292,147**
(1,525)	**4,836**	**(149)**	**3,776**	**18,747**	**43,357**	**23,803**
3,428	13,774	153	6,876	409,833	488,157	1,114,422
-	-	-	-	-	(9)	(9)
$ 1,903	**$ 18,610**	**$ 4**	**$ 10,652**	**$ 428,580**	**$ 531,505**	**$ 1,138,216**

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Nonmajor Debt Service Funds

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

Corrections Institution Finance Authority

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

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, 2012
(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	$ 344	$ 0	$ 0	$ 0
Investments	-	294	-	-
TOTAL ASSETS	**$ 344**	**$ 294**	**$ 0**	**$ 0**
LIABILITIES AND FUND BALANCES				
Liabilities				
Total Liabilities	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Fund Balances				
Restricted for:				
Debt Service	344	294	-	-
Total Fund Balances	**344**	**294**	**0**	**0**
TOTAL LIABILITIES AND FUND BALANCES	**$ 344**	**$ 294**	**$ 0**	**$ 0**

Federal Aid Highway Finance Authority	Totals
$ 0	$ 344
-	294
$ 0	**$ 638**
$ 0	**$ 0**
-	638
0	**638**
$ 0	**$ 638**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
REVENUES				
Investment Income	$ 0	$ 48	$ 0	$ 0
Other Revenues	2,137	-	-	-
Total Revenues	**2,137**	**48**	**0**	**0**
EXPENDITURES				
Debt Service - Principal Retirement	1,825	2,160	2,895	32,145
Debt Service - Interest and Other Charges	312	2,244	1,077	32,690
Total Expenditures	**2,137**	**4,404**	**3,972**	**64,835**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**0**	**(4,356)**	**(3,972)**	**(64,835)**
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,540	3,972	64,835
Transfers Out	-	(187)	-	-
Total Other Financing Sources (Uses)	**0**	**4,353**	**3,972**	**64,835**
Net Change in Fund Balances	**0**	**(3)**	**0**	**0**
Fund Balances, October 1, 2011, as Restated	344	297	0	0
Fund Balances, September 30, 2012	**$ 344**	**$ 294**	**$ 0**	**$ 0**

Federal Aid Highway Finance Authority	Totals
$ 5	$ 53
-	2,137
5	**2,190**
13,930	52,955
3,412	39,735
17,342	**92,690**
(17,337)	**(90,500)**
17,337	90,684
-	(187)
17,337	**90,497**
0	**(3)**
0	641
$ 0	**$ 638**

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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.

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, 2012
(Amounts in Thousands)

	General Obligation Bond Projects	Public Health Care Authority	Judicial Building Authority	Other Capital Project Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 1,683	$ 20,560	$ 2,018	$ 60	$ 24,321
TOTAL ASSETS	**$ 1,683**	**$ 20,560**	**$ 2,018**	**$ 60**	**$ 24,321**
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 0	$ 1	$ 0	$ 0	$ 1
Total Liabilities	**0**	**1**	**0**	**0**	**1**
Fund Balances					
Restricted for:					
Capital Projects	1,683	20,559	2,018	60	24,320
Total Fund Balances	**1,683**	**20,559**	**2,018**	**60**	**24,320**
TOTAL LIABILITIES AND FUND BALANCES	**$ 1,683**	**$ 20,560**	**$ 2,018**	**$ 60**	**$ 24,321**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	General Obligation Bond Projects	Public Health Care Authority	Judicial Building Authority	Other Capital Project Funds	Totals
REVENUES					
Investment Income	$ 10	$ 0	$ 0	$ 0	$ 10
Other Revenues	250	-	-	-	250
Total Revenues	**260**	**0**	**0**	**0**	**260**
EXPENDITURES					
Capital Outlay	750	-	588	-	1,338
Total Expenditures	**750**	**0**	**588**	**0**	**1,338**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(490)**	**0**	**(588)**	**0**	**(1,078)**
OTHER FINANCING SOURCES (USES)					
Transfers In	-	107	-	-	107
Transfers Out	(818)	-	-	(30)	(848)
Total Other Financing Sources (Uses)	**(818)**	**107**	**0**	**(30)**	**(741)**
Net Change in Fund Balances	**(1,308)**	**107**	**(588)**	**(30)**	**(1,819)**
Fund Balances, October 1, 2011, as Restated	2,991	20,452	2,606	90	26,139
Fund Balances, September 30, 2012	**$ 1,683**	**$ 20,559**	**$ 2,018**	**$ 60**	**$ 24,320**

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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 Alliance

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

Senior Services Trust

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

Other Permanent Funds

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

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2012
(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 19	$ 48	$ 1	$ 341	$ 409
Investments	20,633	15,843	27,776	14,824	79,076
Investment Sales Receivable	67	-	83	-	150
Accounts Receivable	41	-	-	-	41
Interest and Dividends Receivable	-	52	191	-	243
Mortgages, Notes, and Loans Receivable	-	-	-	52	52
Securities Lending Collateral	3,282	-	2,073	2	5,357
TOTAL ASSETS	**$ 24,042**	**$ 15,943**	**$ 30,124**	**$ 15,219**	**$ 85,328**
LIABILITIES AND FUND BALANCES					
Liabilities					
Investment Purchases Payable	$ 152	$ 0	$ 204	$ 0	$ 356
Due to Other Funds	92	4	-	-	96
Accounts Payable	-	239	1	-	240
Securities Lending Obligation	3,282	-	2,073	2	5,357
Total Liabilities	**3,526**	**243**	**2,278**	**2**	**6,049**
Fund Balances					
Nonspendable:					
Permanent Fund Principal	20,516	11,500	27,846	14,830	74,692
Restricted for:					
Education and Cultural Resources	-	4,200	-	117	4,317
Health	-	-	-	270	270
Total Fund Balances	**20,516**	**15,700**	**27,846**	**15,217**	**79,279**
TOTAL LIABILITIES AND FUND BALANCES	**$ 24,042**	**$ 15,943**	**$ 30,124**	**$ 15,219**	**$ 85,328**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Alliance	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	$ 760	$ 0	$ 0	$ 467	$ 1,227
Investment Income	296	501	1,332	257	2,386
Other Revenues	-	-	1,390	3	1,393
Total Revenues	**1,056**	**501**	**2,722**	**727**	**5,006**
EXPENDITURES					
Current:					
Education and Cultural Resources	-	344	-	-	344
Social Services	-	-	15	-	15
Total Expenditures	**0**	**344**	**15**	**0**	**359**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**1,056**	**157**	**2,707**	**727**	**4,647**
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	1,142	256	1,398
Transfers Out	-	(5)	(890)	(11)	(906)
Total Other Financing Sources (Uses)	**0**	**(5)**	**252**	**245**	**492**
Net Change in Fund Balances	**1,056**	**152**	**2,959**	**972**	**5,139**
Fund Balances, October 1, 2011, as Restated	19,460	15,548	24,887	14,245	74,140
Fund Balances, September 30, 2012	**$ 20,516**	**$ 15,700**	**$ 27,846**	**$ 15,217**	**$ 79,279**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
EXPENDITURES:			
Administrative Office of Courts			
Administrative Services	4,183	4,183	-
Alabama Sentencing Commission	408	408	-
Court Operations	83,627	83,627	-
Drug Court	3,102	1,838	1,264
Juvenile Probation Officer Services	12,424	12,424	-
TOTAL Administrative Office of Courts	**103,744**	**102,480**	**1,264**
Agriculture and Industries			
Administrative Services	2,328	2,328	-
Agricultural Development Services	302	302	-
Agricultural Inspection Services	4,997	4,997	-
Lab Analysis and Disease Control	3,108	3,108	-
TOTAL Agriculture and Industries	**10,735**	**10,735**	**-**
Attorney General			
Fair Marketing Practices: Consumer Protection	409	409	-
Legal Advice and Legal Service: Attorney General - Operations	12,465	12,465	-
Legal Advice and Legal Service: Consumer Utility Fund	171	171	-
TOTAL Attorney General	**13,045**	**13,045**	**-**
Auditor			
Fiscal Management	906	830	76
TOTAL Auditor	**906**	**830**	**76**
Commission on Higher Education			
Alabama Teacher Recruitment Incentive	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Programs	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	**-**	**-**	**-**
Corrections			
Administration Service and Logistical Support	21,844	20,806	1,038
Correctional Industries	-	-	-
Institutional Service Corrections	359,023	352,692	6,331
TOTAL Corrections	**380,867**	**373,498**	**7,369**
Economic and Community Affairs			
Administrative Support Service	130	109	21
Energy Management	321	247	74
Law Enforcement Planning and Development	439	413	26
Planning	4,616	4,590	26
Skills Enhancement/Employment Opportunities	478	471	7
Surplus Property	305	254	51
Water Resources	2,869	1,727	1,142
TOTAL Economic and Community Affairs	**9,158**	**7,811**	**1,347**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	-	-	-	4,183	4,183	-
-	-	-	-	-	-	408	408	-
-	-	-	65,847	59,968	5,879	149,474	143,595	5,879
-	-	-	-	-	-	3,102	1,838	1,264
-	-	-	5,549	4,261	1,288	17,973	16,685	1,288
-	**-**	**-**	**71,396**	**64,229**	**7,167**	**175,140**	**166,709**	**8,431**
-	-	-	2,418	2,302	116	4,746	4,630	116
-	-	-	1,319	1,026	293	1,621	1,328	293
-	-	-	11,714	8,264	3,450	16,711	13,261	3,450
-	-	-	6,277	5,613	664	9,385	8,721	664
-	**-**	**-**	**21,728**	**17,205**	**4,523**	**32,463**	**27,940**	**4,523**
-	-	-	-	-	-	409	409	-
-	-	-	7,540	6,514	1,026	20,005	18,979	1,026
-	-	-	-	-	-	171	171	-
-	**-**	**-**	**7,540**	**6,514**	**1,026**	**20,585**	**19,559**	**1,026**
-	-	-	-	-	-	906	830	76
-	**-**	**-**	**-**	**-**	**-**	**906**	**830**	**76**
794	118	676	-	-	-	794	118	676
3,550	2,619	931	-	-	-	3,550	2,619	931
5,866	5,135	731	3,585	2,871	714	9,451	8,006	1,445
2,751	2,728	23	1,671	1,052	619	4,422	3,780	642
1,722	1,722	-	-	-	-	1,722	1,722	-
5,251	5,251	-	75	-	75	5,326	5,251	75
19,934	**17,573**	**2,361**	**5,331**	**3,923**	**1,408**	**25,265**	**21,496**	**3,769**
-	-	-	-	-	-	21,844	20,806	1,038
-	-	-	27,968	14,835	13,133	27,968	14,835	13,133
-	-	-	56,999	47,767	9,232	416,022	400,459	15,563
-	**-**	**-**	**84,967**	**62,602**	**22,365**	**465,834**	**436,100**	**29,734**
-	-	-	10,484	9,714	770	10,614	9,823	791
-	-	-	142,425	89,457	52,968	142,746	89,704	53,042
-	-	-	61,036	25,709	35,327	61,475	26,122	35,353
-	-	-	110,493	55,309	55,184	115,109	59,899	55,210
-	-	-	51,013	42,942	8,071	51,491	43,413	8,078
-	-	-	1,713	1,542	171	2,018	1,796	222
-	-	-	7,428	4,685	2,743	10,297	6,412	3,885
-	**-**	**-**	**384,592**	**229,358**	**155,234**	**393,750**	**237,169**	**156,581**

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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, 2012

(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	11,826	9,181	2,645
TOTAL Emergency Management Agency	**11,826**	**9,181**	**2,645**
Examiners of Public Accounts			
Legislative Support - Audit Service	8,703	8,703	-
TOTAL Examiners of Public Accounts	**8,703**	**8,703**	**-**
Finance			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capital Complex Maintenance and Repair	-	-	-
Administrative Support Service: Capitol	958	822	136
Administrative Support Service: Legal Division	115	114	1
Administrative Support Service: Space Management	1,181	-	1,181
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,110	844	266
Fiscal Management: Comptroller's Office	4,066	3,697	369
Fiscal Management: Director's Office	1,040	477	563
Fiscal Management: Executive Planning	157	49	108
Fiscal Management: Purchasing	1,499	1,354	145
TOTAL Finance	**10,126**	**7,357**	**2,769**
Governor			
Criminal Investigation: Law Enforcement Fund	51	2	49
Executive Direction: Governor's Contingency Fund	264	239	25
Executive Direction: Governor's Office	2,465	2,126	339
Executive Direction: Governor's Office BP Oil Spill	-	-	-
Executive Direction: Governor's Proclamation Expense	544	148	396
Executive Direction: National Governors' Conference	269	260	9
TOTAL Governor	**3,593**	**2,775**	**818**
Human Resources			
Human Services	-	-	-
TOTAL Human Resources	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
164,826	163,851	975	47,762	25,685	22,077	212,588	189,536	23,052
-	-	-	2,293	400	1,893	2,293	400	1,893
22,739	22,739	-	-	-	-	22,739	22,739	-
655	655	-	-	-	-	655	655	-
-	-	-	87,239	53,789	33,450	87,239	53,789	33,450
-	-	-	533	533	-	533	533	-
38,435	38,183	252	992,656	857,886	134,770	1,031,091	896,069	135,022
3,270,969	3,270,969	-	187,581	187,122	459	3,458,550	3,458,091	459
3,593	3,593	-	-	-	-	3,593	3,593	-
30,307	30,307	-	-	-	-	30,307	30,307	-
295,051	295,051	-	-	-	-	295,051	295,051	-
3,826,575	**3,825,348**	**1,227**	**1,318,064**	**1,125,415**	**192,649**	**5,144,639**	**4,950,763**	**193,876**
-	-	-	139,456	111,589	27,867	151,282	120,770	30,512
-	**-**	**-**	**139,456**	**111,589**	**27,867**	**151,282**	**120,770**	**30,512**
6,532	6,532	-	4,290	2,123	2,167	19,525	17,358	2,167
6,532	**6,532**	**-**	**4,290**	**2,123**	**2,167**	**19,525**	**17,358**	**2,167**
-	-	-	105,452	64,293	41,159	105,452	64,293	41,159
-	-	-	7,921	6,839	1,082	7,921	6,839	1,082
-	-	-	10,262	9,126	1,136	10,262	9,126	1,136
-	-	-	-	-	-	958	822	136
-	-	-	-	-	-	115	114	1
-	-	-	-	-	-	1,181	-	1,181
-	-	-	5,693	3,787	1,906	5,693	3,787	1,906
-	-	-	-	-	-	1,110	844	266
-	-	-	-	-	-	4,066	3,697	369
-	-	-	-	-	-	1,040	477	563
-	-	-	-	-	-	157	49	108
-	-	-	-	-	-	1,499	1,354	145
-	**-**	**-**	**129,328**	**84,045**	**45,283**	**139,454**	**91,402**	**48,052**
-	-	-	-	-	-	51	2	49
-	-	-	137	137	-	401	376	25
-	-	-	-	-	-	2,465	2,126	339
-	-	-	3,573	16	3,557	3,573	16	3,557
-	-	-	-	-	-	544	148	396
-	-	-	-	-	-	269	260	9
-	**-**	**-**	**3,710**	**153**	**3,557**	**7,303**	**2,928**	**4,375**
-	-	-	2,127,468	2,047,859	79,609	2,127,468	2,047,859	79,609
-	**-**	**-**	**2,127,468**	**2,047,859**	**79,609**	**2,127,468**	**2,047,859**	**79,609**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Industrial Relations			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	1,064	1,045	19
Regulation Workers Compensation	-	-	-
TOTAL Industrial Relations	**1,064**	**1,045**	**19**
Legislature			
Commission to Reduce Poverty	7	-	7
Legislative Operations and Support	22,463	21,896	567
TOTAL Legislature	**22,470**	**21,896**	**574**
Medicaid Agency			
Medical Assistance Through Medicaid: Administrative Cost	29,585	26,620	2,965
Medical Assistance Through Medicaid: Alternative Care	35,189	35,189	-
Medical Assistance Through Medicaid: Family Planning	2,488	2,488	-
Medical Assistance Through Medicaid: Health Support	10,559	10,559	-
Medical Assistance Through Medicaid: Hospital Care	32,332	32,332	-
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	215,447	215,447	-
Medical Assistance Through Medicaid: Pharmaceutical	119,243	119,243	-
Medical Assistance Through Medicaid: Physician Care	46,537	46,537	-
Medical Assistance Through Medicaid: Premiums	86,417	86,417	-
TOTAL Medicaid Agency	**577,797**	**574,832**	**2,965**
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
-	-	-	20,702	18,598	2,104	20,702	18,598	2,104
-	-	-	70,410	60,120	10,290	70,410	60,120	10,290
-	-	-	10,982	3,858	7,124	12,046	4,903	7,143
-	-	-	5,654	3,938	1,716	5,654	3,938	1,716
-	**-**	**-**	**107,748**	**86,514**	**21,234**	**108,812**	**87,559**	**21,253**
-	-	-	-	-	-	7	-	7
-	-	-	-	-	-	22,463	21,896	567
-	**-**	**-**	**-**	**-**	**-**	**22,470**	**21,896**	**574**
-	-	-	341,189	223,498	117,691	370,774	250,118	120,656
-	-	-	367,167	352,906	14,261	402,356	388,095	14,261
-	-	-	61,778	59,227	2,551	64,266	61,715	2,551
-	-	-	235,598	228,675	6,923	246,157	239,234	6,923
-	-	-	2,235,384	2,017,085	218,299	2,267,716	2,049,417	218,299
-	-	-	29,754	10,586	19,168	29,754	10,586	19,168
-	-	-	132,413	128,925	3,488	132,413	128,925	3,488
-	-	-	311,577	285,166	26,411	311,577	285,166	26,411
-	-	-	754,166	700,389	53,777	969,613	915,836	53,777
-	-	-	520,323	473,868	46,455	639,566	593,111	46,455
-	-	-	431,177	350,889	80,288	477,714	397,426	80,288
-	-	-	211,905	210,045	1,860	298,322	296,462	1,860
-	**-**	**-**	**5,632,431**	**5,041,259**	**591,172**	**6,210,228**	**5,616,091**	**594,137**
-	-	-	26,209	19,921	6,288	26,209	19,921	6,288
-	-	-	440,391	423,483	16,908	440,391	423,483	16,908
-	-	-	382,437	364,219	18,218	382,437	364,219	18,218
-	-	-	18,876	16,210	2,666	18,876	16,210	2,666
-	-	-	56,052	46,829	9,223	56,052	46,829	9,223
-	**-**	**-**	**923,965**	**870,662**	**53,303**	**923,965**	**870,662**	**53,303**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Postsecondary Education			
Administrative Services: Postsecondary/ESL	-	-	-
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: Knight vs AL 2Year Postsecondary	-	-	-
TOTAL Postsecondary Education	**-**	**-**	**-**
Public Health			
Administrative Services	10,028	10,028	-
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	37,308	37,306	2
TOTAL Public Health	**47,336**	**47,334**	**2**
Public Safety			
Administrative Services	10,344	10,295	49
Police Services	38,551	38,432	119
Public Safety Support Services	1,234	1,229	5
Readiness and Recovery	93	93	-
TOTAL Public Safety	**50,222**	**50,049**	**173**
Public Service Commission			
Regulatory Services	-	-	-
TOTAL Public Service Commission	**-**	**-**	**-**
Rehabilitation Services			
Direct Client Services-Handicap	-	-	-
TOTAL Rehabilitation Services	**-**	**-**	**-**
Revenue			
State Revenue Administration	57	40	17
TOTAL Revenue	**57**	**40**	**17**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
194	-	194	-	-	-	194	-	194
-	-	-	15,752	8,730	7,022	15,752	8,730	7,022
11,866	11,457	409	-	-	-	11,866	11,457	409
3,731	3,731	-	-	-	-	3,731	3,731	-
6,383	6,383	-	-	-	-	6,383	6,383	-
4,713	4,713	-	-	-	-	4,713	4,713	-
25,500	25,500	-	-	-	-	25,500	25,500	-
-	-	-	5,128	2,762	2,366	5,128	2,762	2,366
6,907	6,892	15	-	-	-	6,907	6,892	15
8,344	8,340	4	-	-	-	8,344	8,340	4
238	238	-	-	-	-	238	238	-
5,368	5,236	132	-	-	-	5,368	5,236	132
-	-	-	2,750	1,659	1,091	2,750	1,659	1,091
248	248	-	-	-	-	248	248	-
-	-	-	15,223	13,388	1,835	15,223	13,388	1,835
4,680	4,680	-	-	-	-	4,680	4,680	-
6,052	6,052	-	-	-	-	6,052	6,052	-
274,203	274,203	-	494	494	-	274,697	274,697	-
6,171	6,157	14	6	1	5	6,177	6,158	19
11,524	11,524	-	-	-	-	11,524	11,524	-
251	251	-	-	-	-	251	251	-
376,373	**375,605**	**768**	**39,353**	**27,034**	**12,319**	**415,726**	**402,639**	**13,087**
893	893	-	23,923	18,741	5,182	34,844	29,662	5,182
30,447	30,447	-	189,760	175,181	14,579	220,207	205,628	14,579
1,427	1,427	-	-	-	-	1,427	1,427	-
1,577	1,481	96	-	-	-	1,577	1,481	96
11,716	11,716	-	513,281	434,148	79,133	562,305	483,170	79,135
46,060	**45,964**	**96**	**726,964**	**628,070**	**98,894**	**820,360**	**721,368**	**98,992**
-	-	-	50,035	31,761	18,274	60,379	42,056	18,323
-	-	-	47,047	27,823	19,224	85,598	66,255	19,343
-	-	-	19,234	16,274	2,960	20,468	17,503	2,965
-	-	-	-	-	-	93	93	-
-	**-**	**-**	**116,316**	**75,858**	**40,458**	**166,538**	**125,907**	**40,631**
-	-	-	52,766	47,820	4,946	52,766	47,820	4,946
-	**-**	**-**	**52,766**	**47,820**	**4,946**	**52,766**	**47,820**	**4,946**
37,292	37,292	-	132,931	101,219	31,712	170,223	138,511	31,712
37,292	**37,292**	**-**	**132,931**	**101,219**	**31,712**	**170,223**	**138,511**	**31,712**
-	-	-	150,414	128,845	21,569	150,471	128,885	21,586
-	**-**	**-**	**150,414**	**128,845**	**21,569**	**150,471**	**128,885**	**21,586**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Secretary of State			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of Helping America Vote Act	-	-	-
Administrative Support Service: Distribution of Public Documents	180	161	19
Administrative Support Service: Printing of Acts/Journals	452	177	275
Administrative Support Service: Printing of Codes	101	101	-
Administrative Support Service: Secretary of State	2,298	1,596	702
Special Services: Training Elected Officials	72	15	57
TOTAL Secretary of State	**3,103**	**2,050**	**1,053**
Transportation			
Aviation Stimulus	-	-	-
General Administration	-	-	-
General Aviation and Aeronautics	-	-	-
Roads & Transit Stimulus	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	**-**	**-**	**-**
Treasurer			
Fiscal Management	1,675	1,610	65
TOTAL Treasurer	**1,675**	**1,610**	**65**
Youth Services			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	9,787	9,787	-
TOTAL Youth Services	**9,787**	**9,787**	**-**
Colleges and Universities			
Alabama Agricultural and Mechanical University			
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Urban Affairs and Non-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	**-**	**-**	**-**
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for the Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	**-**	**-**	**-**
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Total Alabama State University	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	3,937	1,627	2,310	3,937	1,627	2,310
-	-	-	18,000	1,465	16,535	18,000	1,465	16,535
-	-	-	-	-	-	180	161	19
-	-	-	-	-	-	452	177	275
-	-	-	-	-	-	101	101	-
-	-	-	-	-	-	2,298	1,596	702
-	-	-	-	-	-	72	15	57
-	**-**	**-**	**21,937**	**3,092**	**18,845**	**25,040**	**5,142**	**19,898**
-	-	-	210	-	210	210	-	210
-	-	-	182,146	129,396	52,750	182,146	129,396	52,750
-	-	-	31,336	21,830	9,506	31,336	21,830	9,506
-	-	-	170,662	70,500	100,162	170,662	70,500	100,162
-	-	-	1,971,870	1,252,295	719,575	1,971,870	1,252,295	719,575
-	**-**	**-**	**2,356,224**	**1,474,021**	**882,203**	**2,356,224**	**1,474,021**	**882,203**
-	-	-	5,155	2,602	2,553	6,830	4,212	2,618
-	**-**	**-**	**5,155**	**2,602**	**2,553**	**6,830**	**4,212**	**2,618**
4,449	4,449	-	-	-	-	4,449	4,449	-
6,581	6,548	33	919	375	544	7,500	6,923	577
47,495	47,353	142	34,751	28,879	5,872	92,033	86,019	6,014
58,525	**58,350**	**175**	**35,670**	**29,254**	**6,416**	**103,982**	**97,391**	**6,591**
292	292	-	-	-	-	292	292	-
1,190	1,190	-	-	-	-	1,190	1,190	-
269	269	-	-	-	-	269	269	-
32,368	32,368	-	-	-	-	32,368	32,368	-
3,945	3,945	-	-	-	-	3,945	3,945	-
38,064	**38,064**	**-**	**-**	**-**	**-**	**38,064**	**38,064**	**-**
10,293	10,293	-	-	-	-	10,293	10,293	-
27,538	27,538	-	-	-	-	27,538	27,538	-
7,728	7,728	-	-	-	-	7,728	7,728	-
45,559	**45,559**	**-**	**-**	**-**	**-**	**45,559**	**45,559**	**-**
42,612	42,612	-	-	-	-	42,612	42,612	-
42,612	**42,612**	**-**	**-**	**-**	**-**	**42,612**	**42,612**	**-**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Auburn University			
Support of State Universities: Auburn University Montgomery Veterinary- Breast Cancer	-	-	-
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: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/University of Alabama Birmingham	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Support of State Universities: University of Alabama - Birmingham Cancer Center	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-
University of North Alabama			
Support of State Universities: 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: University of South Alabama/ Cancer Center	-	-	-
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
Total University of South Alabama	-	-	-
University of West Alabama			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
Total University of West Alabama	-	-	-
TOTAL Colleges and Universities	-	-	-
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
1,000	1,000	-	-	-	-	1,000	1,000	-
160,060	160,060	-	-	-	-	160,060	160,060	-
22,863	22,863	-	-	-	-	22,863	22,863	-
31,184	31,184	-	-	-	-	31,184	31,184	-
32,476	32,476	-	-	-	-	32,476	32,476	-
-	-	-	1,251	1,251	-	1,251	1,251	-
247,583	**247,583**	**-**	**1,251**	**1,251**	**-**	**248,834**	**248,834**	**-**
449	449	-	-	-	-	449	449	-
36,241	36,241	-	-	-	-	36,241	36,241	-
36,690	**36,690**	**-**	**-**	**-**	**-**	**36,690**	**36,690**	**-**
46,276	46,276	-	-	-	-	46,276	46,276	-
46,276	**46,276**	**-**	**-**	**-**	**-**	**46,276**	**46,276**	**-**
-	-	-	63	63	-	63	63	-
3,407	3,407	-	-	-	-	3,407	3,407	-
-	-	-	534	534	-	534	534	-
260,107	260,107	-	-	-	-	260,107	260,107	-
5,053	5,053	-	-	-	-	5,053	5,053	-
268,567	**268,567**	**-**	**597**	**597**	**-**	**269,164**	**269,164**	**-**
43,241	43,241	-	-	-	-	43,241	43,241	-
43,241	**43,241**	**-**	**-**	**-**	**-**	**43,241**	**43,241**	**-**
145,951	145,951	-	-	-	-	145,951	145,951	-
145,951	**145,951**	**-**	**-**	**-**	**-**	**145,951**	**145,951**	**-**
18,283	18,283	-	-	-	-	18,283	18,283	-
18,283	**18,283**	**-**	**-**	**-**	**-**	**18,283**	**18,283**	**-**
-	-	-	151	151	-	151	151	-
25,796	25,796	-	-	-	-	25,796	25,796	-
25,796	**25,796**	**-**	**151**	**151**	**-**	**25,947**	**25,947**	**-**
2,000	2,000	-	-	-	-	2,000	2,000	-
102,391	102,391	-	-	-	-	102,391	102,391	-
104,391	**104,391**	**-**	**-**	**-**	**-**	**104,391**	**104,391**	**-**
13,519	13,519	-	-	-	-	13,519	13,519	-
13,519	**13,519**	**-**	**-**	**-**	**-**	**13,519**	**13,519**	**-**
1,076,532	**1,076,532**	**-**	**1,999**	**1,999**	**-**	**1,078,531**	**1,078,531**	**-**
-	-	-	1,478	1,135	343	1,478	1,135	343
-	**-**	**-**	**1,478**	**1,135**	**343**	**1,478**	**1,135**	**343**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Agricultural Museum Board			
Agricultural Promotional Program	17	13	4
Total Agricultural Museum Board	**17**	**13**	**4**
Agriculture Center Board			
Agricultural Development Services: Livestock Coliseum	220	220	-
Agricultural Development Services: Operations	-	-	-
Total Agriculture Center Board	**220**	**220**	**-**
Alabama Athletic Commission			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Athletic Commission	**-**	**-**	**-**
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	**-**	**-**	**-**
Alabama Construction Recruitment			
Recruitment/Training Promotion	-	-	-
Total Alabama Construction Recruitment	**-**	**-**	**-**
Alabama Innovation Fund			
Alabama Innovation Fund	-	-	-
Total Alabama Innovation Fund	**-**	**-**	**-**
Alabama Law Institute			
Support - Other Educational Activities	588	582	6
Total Alabama Law Institute	**588**	**582**	**6**
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	**-**	**-**	**-**
Alabama Public Historical Sites Improvement Corporation			
Debt Service	-	-	-
Total Alabama Public Historical Sites Improvement Corporation	**-**	**-**	**-**
Alabama Security Regulatory Board			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Security Regulatory Board	**-**	**-**	**-**
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	6	4	2
Total Alabama Trust Fund	**6**	**4**	**2**
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	**-**	**-**	**-**
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	**-**	**-**	**-**
Archives and History			
Historical Resources Management	1,491	1,491	-
Total Archives and History	**1,491**	**1,491**	**-**
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
-	-	-	-	-	-	17	13	4
-	**-**	**-**	**-**	**-**	**-**	**17**	**13**	**4**
-	-	-	-	-	-	220	220	-
-	-	-	525	103	422	525	103	422
-	**-**	**-**	**525**	**103**	**422**	**745**	**323**	**422**
-	-	-	165	63	102	165	63	102
-	**-**	**-**	**165**	**63**	**102**	**165**	**63**	**102**
-	-	-	105	75	30	105	75	30
-	**-**	**-**	**105**	**75**	**30**	**105**	**75**	**30**
-	-	-	1,750	1,492	258	1,750	1,492	258
-	**-**	**-**	**1,750**	**1,492**	**258**	**1,750**	**1,492**	**258**
5,000	5,000	-	-	-	-	5,000	5,000	-
5,000	**5,000**	**-**	**-**	**-**	**-**	**5,000**	**5,000**	**-**
258	257	1	50	3	47	896	842	54
258	**257**	**1**	**50**	**3**	**47**	**896**	**842**	**54**
-	-	-	485	326	159	485	326	159
-	**-**	**-**	**485**	**326**	**159**	**485**	**326**	**159**
-	-	-	478	478	-	478	478	-
-	**-**	**-**	**478**	**478**	**-**	**478**	**478**	**-**
-	-	-	101	60	41	101	60	41
-	**-**	**-**	**101**	**60**	**41**	**101**	**60**	**41**
-	-	-	890	706	184	890	706	184
-	-	-	-	-	-	6	4	2
-	**-**	**-**	**890**	**706**	**184**	**896**	**710**	**186**
-	-	-	6,891	6,552	339	6,891	6,552	339
-	-	-	48,392	48,179	213	48,392	48,179	213
-	-	-	16,383	14,395	1,988	16,383	14,395	1,988
-	**-**	**-**	**71,666**	**69,126**	**2,540**	**71,666**	**69,126**	**2,540**
-	-	-	517	481	36	517	481	36
-	**-**	**-**	**517**	**481**	**36**	**517**	**481**	**36**
3,539	3,539	-	255	230	25	5,285	5,260	25
3,539	**3,539**	**-**	**255**	**230**	**25**	**5,285**	**5,260**	**25**
-	-	-	86	64	22	86	64	22
-	**-**	**-**	**86**	**64**	**22**	**86**	**64**	**22**

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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, 2012

(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	26	8	18
Special Services: Death Claims-Board of Adjustment	1,587	1,587	-
Total Board of Adjustment	**1,613**	**1,595**	**18**
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	164	135	29
Total Building Commission	**164**	**135**	**29**
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	241	163	78
Total Children's Affairs	**241**	**163**	**78**
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	199	183	16
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	**199**	**183**	**16**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	52	5	47	52	5	47
-	**-**	**-**	**52**	**5**	**47**	**52**	**5**	**47**
-	-	-	64	51	13	64	51	13
-	**-**	**-**	**64**	**51**	**13**	**64**	**51**	**13**
-	-	-	190	114	76	190	114	76
-	**-**	**-**	**190**	**114**	**76**	**190**	**114**	**76**
-	-	-	14,191	12,791	1,400	14,191	12,791	1,400
-	**-**	**-**	**14,191**	**12,791**	**1,400**	**14,191**	**12,791**	**1,400**
-	-	-	-	-	-	26	8	18
-	-	-	-	-	-	1,587	1,587	-
-	**-**	**-**	**-**	**-**	**-**	**1,613**	**1,595**	**18**
-	-	-	154	143	11	154	143	11
-	**-**	**-**	**154**	**143**	**11**	**154**	**143**	**11**
-	-	-	250	136	114	250	136	114
-	**-**	**-**	**250**	**136**	**114**	**250**	**136**	**114**
-	-	-	135	104	31	135	104	31
-	-	-	1,861	1,416	445	2,025	1,551	474
-	**-**	**-**	**1,996**	**1,520**	**476**	**2,160**	**1,655**	**505**
-	-	-	9,072	7,992	1,080	9,072	7,992	1,080
-	**-**	**-**	**9,072**	**7,992**	**1,080**	**9,072**	**7,992**	**1,080**
-	-	-	4,625	3,437	1,188	4,625	3,437	1,188
-	**-**	**-**	**4,625**	**3,437**	**1,188**	**4,625**	**3,437**	**1,188**
-	-	-	1,685	594	1,091	1,685	594	1,091
19,260	19,124	136	5,022	3,379	1,643	24,523	22,666	1,857
19,260	**19,124**	**136**	**6,707**	**3,973**	**2,734**	**26,208**	**23,260**	**2,948**
-	-	-	528	289	239	528	289	239
-	**-**	**-**	**528**	**289**	**239**	**528**	**289**	**239**
-	-	-	46	12	34	245	195	50
-	**-**	**-**	**46**	**12**	**34**	**245**	**195**	**50**

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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, 2012

(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	3,629	3,499	130
Total Court of Civil Appeals	**3,629**	**3,499**	**130**
Court of Criminal Appeals			
Court Operations	4,578	3,792	786
Total Court of Criminal Appeals	**4,578**	**3,792**	**786**
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	1,026	1,026	-
Total Criminal Justice Information Center	**1,026**	**1,026**	**-**
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A General Obligation Bonds	-	-	-
Debt Service: 2005-A General Obligation Bonds	-	-	-
Debt Service: Alabama Building Renovation Fin Authority	4,683	4,683	-
Debt Service: General Obligation 2001-D Historic Site Bonds	478	478	-
Debt Service: General Obligation 2006 Debt Service	-	-	-
Debt Service: General Obligation 2007-A Debt Service	15,000	15,000	-
Debt Service: General Obligation 2010-A Refunding Agriculture Development	-	-	-
Debt Service: General Obligation 2010-B Refunding Forensic Science	-	-	-
Debt Service: General Obligation 2010-C Refunding Parks Systems Board	6,405	6,405	-
Debt Service: General Obligation 2010-D Bonds	5,070	5,070	-
Total Debt Service and Reserve	**31,636**	**31,636**	**-**
Department of Commerce			
Industrial Development: Alabama Department of Commerce	3,828	3,702	126
Total Department of Commerce	**3,828**	**3,702**	**126**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	11,589	9,033	2,556	11,589	9,033	2,556
-	-	-	37,313	33,115	4,198	37,313	33,115	4,198
-	-	-	12,738	8,022	4,716	12,738	8,022	4,716
-	-	-	13,105	10,693	2,412	13,105	10,693	2,412
-	-	-	7,797	7,797	-	7,797	7,797	-
-	-	-	25,763	11,707	14,056	25,763	11,707	14,056
-	**-**	**-**	**108,305**	**80,367**	**27,938**	**108,305**	**80,367**	**27,938**
-	-	-	3,051	1,987	1,064	3,051	1,987	1,064
-	**-**	**-**	**3,051**	**1,987**	**1,064**	**3,051**	**1,987**	**1,064**
3,485	3,446	39	819	816	3	4,304	4,262	42
3,485	**3,446**	**39**	**819**	**816**	**3**	**4,304**	**4,262**	**42**
-	-	-	429	317	112	429	317	112
-	**-**	**-**	**429**	**317**	**112**	**429**	**317**	**112**
-	-	-	-	-	-	3,629	3,499	130
-	**-**	**-**	**-**	**-**	**-**	**3,629**	**3,499**	**130**
-	-	-	-	-	-	4,578	3,792	786
-	**-**	**-**	**-**	**-**	**-**	**4,578**	**3,792**	**786**
-	-	-	1,341	1,022	319	1,341	1,022	319
-	**-**	**-**	**1,341**	**1,022**	**319**	**1,341**	**1,022**	**319**
-	-	-	3,872	2,206	1,666	3,872	2,206	1,666
-	**-**	**-**	**3,872**	**2,206**	**1,666**	**3,872**	**2,206**	**1,666**
-	-	-	15,836	8,620	7,216	16,862	9,646	7,216
-	**-**	**-**	**15,836**	**8,620**	**7,216**	**16,862**	**9,646**	**7,216**
-	-	-	64,356	64,356	-	64,356	64,356	-
-	-	-	7,675	7,675	-	7,675	7,675	-
-	-	-	4,144	4,144	-	4,144	4,144	-
5,998	5,998	-	1,843	1,843	-	7,841	7,841	-
-	-	-	-	-	-	4,683	4,683	-
-	-	-	-	-	-	478	478	-
-	-	-	4,755	4,755	-	4,755	4,755	-
-	-	-	9,348	9,348	-	24,348	24,348	-
2,454	2,454	-	717	717	-	3,171	3,171	-
554	554	-	393	393	-	947	947	-
-	-	-	-	-	-	6,405	6,405	-
-	-	-	-	-	-	5,070	5,070	-
9,006	**9,006**	**-**	**93,231**	**93,231**	**-**	**133,873**	**133,873**	**-**
-	-	-	1,350	901	449	5,178	4,603	575
-	**-**	**-**	**1,350**	**901**	**449**	**5,178**	**4,603**	**575**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Dieteticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dieteticians and Nutritionists Examining Board	**-**	**-**	**-**
District Attorneys			
Court Operations	29,336	29,073	263
Total District Attorneys	**29,336**	**29,073**	**263**
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	**-**	**-**	**-**
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Total ETF Direct Disbursements	**-**	**-**	**-**
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	**-**	**-**	**-**
Ethics Commission			
Regulation of Public Officials and Employees	2,400	1,572	828
Total Ethics Commission	**2,400**	**1,572**	**828**
Farmers' Market Authority			
Agricultural Development Services	381	380	1
Total Farmers' Market Authority	**381**	**380**	**1**
Federal Aid Highway Finance Authority			
Debt Service	-	-	-
Total Federal Aid Highway Finance Authority	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	150	106	44	150	106	44
-	**-**	**-**	**150**	**106**	**44**	**150**	**106**	**44**
-	-	-	-	-	-	29,336	29,073	263
-	**-**	**-**	**-**	**-**	**-**	**29,336**	**29,073**	**263**
5,552	5,550	2	899	490	409	6,451	6,040	411
5,552	**5,550**	**2**	**899**	**490**	**409**	**6,451**	**6,040**	**411**
-	-	-	750	643	107	750	643	107
-	**-**	**-**	**750**	**643**	**107**	**750**	**643**	**107**
-	-	-	384	354	30	384	354	30
-	**-**	**-**	**384**	**354**	**30**	**384**	**354**	**30**
-	-	-	94,318	68,683	25,635	94,318	68,683	25,635
-	**-**	**-**	**94,318**	**68,683**	**25,635**	**94,318**	**68,683**	**25,635**
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
1,358	1,008	350	-	-	-	1,358	1,008	350
6,322	6,322	-	-	-	-	6,322	6,322	-
113	100	13	-	-	-	113	100	13
515	515	-	-	-	-	515	515	-
199	199	-	-	-	-	199	199	-
3,677	3,677	-	-	-	-	3,677	3,677	-
112	112	-	-	-	-	112	112	-
12,378	**12,015**	**363**	**-**	**-**	**-**	**12,378**	**12,015**	**363**
185	185	-	-	-	-	185	185	-
623	623	-	-	-	-	623	623	-
9,413	9,413	-	-	-	-	9,413	9,413	-
10,221	**10,221**	**-**	**-**	**-**	**-**	**10,221**	**10,221**	**-**
-	-	-	-	-	-	2,400	1,572	828
-	**-**	**-**	**-**	**-**	**-**	**2,400**	**1,572**	**828**
-	-	-	2,447	1,470	977	2,828	1,850	978
-	**-**	**-**	**2,447**	**1,470**	**977**	**2,828**	**1,850**	**978**
-	-	-	30	30	-	30	30	-
-	**-**	**-**	**30**	**30**	**-**	**30**	**30**	**-**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Finance Special Appropriations			
Administration Service and Logistical Support: Removal of Prisoners	701	701	-
Criminal Investigation: Arrest of Absconding Felons	27	-	27
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: Cash Management Improvement Act	157	15	142
Institutional Service Corrections: Feeding of Prisoners	8,501	8,501	-
Legal Advice and Legal Service: Automatic Appeal Expense	18	-	18
Legal Advice and Legal Service: Court Assessed Cost Not Provided	159	159	-
Legal Advice and Legal Service: Law Enforcement Legal Defense	5	-	5
Special Services: Court Assessed Cost Not Provided	5,300	5,300	-
Special Services: Election Expenses	9,640	9,155	485
Special Services: Emergency Fund, Departmental	4,575	-	4,575
Special Services: Registration of Voters	2,701	2,700	1
Total Finance Special Appropriations	**31,798**	**26,545**	**5,253**
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	**-**	**-**	**-**
Forensic Sciences			
Forensic Science Services	8,535	8,524	11
Total Forensic Sciences	**8,535**	**8,524**	**11**
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	1,917	1,917	-
Total Fringe Benefit Accounts	**1,917**	**1,917**	**-**
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			
Historical Resources Management: Citizenship Trust	63	63	-
Water Resource Development: Tennessee-Tombigbee Waterway	54	54	-
Total General Fund Direct Disbursements	**117**	**117**	**-**
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	232	232	-
Total General Fund Non-State	**232**	**232**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	701	701	-
-	-	-	-	-	-	27	-	27
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	157	15	142
-	-	-	-	-	-	8,501	8,501	-
-	-	-	-	-	-	18	-	18
-	-	-	-	-	-	159	159	-
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	5,300	5,300	-
-	-	-	-	-	-	9,640	9,155	485
-	-	-	-	-	-	4,575	-	4,575
-	-	-	-	-	-	2,701	2,700	1
-	**-**	**-**	**-**	**-**	**-**	**31,798**	**26,545**	**5,253**
-	-	-	204,522	201,540	2,982	204,522	201,540	2,982
-	-	-	50,080	50,080	-	50,080	50,080	-
-	-	-	234	232	2	234	232	2
-	**-**	**-**	**254,836**	**251,852**	**2,984**	**254,836**	**251,852**	**2,984**
-	-	-	19,075	13,341	5,734	27,610	21,865	5,745
-	**-**	**-**	**19,075**	**13,341**	**5,734**	**27,610**	**21,865**	**5,745**
-	-	-	200	82	118	200	82	118
-	**-**	**-**	**200**	**82**	**118**	**200**	**82**	**118**
-	-	-	30,578	24,994	5,584	30,578	24,994	5,584
-	**-**	**-**	**30,578**	**24,994**	**5,584**	**30,578**	**24,994**	**5,584**
-	-	-	4,366	3,134	1,232	4,366	3,134	1,232
-	**-**	**-**	**4,366**	**3,134**	**1,232**	**4,366**	**3,134**	**1,232**
-	-	-	-	-	-	1,917	1,917	-
-	**-**	**-**	**-**	**-**	**-**	**1,917**	**1,917**	**-**
-	-	-	273	225	48	273	225	48
-	**-**	**-**	**273**	**225**	**48**	**273**	**225**	**48**
-	-	-	2,130	1,389	741	2,130	1,389	741
-	**-**	**-**	**2,130**	**1,389**	**741**	**2,130**	**1,389**	**741**
-	-	-	-	-	-	63	63	-
-	-	-	-	-	-	54	54	-
-	**-**	**-**	**-**	**-**	**-**	**117**	**117**	**-**
-	-	-	-	-	-	232	232	-
-	**-**	**-**	**-**	**-**	**-**	**232**	**232**	**-**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Geological Survey			
Mineral, Energy, and Water Resources	2,654	2,185	469
Total Geological Survey	**2,654**	**2,185**	**469**
Governor's Mansion Authority			
Community Arts and Cultural Program	-	-	-
Historical Resources Management	-	-	-
Total Governor's Mansion Authority	**-**	**-**	**-**
Governor's Office on Disability			
Executive Direction	280	143	137
Total Governor's Office on Disability	**280**	**143**	**137**
Health Planning and Development			
Health Planning Development and Regulation	113	113	-
Total Health Planning and Development	**113**	**113**	**-**
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: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
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	956	705	251
Total Homeland Security Office	**956**	**705**	**251**
Indian Affairs Commission			
Social Services	87	87	-
Total Indian Affairs Commission	**87**	**87**	**-**
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	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,920	1,892	2,028	6,574	4,077	2,497
-	**-**	**-**	**3,920**	**1,892**	**2,028**	**6,574**	**4,077**	**2,497**
-	-	-	-	-	-	-	-	-
-	-	-	124	124	-	124	124	-
-	**-**	**-**	**124**	**124**	**-**	**124**	**124**	**-**
-	-	-	-	-	-	280	143	137
-	**-**	**-**	**-**	**-**	**-**	**280**	**143**	**137**
-	-	-	1,366	992	374	1,479	1,105	374
-	**-**	**-**	**1,366**	**992**	**374**	**1,479**	**1,105**	**374**
-	-	-	54	37	17	54	37	17
-	**-**	**-**	**54**	**37**	**17**	**54**	**37**	**17**
-	-	-	1,500	1,057	443	1,500	1,057	443
-	**-**	**-**	**1,500**	**1,057**	**443**	**1,500**	**1,057**	**443**
5,727	5,726	1	407	17	390	6,134	5,743	391
5,727	**5,726**	**1**	**407**	**17**	**390**	**6,134**	**5,743**	**391**
-	-	-	6,444	5,442	1,002	6,444	5,442	1,002
-	-	-	276	259	17	276	259	17
-	-	-	600	348	252	600	348	252
-	-	-	35	16	19	35	16	19
-	**-**	**-**	**7,355**	**6,065**	**1,290**	**7,355**	**6,065**	**1,290**
-	-	-	4,108	1,968	2,140	4,108	1,968	2,140
-	**-**	**-**	**4,108**	**1,968**	**2,140**	**4,108**	**1,968**	**2,140**
-	-	-	400	229	171	400	229	171
-	**-**	**-**	**400**	**229**	**171**	**400**	**229**	**171**
-	-	-	38,103	26,188	11,915	39,059	26,893	12,166
-	**-**	**-**	**38,103**	**26,188**	**11,915**	**39,059**	**26,893**	**12,166**
-	-	-	1,798	411	1,387	1,885	498	1,387
-	**-**	**-**	**1,798**	**411**	**1,387**	**1,885**	**498**	**1,387**
-	-	-	11,840	9,660	2,180	11,840	9,660	2,180
-	**-**	**-**	**11,840**	**9,660**	**2,180**	**11,840**	**9,660**	**2,180**
-	-	-	50	27	23	50	27	23
-	**-**	**-**	**50**	**27**	**23**	**50**	**27**	**23**
-	-	-	50	36	14	50	36	14
-	**-**	**-**	**50**	**36**	**14**	**50**	**36**	**14**

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DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
All Agencies and Appropriations, *Non-GAAP, Budget Basis*
(Continued from previous page)

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Judicial Inquiry Commission			
Administrative Services	823	577	246
Total Judicial Inquiry Commission	**823**	**577**	**246**
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-Ph.D. Microbiology Program	-	-	-
Support of State Universities: Knight vs Alabama 2 year Postsecondary	-	-	-
Total Knight vs. Alabama Financial Obligation	**-**	**-**	**-**
Labor			
Regulatory Services	406	276	130
Total Labor	**406**	**276**	**130**
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	**-**	**-**	**-**
Legislative Building Authority			
Legislative Operations and Support	355	207	148
Total Legislative Building Authority	**355**	**207**	**148**
Legislative Council			
Legislative Operations and Support	352	216	136
Total Legislative Council	**352**	**216**	**136**
Legislative Fiscal Office			
Legislative Operations and Support	2,307	1,480	827
Total Legislative Fiscal Office	**2,307**	**1,480**	**827**
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement - Legislative Reference Service	110	110	-
Legislative Operations and Support: Legislative Reference Service	2,016	1,988	28
Total Legislative Reference Service	**2,126**	**2,098**	**28**
Lieutenant Governor			
Legislative Operations and Support	896	611	285
Total Lieutenant Governor	**896**	**611**	**285**
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	**-**	**-**	**-**
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	**-**	**-**	**-**
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	**-**	**-**	**-**
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	**-**	**-**	**-**
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	823	577	246
-	**-**	**-**	**-**	**-**	**-**	**823**	**577**	**246**
1,682	1,682	-	-	-	-	1,682	1,682	-
-	-	-	-	-	-	-	-	-
1,682	**1,682**	**-**	**-**	**-**	**-**	**1,682**	**1,682**	**-**
-	-	-	1,516	1,224	292	1,922	1,500	422
-	**-**	**-**	**1,516**	**1,224**	**292**	**1,922**	**1,500**	**422**
-	-	-	69	55	14	69	55	14
-	**-**	**-**	**69**	**55**	**14**	**69**	**55**	**14**
-	-	-	-	-	-	355	207	148
-	**-**	**-**	**-**	**-**	**-**	**355**	**207**	**148**
-	-	-	-	-	-	352	216	136
-	**-**	**-**	**-**	**-**	**-**	**352**	**216**	**136**
345	345	-	-	-	-	2,652	1,825	827
345	**345**	**-**	**-**	**-**	**-**	**2,652**	**1,825**	**827**
94	94	-	415	415	-	509	509	-
-	-	-	-	-	-	110	110	-
-	-	-	-	-	-	2,016	1,988	28
94	**94**	**-**	**415**	**415**	**-**	**2,635**	**2,607**	**28**
-	-	-	-	-	-	896	611	285
-	**-**	**-**	**-**	**-**	**-**	**896**	**611**	**285**
-	-	-	1,703	820	883	1,703	820	883
-	**-**	**-**	**1,703**	**820**	**883**	**1,703**	**820**	**883**
-	-	-	3,998	1,855	2,143	3,998	1,855	2,143
-	**-**	**-**	**3,998**	**1,855**	**2,143**	**3,998**	**1,855**	**2,143**
-	-	-	30	30	-	30	30	-
-	**-**	**-**	**30**	**30**	**-**	**30**	**30**	**-**
-	-	-	150	119	31	150	119	31
-	**-**	**-**	**150**	**119**	**31**	**150**	**119**	**31**
771	771	-	400	78	322	1,171	849	322
771	**771**	**-**	**400**	**78**	**322**	**1,171**	**849**	**322**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Military			
Military Operations: Active Military Service	410	317	93
Military Operations: ANG Operations & Maintenance	930	744	186
Military Operations: Counter Drug	-	-	-
Military Operations: Dropping Allowance	1	-	1
Military Operations: Military- Army MCCA	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	1,063	572	491
Military Operations: Operations and Maintenance	6,259	3,291	2,968
Military Operations: Quartering Allowance to Headquarters	1,200	1,200	-
Military Operations: State Defense Force	17	6	11
Total Military	**9,880**	**6,130**	**3,750**
Nursing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Board	-	-	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	812	812	-
Total Office of Prosecution Services	**812**	**812**	**-**
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	2,585	2,474	111
Total Oil and Gas Board	**2,585**	**2,474**	**111**
Pardons and Paroles			
Administration of Pardons and Paroles	28,319	27,776	543
Total Pardons and Paroles	**28,319**	**27,776**	**543**
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	410	317	93
-	-	-	6,546	5,771	775	7,476	6,515	961
-	-	-	78	5	73	78	5	73
-	-	-	-	-	-	1	-	1
-	-	-	21,940	8,890	13,050	21,940	8,890	13,050
-	-	-	659	460	199	659	460	199
-	-	-	-	-	-	1,063	572	491
-	-	-	38,764	29,283	9,481	45,023	32,574	12,449
-	-	-	-	-	-	1,200	1,200	-
-	-	-	-	-	-	17	6	11
-	**-**	**-**	**67,987**	**44,409**	**23,578**	**77,867**	**50,539**	**27,328**
175	171	4	6,367	4,548	1,819	6,542	4,719	1,823
175	**171**	**4**	**6,367**	**4,548**	**1,819**	**6,542**	**4,719**	**1,823**
-	-	-	115	72	43	115	72	43
-	**-**	**-**	**115**	**72**	**43**	**115**	**72**	**43**
-	-	-	145	112	33	145	112	33
-	**-**	**-**	**145**	**112**	**33**	**145**	**112**	**33**
-	-	-	7,073	3,095	3,978	7,885	3,907	3,978
-	**-**	**-**	**7,073**	**3,095**	**3,978**	**7,885**	**3,907**	**3,978**
-	-	-	890	221	669	3,475	2,695	780
-	**-**	**-**	**890**	**221**	**669**	**3,475**	**2,695**	**780**
-	-	-	14,021	12,495	1,526	42,340	40,271	2,069
-	**-**	**-**	**14,021**	**12,495**	**1,526**	**42,340**	**40,271**	**2,069**
-	-	-	600	466	134	600	466	134
-	**-**	**-**	**600**	**466**	**134**	**600**	**466**	**134**
371	371	-	450	375	75	821	746	75
279	272	7	3,500	1,614	1,886	3,779	1,886	1,893
650	**643**	**7**	**3,950**	**1,989**	**1,961**	**4,600**	**2,632**	**1,968**
-	-	-	10,702	8,405	2,297	10,702	8,405	2,297
-	**-**	**-**	**10,702**	**8,405**	**2,297**	**10,702**	**8,405**	**2,297**
914	898	16	19	-	19	933	898	35
914	**898**	**16**	**19**	**-**	**19**	**933**	**898**	**35**
-	-	-	705	292	413	705	292	413
-	**-**	**-**	**705**	**292**	**413**	**705**	**292**	**413**
-	-	-	2,306	1,433	873	2,306	1,433	873
-	**-**	**-**	**2,306**	**1,433**	**873**	**2,306**	**1,433**	**873**

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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	2,174	1,007	1,167
Total President Pro Tempore Senate	**2,174**	**1,007**	**1,167**
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			
Public Library Services	-	-	-
Total Public Library Service	-	-	-
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	-	-	-
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	-	-	-
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	-	-	-
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	1,744	1,743	1
Medicaid Waiver Services	12,735	11,622	1,113
Planning and Advocacy for Elderly	4,313	4,247	66
Total Senior Services	**18,792**	**17,612**	**1,180**
Serve Alabama			
Executive Direction	69	58	11
Total Serve Alabama	**69**	**58**	**11**
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
-	-	-	30	19	11	30	19	11
-	**-**	**-**	**30**	**19**	**11**	**30**	**19**	**11**
-	-	-	-	-	-	2,174	1,007	1,167
-	**-**	**-**	**-**	**-**	**-**	**2,174**	**1,007**	**1,167**
-	-	-	1,821	1,187	634	1,821	1,187	634
-	**-**	**-**	**1,821**	**1,187**	**634**	**1,821**	**1,187**	**634**
-	-	-	60	51	9	60	51	9
-	**-**	**-**	**60**	**51**	**9**	**60**	**51**	**9**
-	-	-	263	155	108	263	155	108
-	**-**	**-**	**263**	**155**	**108**	**263**	**155**	**108**
-	-	-	4,260	2,731	1,529	4,260	2,731	1,529
-	**-**	**-**	**4,260**	**2,731**	**1,529**	**4,260**	**2,731**	**1,529**
7,325	7,317	8	3,079	2,558	521	10,404	9,875	529
7,325	**7,317**	**8**	**3,079**	**2,558**	**521**	**10,404**	**9,875**	**529**
-	-	-	4	2	2	4	2	2
-	**-**	**-**	**4**	**2**	**2**	**4**	**2**	**2**
-	-	-	1,056	731	325	1,056	731	325
-	**-**	**-**	**1,056**	**731**	**325**	**1,056**	**731**	**325**
-	-	-	5,071	3,656	1,415	5,071	3,656	1,415
-	**-**	**-**	**5,071**	**3,656**	**1,415**	**5,071**	**3,656**	**1,415**
-	-	-	41,632	33,084	8,548	41,632	33,084	8,548
-	**-**	**-**	**41,632**	**33,084**	**8,548**	**41,632**	**33,084**	**8,548**
-	-	-	11,630	9,916	1,714	11,630	9,916	1,714
-	**-**	**-**	**11,630**	**9,916**	**1,714**	**11,630**	**9,916**	**1,714**
-	-	-	-	-	-	1,744	1,743	1
-	-	-	69,428	62,714	6,714	82,163	74,336	7,827
-	-	-	31,770	29,677	2,093	36,083	33,924	2,159
-	**-**	**-**	**101,198**	**92,391**	**8,807**	**119,990**	**110,003**	**9,987**
128	82	46	16,809	9,035	7,774	17,006	9,175	7,831
128	**82**	**46**	**16,809**	**9,035**	**7,774**	**17,006**	**9,175**	**7,831**
1,305	1,278	27	-	-	-	1,305	1,278	27
1,305	**1,278**	**27**	**-**	**-**	**-**	**1,305**	**1,278**	**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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
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	1,461	1,461	-
Water Resource Development	1,481	1,472	9
Total Soil and Water Conservation Commission	**2,942**	**2,933**	**9**
Speaker of the House			
Speaker of House, Office of	1,811	894	917
Total Speaker of the House	**1,811**	**894**	**917**
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	**-**	**-**	**-**
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	**-**	**-**	**-**
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	**-**	**-**	**-**
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	**-**	**-**	**-**
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	**-**	**-**	**-**
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	**-**	**-**	**-**
Supreme Court			
Court Operations	9,819	9,057	762
Total Supreme Court	**9,819**	**9,057**	**762**
Supreme Court Law Library			
Court Operations	1,150	1,104	46
Total Supreme Court Law Library	**1,150**	**1,104**	**46**
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	**-**	**-**	**-**
Tourism			
Tourism and Travel Promotion	-	-	-
Total Tourism	**-**	**-**	**-**
Twenty-first Century Authority			
Debt Service	-	-	-
Total Twenty-first Century Authority	**-**	**-**	**-**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	362	277	85	362	277	85
-	**-**	**-**	**362**	**277**	**85**	**362**	**277**	**85**
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	1,461	1,461	-
-	-	-	1,660	1,373	287	3,141	2,845	296
-	**-**	**-**	**1,665**	**1,375**	**290**	**4,607**	**4,308**	**299**
-	-	-	-	-	-	1,811	894	917
-	**-**	**-**	**-**	**-**	**-**	**1,811**	**894**	**917**
-	-	-	296	186	110	296	186	110
-	**-**	**-**	**296**	**186**	**110**	**296**	**186**	**110**
-	-	-	6,336	4,950	1,386	6,336	4,950	1,386
-	**-**	**-**	**6,336**	**4,950**	**1,386**	**6,336**	**4,950**	**1,386**
-	-	-	8,460	4,720	3,740	8,460	4,720	3,740
-	-	-	1,591	1,591	-	1,591	1,591	-
-	**-**	**-**	**10,051**	**6,311**	**3,740**	**10,051**	**6,311**	**3,740**
2,046	2,046	-	-	-	-	2,046	2,046	-
2,046	2,046	-	-	-	-	2,046	2,046	-
4,092	**4,092**	**-**	**-**	**-**	**-**	**4,092**	**4,092**	**-**
-	-	-	2,350	2,208	142	2,350	2,208	142
-	**-**	**-**	**2,350**	**2,208**	**142**	**2,350**	**2,208**	**142**
-	-	-	12,955	11,823	1,132	12,955	11,823	1,132
-	**-**	**-**	**12,955**	**11,823**	**1,132**	**12,955**	**11,823**	**1,132**
-	-	-	-	-	-	9,819	9,057	762
-	**-**	**-**	**-**	**-**	**-**	**9,819**	**9,057**	**762**
-	-	-	-	-	-	1,150	1,104	46
-	**-**	**-**	**-**	**-**	**-**	**1,150**	**1,104**	**46**
-	-	-	4,158	2,403	1,755	4,158	2,403	1,755
-	**-**	**-**	**4,158**	**2,403**	**1,755**	**4,158**	**2,403**	**1,755**
-	-	-	23,113	18,734	4,379	23,113	18,734	4,379
-	**-**	**-**	**23,113**	**18,734**	**4,379**	**23,113**	**18,734**	**4,379**
-	-	-	295	291	4	295	291	4
-	**-**	**-**	**295**	**291**	**4**	**295**	**291**	**4**

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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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
Veterans Affairs			
Administration of Veterans Affairs	2,834	1,941	893
Student Financial Aid	-	-	-
Veterans' Cemetary	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	**2,834**	**1,941**	**893**
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	**-**	**-**	**-**
Women's Commission			
Employment and Social Opportunities	-	-	-
Total Women's Commission	**-**	**-**	**-**
TOTAL Other	**216,494**	**196,897**	**19,597**
TOTAL EXPENDITURES	**$ 1,482,708**	**$ 1,441,955**	**$ 40,753**
TRANSFERS OUT:			
Education Trust Fund Transfers			
16th Section Land Interest	-	-	-
Budget Stabilization Transfer	-	-	-
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Education Trust Fund Proration Prevention Account	-	-	-
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**
3,201	3,143	58	5,260	1,671	3,589	11,295	6,755	4,540
40,320	39,816	504	-	-	-	40,320	39,816	504
-	-	-	400	17	383	400	17	383
-	-	-	72,926	30,121	42,805	72,926	30,121	42,805
43,521	**42,959**	**562**	**78,586**	**31,809**	**46,777**	**124,941**	**76,709**	**48,232**
-	-	-	600	397	203	600	397	203
-	**-**	**-**	**600**	**397**	**203**	**600**	**397**	**203**
-	-	-	16	9	7	16	9	7
-	**-**	**-**	**16**	**9**	**7**	**16**	**9**	**7**
135,428	**134,216**	**1,212**	**1,277,028**	**1,028,190**	**248,838**	**1,628,950**	**1,359,303**	**269,647**
$ 5,583,251	**$ 5,577,412**	**$ 5,839**	**$15,878,771**	**$13,301,454**	**$ 2,577,317**	**$22,944,730**	**$20,320,821**	**$ 2,623,909**
8,940	8,940	-	-	-	-	8,940	8,940	-
40,000	40,000	-	-	-	-	40,000	40,000	-
510	510	-	-	-	-	510	510	-
1,152	1,152	-	-	-	-	1,152	1,152	-
1,691	1,691	-	-	-	-	1,691	1,691	-
14,413	14,413	-	-	-	-	14,413	14,413	-
110	110	-	-	-	-	110	110	-
12,564	12,564	-	-	-	-	12,564	12,564	-
26,612	26,612	-	-	-	-	26,612	26,612	-
256	256	-	-	-	-	256	256	-
533	533	-	-	-	-	533	533	-
8,365	8,365	-	-	-	-	8,365	8,365	-
115,146	**115,146**	**-**	**-**	**-**	**-**	**115,146**	**115,146**	**-**

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, 2012

(Amounts in Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
General Fund Transfers			
Agriculture and Conservation Development Commission	237	237	-
Agriculture and Industries	18	18	-
Alabama Bureau of Investigation Cost of Evidence	11	11	-
Child Abuse Board	244	244	-
Children's Policy Council	20	20	-
Conservation and Natural Resources	220	220	-
Crime Victims Compensation Commission	46	46	-
Environmental Management - Operations	3,563	3,563	-
Environmental Management-Hazardous Substance Fund	14	14	-
Environmental Management-Steel / Dust Sludge	229	102	127
Fair Trial Tax Transfer	39,674	39,674	-
Finance	1,828	1,828	-
Forestry Commission	9,558	9,558	-
Forestry Emergency Forest Fire	94	49	45
Governor's Mansion Authority	124	124	-
Historical Commission	2,300	2,300	-
Human Resources	78,847	78,847	-
Local Emergency Management Agency Assistance	137	137	-
Mental Health	103,952	103,952	-
Peace Officers Annuity and Benefit	41	41	-
Revenue-Ad Valorem Equalization	104	104	-
Surface Mining Commission	222	222	-
Tourism and Travel Department	3,238	3,238	-
Treasurer-SAFE Program	142	142	-
TOTAL General Fund Transfers	**244,863**	**244,691**	**172**
TOTAL TRANSFERS OUT	**$ 244,863**	**$ 244,691**	**$ 172**
TOTAL EXPENDITURES AND TRANSFERS OUT	**$ 1,727,571**	**$ 1,686,646**	**$ 40,925**

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	237	237	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	11	11	-
-	-	-	-	-	-	244	244	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	220	220	-
-	-	-	-	-	-	46	46	-
-	-	-	-	-	-	3,563	3,563	-
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	229	102	127
-	-	-	-	-	-	39,674	39,674	-
-	-	-	-	-	-	1,828	1,828	-
-	-	-	-	-	-	9,558	9,558	-
-	-	-	-	-	-	94	49	45
-	-	-	-	-	-	124	124	-
-	-	-	-	-	-	2,300	2,300	-
-	-	-	-	-	-	78,847	78,847	-
-	-	-	-	-	-	137	137	-
-	-	-	-	-	-	103,952	103,952	-
-	-	-	-	-	-	41	41	-
-	-	-	-	-	-	104	104	-
-	-	-	-	-	-	222	222	-
-	-	-	-	-	-	3,238	3,238	-
-	-	-	-	-	-	142	142	-
-	-	-	-	-	-	**244,863**	**244,691**	**172**
$ 115,146	**$ 115,146**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 360,009**	**$ 359,837**	**$ 172**
$ 5,698,397	**$ 5,692,558**	**$ 5,839**	**$15,878,771**	**$13,301,454**	**$ 2,577,317**	**$23,304,739**	**$20,680,658**	**$ 2,624,081**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

TAXES		
General Sales Tax (4% on gross retail sale of merchandise)	$ 2,023,727	10.6%
General Use Tax	282,742	1.5%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,343,766	17.5%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	48,129	0.3%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	322,674	1.7%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	402,261	2.1%
Utilities Tax (6% telephone, 4% other)	381,934	2.0%
Insurance Premium Tax (1% to 6%)	276,945	1.4%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	105,291	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	133,414	0.7%
Corporation Taxes (privilege, 25¢ to $1.75 per $1,000 net worth; permit, entrance fees for filing)	76,346	0.4%
State Beer Tax (5¢ per 12 oz.)	54,489	0.3%
Public Utilities (2.2%)	149,828	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	138,396	0.7%
Tennessee Valley Authority (payments in-lieu of all state taxes)	121,421	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	61,026	0.3%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	111,081	0.6%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	35,549	0.2%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	63,491	0.3%
Coal Severance Tax (33.5¢ per ton)	3,453	0.0%
Forestry Severance Tax	5,087	0.0%
Inheritance Tax (amount of federal credit)	303	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	37,490	0.2%
Lodgings Tax (4% or 5% of charge)	51,787	0.3%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	945	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,914	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	1,841	0.0%
Court Cost Taxes	30,415	0.2%
Medicaid Taxes	341,812	1.8%
Cellular Telephones (6%)	82,403	0.4%
Miscellaneous Taxes	48,816	0.3%
TOTAL TAXES	**8,738,776**	**45.7%**

LICENSES AND FEES		
Conservation Licenses (fishing, hunting, boat registration, etc)	26,575	0.1%
Drivers Licenses and Fees	52,887	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	58,966	0.3%
Agricultural Licenses and Fees	12,856	0.1%
Wholesale Oil Company License	5,587	0.0%
Motor Vehicle License ($23.00 on auto; up to $845.00 on trucks and up to $210.00 on buses)	156,554	0.8%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	82,420	0.4%
Court Fees	76,036	0.4%
Alcoholic Beverage Licenses	2,733	0.0%
Insurance Corporation Licenses and Fees	1,366	0.0%
Miscellaneous License and Fees	161,084	0.8%
TOTAL LICENSES AND FEES	**637,064**	**3.2%**
FINES AND FORFEITS		
Court Fines and Forfeits	28,852	0.2%
Tobacco Settlement	95,038	0.5%
Miscellaneous Fines and Forfeits	34,480	0.2%
TOTAL FINES AND FORFEITS	**158,370**	**0.9%**
INVESTMENT INCOME	**183,685**	**1.0%**
FEDERAL REVENUES	**8,380,374**	**43.8%**
OTHER REVENUES		
Rents and Royalties	115,493	0.6%
Reimbursements	91,556	0.5%
Sales of Property or Services	46,933	0.2%
Contributions	20,346	0.1%
Intragovernmental Services	54,600	0.3%
Local Revenues	38,438	0.2%
Medicaid CPE/IGT Revenues	529,190	2.8%
Miscellaneous Revenues	152,184	0.7%
TOTAL OTHER REVENUES	**1,048,740**	**5.4%**
TOTAL REVENUES	**$19,147,009**	**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, 2012

(Amounts in Thousands)

	Total Revenues	Admin-istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	$ 2,023,727	$ 48,543	$ 1,975,184	$ 71,901	$ 97,378	$ 0	$ 1,652,038	$ 0
General Use Tax	282,742	3,986	278,756	500	3,730	-	274,449	-
Income Tax	3,343,766	45,863	3,297,903	-	-	-	3,297,903	-
Property Tax Relief	48,129	-	48,129	7,108	19,696	21,325	-	-
General Property Tax	322,674	5,463	317,211	47,692	122,284	147,235	-	-
Gasoline Taxes	402,261	12,672	389,589	-	-	-	-	-
Utilities Tax	381,934	313	381,621	-	-	-	367,021	-
Insurance Premium Tax	276,945	-	276,945	-	240,044	-	30,993	-
Liquor & Wine Tax	105,291	-	105,291	37,763	52,651	-	-	-
Tobacco & Cigarette Taxes	133,414	441	132,973	2,965	116,001	-	-	-
Corporation Taxes	76,346	-	76,346	-	38,860	-	-	-
State Beer Tax	54,489	-	54,489	11,184	15,346	-	22,367	-
Public Utilities	149,828	-	149,828	-	22,687	-	-	-
Motor Fuel Tax	138,396	1,360	137,036	-	-	-	-	-
Tennessee Valley Authority	121,421	-	121,421	-	-	-	-	-
Leasing/Renting Personal Property	61,026	-	61,026	-	61,026	-	-	-
Production Privilege Tax	111,081	-	111,081	-	86,162	-	-	-
Financial Institutions Excise Tax	35,549	131	35,418	-	22,689	-	-	-
Documentary Filing Taxes	63,491	685	62,806	-	62,806	-	-	-
Coal Severance Tax	3,453	-	3,453	-	-	-	-	-
Forestry Severance Tax	5,087	291	4,796	-	-	-	-	-
Inheritance Tax	303	-	303	-	303	-	-	-
Contractors Gross Receipts Tax	37,490	37	37,453	5,608	-	-	-	-
Lodgings Tax	51,787	24	51,763	-	37,320	-	-	-
Hydroelectric Companies	945	-	945	-	-	-	397	-
Lubricating Oil Tax	1,914	13	1,901	-	638	-	-	-
Pari-mutuel Betting	1,841	-	1,841	-	1,841	-	-	-
Court Cost Taxes	30,415	-	30,415	-	9,104	-	-	-
Medicaid Provider Taxes	341,812	224	341,588	-	-	-	-	-
Cellular Telephone Tax	82,403	-	82,403	-	52,203	-	28,351	-
Miscellaneous Taxes	48,816	301	48,515	1	3,703	4	-	-
TOTAL TAXES	**8,738,776**	**120,347**	**8,618,429**	**184,722**	**1,066,472**	**168,564**	**5,673,519**	**0**
LICENSES AND FEES								
Conservation Licenses	26,575	-	26,575	-	-	-	-	-
Drivers Licenses and Fees	52,887	-	52,887	-	34,605	-	-	-
Petroleum Products Inspection Fee	58,966	-	58,966	-	-	-	-	-
Agricultural License and Fees	12,856	-	12,856	-	-	-	-	-
Wholesale Oil Company License	5,587	-	5,587	-	5,587	-	-	-
Motor Vehicle License	156,554	1,815	154,739	-	42,474	-	-	-
Privilege License	82,420	1,460	80,960	-	11,330	-	57	-
Court Fees	76,036	-	76,036	-	49,428	-	-	-
Alcoholic Beverage Licenses	2,733	-	2,733	-	2,733	-	-	-
Insurance Corp Licenses and Fees	1,366	-	1,366	-	696	-	-	-
Miscellaneous License and Fees	161,084	158	160,926	402	7,251	-	41	-
TOTAL LICENSES AND FEES	**637,064**	**3,433**	**633,631**	**402**	**154,104**	**0**	**98**	**0**
FINES AND FORFEITS								
Court Fines and Forfeits	28,852	-	28,852	-	19,053	-	-	-
Tobacco Settlement	95,038	-	95,038	-	1,193	-	-	-
Miscellaneous Fines and Forfeits	34,480	-	34,480	4	6,040	-	248	-
TOTAL FINES AND FORFEITS	**158,370**	**-**	**158,370**	**4**	**26,286**	**-**	**248**	**0**
INVESTMENT INCOME	**183,685**	**-**	**183,685**	**-**	**15,986**	**-**	**-**	**141,322**
FEDERAL REVENUES	**8,380,374**	**129**	**8,380,245**	**1,738,337**	**-**	**-**	**-**	**-**
Medicaid CPE/IGT Revenues	529,190	-	529,190	-	-	-	-	-
Miscellaneous Revenues	519,550	5,326	514,224	9,923	7,066	3,981	139	86,121
TOTAL REVENUES	**$ 19,147,009**	**$ 129,235**	**$ 19,017,774**	**$ 1,933,388**	**$ 1,269,914**	**$ 172,545**	**$ 5,674,004**	**$ 227,443**

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
$ 4,874	$ 148,993	$ 0	$ 0	$ 0	$ 0	$ 0	$ -	
-	-	-	-	-	-	-	77	Conservation Dept.
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
173,373	-	-	212,010	-	-	-	4,206	Conservation 3.6M
-	-	-	-	14,600	-	-	-	
-	-	-	-	4,525	-	-	1,383	Insurance Dept
-	-	-	-	14,877	-	-	-	
671	600	-	-	9,771	-	-	2,965	State Parks
37,486	-	-	-	-	-	-	-	
5,592	-	-	-	-	-	-	-	
-	-	-	-	127,141	-	-	-	
2,432	-	-	134,604	-	-	-	-	
100,779	20,642	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
24,919	-	-	-	-	-	-	-	
12,729	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
3,222	-	-	-	-	-	-	231	
-	-	-	-	-	-	-	4,796	Forestry
-	-	-	-	-	-	-	-	
-	-	-	-	31,845	-	-	-	
2,002	-	-	-	-	-	-	12,441	Tourism
-	-	-	-	548	-	-	-	
695	-	-	568	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	2,949	-	18,362	Fair Trial Fd 15.7M
-	-	341,588	-	-	-	-	-	
-	1,849	-	-	-	-	-	-	
68	-	-	41	-	-	-	44,698	PSC Dual Party 33; ADEM 6.6M
368,842	**172,084**	**341,588**	**347,223**	**203,307**	**2,949**	**0**	**89,159**	
-	-	-	-	1	-	-	26,574	Conservation
862	-	-	-	-	-	-	17,420	Public Safety
8,955	-	-	46,642	-	-	-	3,369	Agriculture
-	-	-	-	-	-	-	12,856	Agriculture
-	-	-	-	-	-	-	-	
20,151	-	-	87,694	-	-	-	4,420	Corrections 3.5M
-	-	-	3,754	3,334	870	-	61,615	Prof & Occup Boards 31.2M
-	-	-	-	132	-	-	26,476	AOC 12.5M; DPS 2.9M; DFS 9.2M
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	670	Insurance Dept
-	-	-	1,381	29,276	-	-	122,575	ADEM 61.5; PSC 17M; Bank 11M
29,968	**0**	**0**	**139,471**	**32,743**	**870**	**0**	**275,975**	
-	-	-	-	-	-	1,759	8,040	DFS 2.4M; DOC 1.9M
-	-	-	-	-	-	-	93,845	21st Century Fund
5	-	5,766	-	9	-	571	21,837	DPS 3.9M; AG 10.2M DPS 3.9
5	**0**	**5,766**	**0**	**9**	**0**	**2,330**	**123,722**	
-	**64**	**9**	**493**	**1**	**(1)**	**29**	**25,782**	Co & City CITF 18.2M
2,234	**-**	**3,761,710**	**810,174**	**433,918**	**915,306**	**216,473**	**502,093**	EMA 105 DRS 64 DIR 63
-	-	529,190	-	-	-	-	-	
-	11,624	125,939	18,474	75,104	12,512	4,459	158,882	Cons 47.3; DOC 28.2; Uncl Prop 28
$ 401,049	**$ 183,772**	**$ 4,764,202**	**$ 1,315,835**	**$ 745,082**	**$ 931,636**	**$ 223,291**	**$ 1,175,613**	

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 Fire College

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

Alabama Health Insurance Plan

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

Motor Sports Hall of Fame

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

Corrections Canteen

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

Military Department

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

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2012
(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 4,501	$ 3,972	$ 58	$ 907
Investments, Short-term	5,266	-	105	-
Due from Other Funds	-	-	-	-
Accounts Receivable	91	31	-	10
Securities Lending Collateral	-	-	-	-
Inventory	157	-	-	816
Other Current Assets	-	300	-	-
Total Current Assets	**10,015**	**4,303**	**163**	**1,733**
Noncurrent Assets				
Other Noncurrent Assets	4	-	-	-
Capital Assets, Net of Accumulated Depreciation	6,001	-	1,332	-
Capital Assets Not Depreciated	-	-	2,630	-
Total Noncurrent Assets	**6,005**	**0**	**3,962**	**0**
TOTAL ASSETS	**16,020**	**4,303**	**4,125**	**1,733**
LIABILITIES				
Current Liabilities				
Salaries Payable	-	-	2	-
Due to Other Funds	-	-	-	773
Due to Component Units	-	99	-	-
Accounts Payable	8	11	15	57
Due to Other Governments	-	-	-	-
Claims Payable	-	3,098	-	-
Unearned Revenue	60	356	-	-
Compensated Absences	-	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	**68**	**3,564**	**17**	**830**
Noncurrent Liabilities				
Compensated Absences	307	-	10	-
Other Post-employment Benefits	-	-	20	-
Notes and Capital Leases Payable	-	-	1,678	-
Total Noncurent Liabilities	**307**	**0**	**1,708**	**0**
Total Liabilities	**375**	**3,564**	**1,725**	**830**
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,001	-	2,284	-
Education	9,644	-	-	-
Health	-	739	-	-
Unrestricted	-	-	116	903
TOTAL NET ASSETS	**$ 15,645**	**$ 739**	**$ 2,400**	**$ 903**

Military Department	Totals
$ 3,632	$ 13,070
-	5,371
10	10
-	132
2	2
201	1,174
-	300
3,845	**20,059**
-	4
1,324	8,657
-	2,630
1,324	**11,291**
5,169	**31,350**
27	29
-	773
-	99
6	97
1	1
-	3,098
-	416
1	1
2	2
37	**4,516**
13	330
136	156
-	1,678
149	**2,164**
186	**6,680**
1,324	9,609
-	9,644
-	739
3,659	4,678
$ 4,983	**$ 24,670**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
OPERATING REVENUES				
Charges for Goods and Services	$ 1,910	$ 0	$ 0	$ 25,942
Premiums and Contributions	-	14,337	-	-
Rents and Leases	-	-	201	-
Total Operating Revenues	**1,910**	**14,337**	**201**	**25,942**
OPERATING EXPENSES				
Salaries, Wages, and Benefits	3,306	-	98	-
Utilities and Communications	71	-	1	-
Professional Services	-	360	5	-
Supplies, Materials, and Operating Expenses	2,054	-	6	14,863
Depreciation	423	-	86	-
Claims and Benefits	-	21,994	-	-
Other	-	-	16	-
Total Operating Expenses	**5,854**	**22,354**	**212**	**14,863**
Operating Income (Loss)	**(3,944)**	**(8,017)**	**(11)**	**11,079**
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	4,000	-	-
Grants	135	897	-	-
Investment Income	78	8	-	-
Other Nonoperating Revenues	6	-	35	-
Interest Expense	-	-	(87)	-
Total Nonoperating Revenues (Expenses)	**219**	**4,905**	**(52)**	**0**
Income (Loss) Before Contributions and Transfers	**(3,725)**	**(3,112)**	**(63)**	**11,079**
Transfers In	3,731	-	-	-
Transfers Out	-	-	-	(10,944)
Increase (Decrease) in Net Assets	**6**	**(3,112)**	**(63)**	**135**
Total Net Assets, October 1, 2011, as Restated	15,639	3,851	2,463	768
Total Net Assets, September 30, 2012	**$ 15,645**	**$ 739**	**$ 2,400**	**$ 903**

Military Department	Totals
$ 18,487	$ 46,339
-	14,337
527	728
19,014	**61,404**
422	3,826
135	207
10	375
17,279	34,202
78	587
-	21,994
2	18
17,926	**61,209**
1,088	**195**
-	4,000
2	1,034
12	98
5	46
-	(87)
19	**5,091**
1,107	**5,286**
-	3,731
(137)	(11,081)
970	**(2,064)**
4,013	26,734
$ 4,983	**$ 24,670**

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2012
(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	$ 909	$ 14,286	$ 201	$ 25,969
Receipts from Other Operating Activities	534	4,000	35	-
Payments for Goods Held for Resale	-	(382)	-	(14,950)
Payments for Other Goods & Services	(1,289)	(22,392)	(28)	-
Payments for Employees Services	(3,306)	-	(92)	-
Payments for Interfund Services	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	**(3,152)**	**(4,488)**	**116**	**11,019**
Cash Flows from Noncapital Financing Activities:				
Receipts from Noncapital Financing Grants & Donations	141	897	-	-
Transfers from Other Funds for Noncapital Financing	3,731	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	-	(10,930)
Net Cash Provided By (Used In) Noncapital Financing Activities	**3,872**	**897**	**0**	**(10,930)**
Cash Flows From Capital & Related Financing Activities:				
Payments to Acquire, Construct, & Improve Capital Assets	(767)	-	(6)	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	(75)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	(87)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**(767)**	**0**	**(168)**	**0**
Cash Flows From Investing Activities				
Receipts from Sales & Maturities of Investments	2,000	-	-	-
Receipts from Interest & Dividends on Investments & Loans	78	8	-	-
Purchase of Investments	(2,209)	-	-	-
Net Cash Provided By (Used In) Investing Activities	**(131)**	**8**	**0**	**0**
Net Increase (Decrease) In Cash and Cash Equivalents	**(178)**	**(3,583)**	**(52)**	**89**
Cash Balance as Restated, October 1, 2011	4,679	7,555	110	818
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 4,501**	**$ 3,972**	**$ 58**	**$ 907**

Military Department	Totals
$ 19,013	$ 60,378
5	4,574
(17,106)	(32,438)
(378)	(24,087)
(394)	(3,792)
(6)	(6)
1,134	**4,629**
-	1,038
-	3,731
(137)	(11,067)
(137)	**(6,298)**
(755)	(1,528)
-	(75)
-	(87)
(755)	**(1,690)**
-	2,000
12	98
-	(2,209)
12	**(111)**
254	**(3,470)**
3,378	16,540
$ 3,632	**$ 13,070**

Continued on next page...

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

For the Fiscal Year Ended September 30, 2012
(Amounts in Thousands)

	Fire College and Personnel Standards Commission	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	**$ (3,944)**	**$ (8,017)**	**$ (11)**	**$ 11,079**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	-	-
Accounts Receivable	447	5	-	27
Inventory	(23)	-	-	(87)
Other Assets	24	-	-	-
Salaries Payable	-	-	-	-
Due to Other Funds	-	(17)	-	-
Accounts Payable	(57)	(5)	-	-
Claims Payable	-	(399)	-	-
Unearned Revenue	6	(55)	-	-
Funds Held in Escrow	(2)	-	-	-
Compensated Absences	-	-	-	-
Other Post-employment Benefits	-	-	5	-
Other Liabilities	(26)	-	-	-
Depreciation	423	-	86	-
Nonoperating Revenues	-	4,000	36	-
Total Adjustments	792	3,529	127	(60)
Net Cash Provided (Used) by Operating Activities	**$ (3,152)**	**$ (4,488)**	**$ 116**	**$ 11,019**
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Disposals and Other Reductions to Capital Assets	-	(13)	-	-
Capital Assets Acquired on Account	94	-	-	-

Military Department	Totals
$ 1,088	**$ 195**
(10)	(10)
-	479
(15)	(125)
-	24
(2)	(2)
-	(17)
(48)	(110)
-	(399)
-	(49)
-	(2)
1	1
35	40
-	(26)
78	587
7	4,043
46	4,434
$ 1,134	**$ 4,629**
(27)	(40)
-	94

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, 2012
(Amounts in Thousands)

	Telecom-munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 13,009	$ 2,579	$ 5,967	$ 27,793	$ 19,359
Investments, Short-term	-	-	-	-	63,084
Due from Other Funds	8,808	1,333	1,108	1,215	1,265
Due from Component Units	246	80	16	-	59
Accounts Receivable	555	260	-	13	1,143
Interest and Dividends Receivable	-	-	-	-	219
Securities Lending Collateral	80	16	37	140	43
Inventory	-	936	8,228	-	-
Other Current Assets	-	-	-	-	13,047
Total Current Assets	**22,698**	**5,204**	**15,356**	**29,161**	**98,219**
Noncurrent Assets					
Investments, Long-term	-	-	-	-	98,492
Due From Other Funds, Noncurrent	364	-	-	-	10,806
Due From Component Unit, Noncurrent	-	-	-	-	714
Other Noncurrent Assets	-	-	-	585	-
Capital Assets, Net of Accumulated Depreciation	7,346	1,063	2,073	31,199	92
Capital Assets Not Depreciated	-	-	620	25,910	-
Total Noncurrent Assets	**7,710**	**1,063**	**2,693**	**57,694**	**110,104**
TOTAL ASSETS	**30,408**	**6,267**	**18,049**	**86,855**	**208,323**
LIABILITIES					
Current Liabilities					
Warrants Payable	-	1	2	5	90
Salaries Payable	1,177	103	364	255	352
Due to Other Funds	918	14	80	12	340
Due to Component Units	14	-	-	(1)	404
Accounts Payable	4,060	1,321	746	625	24,674
Due to Other Governments	-	-	2	22	-
Claims Payable	-	-	-	-	12,872
Compensated Absences	-	-	17	15	21
Securities Lending Obligation	80	16	37	140	43
Notes and Capital Leases Payable	898	234	-	-	-
Revenue Bonds Payable	-	-	-	8,370	-
Total Current Liabilities	**7,147**	**1,689**	**1,248**	**9,443**	**38,796**
Noncurrent Liabilities					
Claims Payable	-	-	-	-	44,803
Compensated Absences	2,660	102	718	414	379
Other Post-employment Benefits	3,396	497	1,762	1,148	999
Notes and Capital Leases Payable	1,934	215	-	-	-
Revenue Bonds Payable	-	-	-	49,254	-
Other Long-term Liabilities	2,329	-	-	-	-
Total Noncurent Liabilities	**10,319**	**814**	**2,480**	**50,816**	**46,181**
Total Liabilities	**17,466**	**2,503**	**3,728**	**60,259**	**84,977**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	4,514	615	2,693	4,583	92
Restricted for:					
Capital Projects	-	-	-	6,258	-
Unrestricted	8,428	3,149	11,628	15,755	123,254
TOTAL NET ASSETS	**$ 12,942**	**$ 3,764**	**$ 14,321**	**$ 26,596**	**$ 123,346**

Other Internal Service Funds	Totals
$ 1,076	$ 69,783
-	63,084
-	13,729
40	441
-	1,971
-	219
7	323
-	9,164
-	13,047
1,123	**171,761**
-	98,492
-	11,170
-	714
-	585
25	41,798
-	26,530
25	**179,289**
1,148	**351,050**
1	99
222	2,473
34	1,398
-	417
63	31,489
-	24
-	12,872
44	97
7	323
-	1,132
-	8,370
371	**58,694**
-	44,803
487	4,760
666	8,468
-	2,149
-	49,254
-	2,329
1,153	**111,763**
1,524	**170,457**
25	12,522
-	6,258
(401)	161,813
$ (376)	**$ 180,593**

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

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Telecom-munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	$ 46,448	$ 11,239	$ 9,912	$ 830	$ 283
Premiums and Contributions	-	-	-	-	47,839
Rents and Leases	-	-	-	18,297	-
Total Operating Revenues	**46,448**	**11,239**	**9,912**	**19,127**	**48,122**
OPERATING EXPENSES					
Salaries, Wages, and Benefits	15,778	1,277	4,963	3,393	4,450
Utilities and Communications	15,916	63	477	3,558	124
Professional Services	3,836	220	303	1,489	5,069
Supplies, Materials, and Operating Expenses	5,158	8,150	7,229	504	24,805
Interest	-	-	-	2,673	-
Depreciation	2,242	722	339	2,982	53
Claims and Benefits	-	-	-	-	9,696
Other	2,941	1,543	448	1,181	2,731
Total Operating Expenses	**45,871**	**11,975**	**13,759**	**15,780**	**46,928**
Operating Income (Loss)	**577**	**(736)**	**(3,847)**	**3,347**	**1,194**
NONOPERATING REVENUES (EXPENSES)					
Grants	52	8	37	17	17
Investment Income	-	-	-	13	8,160
Other Nonoperating Revenues	23	141	42	103	19
Interest Expense	(82)	(58)	-	-	-
Other Nonoperating Expenses	-	(1)	-	-	(211)
Total Nonoperating Revenues (Expenses)	**(7)**	**90**	**79**	**133**	**7,985**
Income (Loss) Before Contributions and Transfers	**570**	**(646)**	**(3,768)**	**3,480**	**9,179**
Transfers In	720	-	4,074	5,699	-
Transfers Out	(76)	(7)	(35)	(24)	(16)
Increase (Decrease) in Net Assets	**1,214**	**(653)**	**271**	**9,155**	**9,163**
Total Net Assets, October 1, 2011, as Restated	11,728	4,417	14,050	17,441	114,183
Total Net Assets, September 30, 2012	**$ 12,942**	**$ 3,764**	**$ 14,321**	**$ 26,596**	**$ 123,346**

Other Internal Service Funds	Totals
$ 3,019	$ 71,731
-	47,839
-	18,297
3,019	**137,867**
2,884	32,745
21	20,159
504	11,421
41	45,887
-	2,673
16	6,354
-	9,696
175	9,019
3,641	**137,954**
(622)	**(87)**
110	241
-	8,173
1	329
-	(140)
-	(212)
111	**8,391**
(511)	**8,304**
-	10,493
(10)	(168)
(521)	**18,629**
145	161,964
$ (376)	**$ 180,593**

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2012
(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	$ 1,407	$ 1,137	$ 2,404	$ 17	$ 47,034
Receipts from Interfund Services	45,823	10,045	7,911	19,283	46,189
Receipts from Other Operating Activities	2,755	12	17	2	228
Payments for Goods Held for Resale	(64)	(7,571)	(7,025)	-	-
Payments for Other Goods & Services	(26,916)	(1,504)	(1,305)	(6,244)	(35,015)
Payments for Employees Services	(14,711)	(1,098)	(4,544)	(3,031)	(4,109)
Payments for Taxes, Fines, Penalties, & Similar Fees	-	-	(1)	-	-
Payments for Interfund Services	(1,576)	(368)	(458)	(359)	(1,574)
Payments for Other Operating Activities	(3,116)	-	(101)	-	(27,760)
Payments for Claims	-	-	-	-	(32,304)
Net Cash Provided by (Used In) Operating Activities	**3,602**	**653**	**(3,102)**	**9,668**	**(7,311)**
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	681	-	4,074	5,699	-
Transfers to Other Funds for Noncapital Financing	(52)	(8)	(35)	(24)	(16)
Net Cash Provided By (Used In) Noncapital Financing Activities	**629**	**(8)**	**4,039**	**5,675**	**(16)**
Cash Flows From Capital & Related Financing Activities:					
Receipts from Sale of Capital Assets & Insurance Proceeds	1	109	26	3	4
Payments to Acquire, Construct, & Improve Capital Assets	(1,403)	(356)	(362)	(1,026)	(51)
Principal Paid on Revenue Bonds & Other Capital Debt	(810)	(474)	-	(8,020)	-
Interest Paid on Revenue Bonds & Other Capital Debt	(81)	(50)	-	(2,797)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	**(2,293)**	**(771)**	**(336)**	**(11,840)**	**(47)**
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	486,192
Receipts from Interest & Dividends on Investments & Loans	-	-	-	13	3,475
Purchase of Investments	-	-	-	-	(476,197)
Net Cash Provided By (Used In) Investing Activities	**0**	**0**	**0**	**13**	**13,470**
Net Increase (Decrease) In Cash and Cash Equivalents	**1,938**	**(126)**	**601**	**3,516**	**6,096**
Cash Balance as Restated, October 1, 2011	11,071	2,704	5,364	24,272	13,173
Cash Balance, September 30, 2012	**13,009**	**2,578**	**5,965**	**27,788**	**19,269**
Add: Warrants Payable	-	1	2	5	90
Cash and Cash Equivalents, as Reported on Balance Sheet	**$ 13,009**	**$ 2,579**	**$ 5,967**	**$ 27,793**	**$ 19,359**

Other Internal Service Funds	Totals
$ 0	$ 51,999
3,018	132,269
101	3,115
-	(14,660)
(299)	(71,283)
(2,690)	(30,183)
-	(1)
(376)	(4,711)
(1)	(30,978)
-	(32,304)
(247)	**3,263**
-	10,454
(10)	(145)
(10)	**10,309**
-	143
(10)	(3,208)
-	(9,304)
-	(2,928)
(10)	**(15,297)**
-	486,192
-	3,488
-	(476,197)
0	**13,483**
(267)	**11,758**
1,342	57,926
1,075	**69,684**
1	99
$ 1,076	**$ 69,783**

Continued on next page...

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

For the Fiscal Year Ended September 30, 2012
(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)	**$ 577**	**$ (736)**	**$ (3,847)**	**$ 3,347**	**$ 1,194**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	230	235	341	176	1,056
Accounts Receivable	204	16	-	(3)	17,759
Inventory	-	549	(477)	-	-
Other Assets	-	-	-	-	(5,185)
Salaries Payable	38	25	16	33	29
Due to Other Funds	(156)	9	54	112	(316)
Accounts Payable	(572)	(332)	52	15	(16,335)
Claims Payable	-	-	-	-	(6,188)
Unearned Revenue	-	-	-	-	75
Compensated Absences	123	17	(14)	33	15
Other Post-employment Benefits	864	131	393	283	281
Other Liabilities	-	(2)	-	-	-
Operating Interest Expense	-	-	-	2,673	-
Depreciation	2,242	722	339	2,982	53
Nonoperating Revenues	53	19	41	19	251
Nonoperating Expenses	(1)	-	-	(2)	-
Total Adjustments	3,025	1,389	745	6,321	(8,505)
Net Cash Provided (Used) by Operating Activities	**$ 3,602**	**$ 653**	**$ (3,102)**	**$ 9,668**	**$ (7,311)**
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Donations and Transfers In of Capital Assets	1,283	3	-	166	230
Disposals and Other Reductions to Capital Assets	(1,130)	(437)	-	(1)	(2,020)
Capital Assets Acquired on Account	3,807	69	20	-	1
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	217	-
Interest Accruals and Other Adjustments	-	-	-	-	511
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	4,244
Transfers In (Out)	15	-	-	-	-

Other Internal Service Funds	Totals
$ (622)	**$ (87)**
(40)	1,998
-	17,976
-	72
-	(5,185)
32	173
12	(285)
48	(17,124)
-	(6,188)
-	75
39	213
158	2,110
-	(2)
-	2,673
16	6,354
110	493
-	(3)
375	3,350
$ (247)	**$ 3,263**
-	1,682
(7)	(3,595)
-	3,897
-	217
-	511
-	4,244
-	15

ALABAMA
TENNESSEE
TENNESSEE
RIVER
RIVER
RIVER
MISSISSIPPI
BLACK WARRIOR
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RIVER
RIVER
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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, 2012
(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	$ 15,627	$ 47,916	$ 2,223	$ 239	$ 0
Investments					
U.S. Treasury Securities	333,461	731,857	16,536	1,796	3,171
U.S. Agency Securities	111,445	250,645	7,525	674	855
Mortgage Backed Securities	189,702	419,946	9,085	1,924	1,650
Corporate Stocks	4,245,713	8,784,801	122,145	-	1,914
Corporate Bonds	1,672,320	3,407,258	31,801	3,039	4,361
Real Estate	933,431	1,919,222	3,016	-	-
Commercial Paper	369,659	543,539	5,997	-	-
International Stocks	1,112,997	2,504,647	33,357	-	-
Mutual and Money Market Funds	97,353	126,142	3,588	11,978	2,232
Receivables					
Employer Contributions Receivable	27,392	50,397	369	-	-
Member Contributions Receivable	18,178	36,553	161	-	-
Federal On-Behalf Contributions Receivable	-	-	-	-	-
Investment Sales Receivable	15,341	30,786	228	-	39
Accounts Receivable	592	1,079	-	1	-
Interest and Dividends Receivable	35,811	75,944	1,025	69	93
Securities Lending Collateral	557,855	1,211,406	24,483	1	1,694
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	47,060	94,763	-	5	-
Capital Assets Not Depreciated	2,535	5,085	-	-	-
TOTAL ASSETS	**9,786,472**	**20,241,986**	**261,539**	**19,726**	**16,009**
LIABILITIES					
Warrants Payable	$ 12,308	$ 28,306	$ 511	$ 101	$ 0
Investment Purchases Payable	21,936	45,064	535	-	91
Salaries Payable	843	1,191	15	28	-
Due to Other Funds	-	-	-	3	-
Accounts Payable	715	1,030	18	21	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	557,855	1,211,406	24,483	1	1,694
Deferred Revenue	-	-	-	-	-
Compensated Absences	1,692	2,608	75	95	-
Other Post-employment Benefits	2,620	2,457	27	76	-
Notes and Mortgages Payable	-	-	-	-	-
TOTAL LIABILITIES	**597,969**	**1,292,062**	**25,664**	**325**	**1,785**
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	9,188,503	18,949,924	235,875	19,401	14,224
TOTAL NET ASSETS	**$ 9,188,503**	**$ 18,949,924**	**$ 235,875**	**$ 19,401**	**$ 14,224**

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	$ 34	$ 784	$ 781	$ 0	$ 0	$ 67,604
178	2,991	-	340,582	96,914	12,958	1,540,444
48	864	-	106,861	33,382	7,076	519,375
93	1,608	-	182,990	46,863	6,371	860,232
107	2	-	289,684	416,428	55,505	13,916,299
245	4,447	-	531,181	120,910	19,388	5,794,950
-	-	-	-	-	-	2,855,669
-	-	-	154,207	99,998	9,999	1,183,399
-	-	-	-	97,602	13,561	3,762,164
125	1,531	-	73,296	41,173	1,287	358,705
-	-	-	-	-	-	78,158
-	-	182	-	-	2,395	57,469
-	-	-	-	5,350	2,072	7,422
2	37	-	4,302	1,343	148	52,226
-	-	-	-	3,965	-	5,637
5	95	-	11,072	3,811	730	128,655
95	1,961	4	102,828	65,311	36,931	2,002,569
-	-	-	-	200	-	200
-	-	-	-	-	-	141,828
-	-	-	-	-	-	7,620
898	**13,570**	**970**	**1,797,784**	**1,033,250**	**168,421**	**33,340,625**
$ 0	$ 34	$ 0	$ 781	$ 0	$ 0	$ 42,041
5	84	-	10,048	2,942	353	81,058
-	-	-	-	-	-	2,077
-	-	-	-	-	-	3
-	-	-	-	-	-	1,784
-	-	747	-	34,719	12,869	48,335
95	1,961	4	102,828	65,311	36,931	2,002,569
-	-	-	-	-	2,390	2,390
-	-	-	-	-	-	4,470
-	-	-	-	-	-	5,180
-	-	1,000	-	-	-	1,000
100	**2,079**	**1,751**	**113,657**	**102,972**	**52,543**	**2,190,907**
798	11,491	(781)	1,684,127	930,278	115,878	31,149,718
$ 798	**$ 11,491**	**$ (781)**	**$ 1,684,127**	**$ 930,278**	**$ 115,878**	**$ 31,149,718**

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

For the Fiscal Year Ended September 30, 2012
(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	$ 214,934	$ 456,518	$ 3,517	$ 594	$ 0
Employer	317,474	618,306	10,747	41	1,370
Federal On-Behalf	-	-	-	-	-
Total Contributions	532,408	1,074,824	14,264	635	1,370
Investment Earnings					
Investment Interest and Dividends	310,748	634,695	6,748	496	432
Net Increase (Decrease) in Fair Value of Investments	1,114,737	2,349,955	32,113	2,532	632
Securities Lending Income	6,445	13,670	215	-	18
Total Investment Earnings	1,431,930	2,998,320	39,076	3,028	1,082
Less:					
Investment Expense	2,438	5,264	-	30	-
Securities Lending Interest and Fees	1,816	3,898	64	-	5
Net Investment Income	1,427,676	2,989,158	39,012	2,998	1,077
Other Additions					
Licenses and Fees	-	-	-	2,964	-
Miscellaneous	2,234	2,133	164	323	-
Total Other Additions	2,234	2,133	164	3,287	0
Total Additions	**1,962,318**	**4,066,115**	**53,440**	**6,920**	**2,447**
DEDUCTIONS					
Benefit Payments and Refunds	889,212	1,850,258	27,436	4,626	1,068
Administrative Expense	15,024	18,143	264	453	-
Transfers Out	-	-	-	1	-
Total Deductions	**904,236**	**1,868,401**	**27,700**	**5,080**	**1,068**
Changes in Net Assets	**1,058,082**	**2,197,714**	**25,740**	**1,840**	**1,379**
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2011, as Restated	8,130,421	16,752,210	210,135	17,561	12,845
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2012	**$ 9,188,503**	**$ 18,949,924**	**$ 235,875**	**$ 19,401**	**$ 14,224**

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	$ 345	$ 27,472	$ 143,929	$ 97,392	$ 30,269	$ 974,970
172	-	2,787	-	308,201	100,187	1,359,285
-	-	-	-	27,977	10,582	38,559
172	345	30,259	143,929	433,570	141,038	2,372,814
24	400	-	54,343	22,882	3,237	1,034,005
42	234	-	82,294	101,185	13,566	3,697,290
1	16	-	2,114	814	209	23,502
67	650	0	138,751	124,881	17,012	4,754,797
-	-	-	-	-	-	7,732
-	5	-	594	231	65	6,678
67	645	0	138,157	124,650	16,947	4,740,387
-	-	-	-	-	-	2,964
-	-	-	1	-	-	4,855
0	0	0	1	0	0	7,819
239	**990**	**30,259**	**282,087**	**558,220**	**157,985**	**7,121,020**
173	401	27,956	105,986	404,881	142,529	3,454,526
-	-	1,883	-	995	192	36,954
-	-	-	-	-	-	1
173	**401**	**29,839**	**105,986**	**405,876**	**142,721**	**3,491,481**
66	**589**	**420**	**176,101**	**152,344**	**15,264**	**3,629,539**
732	10,902	(1,201)	1,508,026	777,934	100,614	27,520,179
$ 798	**$ 11,491**	**$ (781)**	**$ 1,684,127**	**$ 930,278**	**$ 115,878**	**$ 31,149,718**

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RIVER
TOMBIGBEE
RIVER
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PEA R.
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Private-Purpose Trust Funds

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

Prepaid Affordable College Tuition

Accounts for the operation of a prepaid college tuition plan for the benefit of 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, 2012
(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	$ 52,281	$ 2,334	$ 106	$ 0	$ 54,721
Investments					
U.S. Treasury Securities	47,304	-	947	237	48,488
U.S. Agency Securities	22,390	-	234	97	22,721
State and Local Government Securities	2,960	-	-	-	2,960
Mortgage Backed Securities	79,130	-	499	134	79,763
Corporate Stocks	9	-	4,411	-	4,420
Corporate Bonds	131,680	-	1,272	356	133,308
Real Estate	-	-	840	-	840
Mutual and Money Market Funds	9,209	891,593	743	78	901,623
Receivables					
Investment Sales Receivable	-	-	-	3	3
Interest and Dividends Receivable	2,287	632	2	9	2,930
Securities Lending Collateral	309	-	5,070	237	5,616
TOTAL ASSETS	**347,559**	**894,559**	**14,124**	**1,151**	**1,257,393**
LIABILITIES					
Warrants Payable	209	-	-	-	209
Investment Purchases Payable	-	-	15	7	22
Salaries Payable	27	10	-	-	37
Due to Other Funds	4	-	-	-	4
Accounts Payable	41,336	2,071	1	-	43,408
Securities Lending Obligation	309	-	5,070	237	5,616
Compensated Absences	42	24	-	-	66
Other Post-employment Benefits	68	11	-	-	79
TOTAL LIABILITIES	**41,995**	**2,116**	**5,086**	**244**	**49,441**
NET ASSETS					
Held in Trust for Beneficiaries	305,564	892,443	9,038	907	1,207,952
TOTAL NET ASSETS	**$ 305,564**	**$ 892,443**	**$ 9,038**	**$ 907**	**$ 1,207,952**

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

For the Fiscal Year Ended September 30, 2012
(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	$ 5,012	$ 122,017	$ 0	$ 0	$ 127,029
Total Contributions	5,012	122,017	0	0	127,029
Investment Earnings					
Investment Interest and Dividends	13,393	18,915	202	33	32,543
Net Increase (Decrease) in Fair Value of Investments	7,253	117,462	1,060	19	125,794
Securities Lending Income	-	-	13	1	14
Total Investment Earnings	20,646	136,377	1,275	53	158,351
Less:					
Securities Lending Interest and Fees	-	-	4	-	4
Net Investment Income	20,646	136,377	1,271	53	158,347
Other Additions					
Miscellaneous	466	-	-	-	466
Total Other Additions	466	0	0	0	466
Total Additions	**26,124**	**258,394**	**1,271**	**53**	**285,842**
DEDUCTIONS					
Benefit Payments and Refunds	99,517	75,440	335	-	175,292
Administrative Expense	1,779	5,841	-	-	7,620
Transfers Out	-	640	-	-	640
Total Deductions	**101,296**	**81,921**	**335**	**0**	**183,552**
Changes in Net Assets	**(75,172)**	**176,473**	**936**	**53**	**102,290**
Net Assets Held in Trust for Beneficiaries, October 1, 2011, as Restated	380,736	715,970	8,102	854	1,105,662
Net Assets Held in Trust for Beneficiaries, September 30, 2012	**$ 305,564**	**$ 892,443**	**$ 9,038**	**$ 907**	**$ 1,207,952**

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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, 2012

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	$ 156,139	$ 4,006	$ 2,419	$ 19,057	$ 181,621
Investments	-	-	-	53,374	53,374
Due from Other Funds	-	-	-	122	122
Accounts Receivable	2	-	2	14	18
Securities Lending Collateral	171	25	15	83	294
TOTAL ASSETS	**$ 156,312**	**$ 4,031**	**$ 2,436**	**$ 72,650**	**$ 235,429**
LIABILITIES					
Warrants Payable	$ 18,378	$ 351	$ 1,793	$ 1,050	$ 21,572
Accounts Payable	1	-	-	518	519
Due to Other Governments	629	3,655	-	298	4,582
Securities Lending Obligation	171	25	15	83	294
Amounts Held in Custody for Others	137,133	-	628	70,701	208,462
TOTAL LIABILITIES	**$ 156,312**	**$ 4,031**	**$ 2,436**	**$ 72,650**	**$ 235,429**

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COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

For the Fiscal Year Ended September 30, 2012
(Amounts in Thousands)

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	$ 153,422	$ 16,993,579	$ 16,990,862	$ 156,139
Due from Other Funds	1	5,039	5,040	-
Accounts Receivable	5	2	5	2
Taxes Receivable	-	478,924	478,924	-
Securities Lending Collateral	131	171	131	171
TOTAL ASSETS	**$ 153,559**	**$ 17,477,715**	**$ 17,474,962**	**$ 156,312**
LIABILITIES				
Warrants Payable	$ 9,871	$ 662,665	$ 654,158	$ 18,378
Due to Other Funds	-	384,507	384,507	-
Accounts Payable	4	21,563	21,566	1
Tax Refunds Payable	-	170,186	170,186	-
Due to Other Governments	521	4,936	4,828	629
Securities Lending Obligation	131	171	131	171
Amounts Held Pending Distribution	-	32,529,816	32,529,816	-
Deferred Revenue	-	10,964	10,964	-
Amounts Held in Custody for Others	143,032	409,329	415,228	137,133
TOTAL LIABILITIES	**$ 153,559**	**$ 34,194,137**	**$ 34,191,384**	**$ 156,312**
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	$ 4,223	$ 288,499	$ 288,716	$ 4,006
Securities Lending Collateral	65	25	65	25
TOTAL ASSETS	**$ 4,288**	**$ 288,524**	**$ 288,781**	**$ 4,031**
LIABILITIES				
Warrants Payable	$ 179	$ 282,882	$ 282,710	$ 351
Accounts Payable	-	11,159	11,159	-
Due to Other Governments	4,044	288,533	288,922	3,655
Securities Lending Obligation	65	25	65	25
TOTAL LIABILITIES	**$ 4,288**	**$ 582,599**	**$ 582,856**	**$ 4,031**
PAYROLL				
ASSETS				
Cash and Cash Equivalents	$ 2,597	$ 2,267,523	$ 2,267,701	$ 2,419
Due from Other Funds	6	35	41	-
Accounts Receivable	4	-	2	2
Securities Lending Collateral	40	15	40	15
TOTAL ASSETS	**$ 2,647**	**$ 2,267,573**	**$ 2,267,784**	**$ 2,436**
LIABILITIES				
Warrants Payable	$ 1,864	$ 1,806,840	$ 1,806,911	$ 1,793
Due to Other Funds	-	270	270	-
Accounts Payable	-	705,093	705,093	-
Securities Lending Obligation	40	15	40	15
Amounts Held Pending Distribution	-	648,894	648,894	-
Amounts Held in Custody for Others	743	517,628	517,743	628
TOTAL LIABILITIES	**$ 2,647**	**$ 3,678,740**	**$ 3,678,951**	**$ 2,436**

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 21,976	$ 773,519	$ 776,438	$ 19,057
Investments	55,012	3,785	5,423	53,374
Due from Other Funds	156	141	175	122
Accounts Receivable	19	260	265	14
Securities Lending Collateral	254	83	254	83
TOTAL ASSETS	**$ 77,417**	**$ 777,788**	**$ 782,555**	**$ 72,650**
LIABILITIES				
Warrants Payable	$ 2,890	$ 347,999	$ 349,839	$ 1,050
Due to Other Funds	-	7	7	-
Accounts Payable	178	20,551	20,211	518
Due to Other Governments	126	746	574	298
Securities Lending Obligation	254	83	254	83
Amounts Held Pending Distribution	-	382,799	382,799	-
Amounts Held in Custody for Others	73,969	391,796	395,064	70,701
TOTAL LIABILITIES	**$ 77,417**	**$ 1,143,981**	**$ 1,148,748**	**$ 72,650**
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 182,218	$ 20,323,120	$ 20,323,717	$ 181,621
Investments	55,012	3,785	5,423	53,374
Due from Other Funds	163	5,215	5,256	122
Accounts Receivable	28	262	272	18
Taxes Receivable	-	478,924	478,924	-
Securities Lending Collateral	490	294	490	294
TOTAL ASSETS	**$ 237,911**	**$ 20,811,600**	**$ 20,814,082**	**$ 235,429**
LIABILITIES				
Warrants Payable	$ 14,804	$ 3,100,386	$ 3,093,618	$ 21,572
Due to Other Funds	-	384,784	384,784	-
Accounts Payable	182	758,366	758,029	519
Tax Refunds Payable	-	170,186	170,186	-
Due to Other Governments	4,691	294,215	294,324	4,582
Securities Lending Obligation	490	294	490	294
Amounts Held Pending Distribution	-	33,561,509	33,561,509	-
Deferred Revenue	-	10,964	10,964	-
Amounts Held in Custody for Others	217,744	1,318,753	1,328,035	208,462
TOTAL LIABILITIES	**$ 237,911**	**$ 39,599,457**	**$ 39,601,939**	**$ 235,429**

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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, 2012
(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	$ 0	$ 975	$ 7,023	$ 57,607	$ 67,759
Investments	-	95,261	8,750	77,300	37,037
Due from Primary Government	-	-	-	-	-
Due from Component Units	-	-	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	-	-	29,104	13,956	9,905
Due from Other Governments	-	239,565	-	5,179	-
Interest and Dividends Receivable	-	1,014	-	55	-
Mortgages, Notes, and Loans Receivable	-	-	23,407	258	752
Securities Lending Collateral	-	6	-	-	-
Inventory	-	-	-	10	-
Restricted Assets	-	-	-	-	-
Other Assets	-	5,779	11,224	6,943	2,436
Capital Assets, Net of Accumulated Depreciation	-	1	108,717	206,328	108,403
Capital Assets Not Depreciated	-	-	8,727	98,528	5,406
Deferred Outflows	-	-	-	5,365	-
TOTAL ASSETS	**0**	**342,601**	**196,952**	**471,529**	**231,698**
LIABILITIES					
Warrants Payable	-	2	-	-	-
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	-	-	-	-	3,247
Due to Primary Government	-	1,078	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	-	24	14,506	17,117	4,444
Interest Payable	-	673	1,241	-	-
Due to Other Governments	-	27,092	-	-	-
Securities Lending Obligation	-	6	-	-	-
Unearned Revenue	-	-	40,870	18,086	21,417
Amounts Held in Custody for Others	-	-	2,976	-	3,723
Noncurrent Liabilities:					
Due Within One Year	-	6,350	3,110	6,377	3,712
Due In More Than One Year	-	130,631	54,021	236,234	77,166
TOTAL LIABILITIES	**0**	**165,856**	**116,724**	**277,814**	**113,709**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	1	60,535	99,975	36,347
Restricted for:					
Permanent - Expendable	-	-	-	-	25,007
Permanent - Non-expendable	-	-	-	48,602	10,871
Debt Service	-	176,951	5,662	-	6,144
Capital Projects	-	-	-	-	-
Other Purposes	-	-	13,694	21,179	2,643
Unrestricted	-	(207)	337	23,959	36,977
TOTAL NET ASSETS	**$ 0**	**$ 176,745**	**$ 80,228**	**$ 193,715**	**$ 117,989**

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
$ 55,737	$ 191,496	$ 197	$ 5,718	$ 48,226	$ 34,615	$ 96,810	$ 566,163
52,512	38,969	99	10,380	-	-	97,076	417,384
-	-	-	-	-	-	714	714
-	-	-	-	-	-	4	4
-	-	-	22	-	-	-	22
6,564	52,233	443	-	-	91,999	22,485	226,689
-	-	-	-	-	-	821	245,565
27	-	-	76	-	-	233	1,405
2,836	1,958	-	-	-	-	605	29,816
-	-	-	1,504	2	4	64	1,580
32	93	565	211	-	-	9,015	9,926
-	-	2,811	-	-	-	1,914	4,725
1,668	2,375	747	-	616	693	5,388	37,869
61,362	190,036	44,949	359	7,664	532	136,780	865,131
7,838	70,328	6,002	77,687	596	-	21,440	296,552
-	-	-	-	-	-	-	5,365
188,576	**547,488**	**55,813**	**95,957**	**57,104**	**127,843**	**393,349**	**2,708,910**
-	-	-	108	-	-	306	416
-	-	-	49	-	-	-	49
1,581	-	-	330	-	-	130	5,288
-	-	-	37	-	-	1,166	2,281
-	-	-	2	-	-	1	3
3,037	15,141	1,682	246	-	-	15,365	71,562
408	-	304	-	570	1,732	138	5,066
-	-	-	48	-	-	799	27,939
-	-	-	1,504	2	4	64	1,580
14,881	39,892	1,572	-	-	-	20,756	157,474
600	7,190	-	-	-	-	1,111	15,600
1,096	4,849	4,959	1	5,185	180	5,478	41,297
46,308	136,055	14,761	1,817	127,199	102,543	108,200	1,034,935
67,911	**203,127**	**23,278**	**4,142**	**132,956**	**104,459**	**153,514**	**1,363,490**
50,794	130,336	37,293	78,046	8,260	532	111,855	613,974
12,293	25,751	-	-	-	-	14,826	77,877
18,121	18,456	-	10,429	-	-	19,521	126,000
28	-	-	-	42,775	17,761	139	249,460
-	-	-	-	-	-	1,267	1,267
2,091	424	2,872	-	-	-	383	43,286
37,338	169,394	(7,630)	3,340	(126,887)	5,091	91,844	233,556
$ 120,665	**$ 344,361**	**$ 32,535**	**$ 91,815**	**$ (75,852)**	**$ 23,384**	**$ 239,835**	**$ 1,345,420**

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	**$ 3,486**	**$ 15,714**	**$ 135,102**	**$ 152,783**	**$ 124,692**
Program Revenues					
Charges for Services	-	12,733	49,835	56,947	64,219
Operating Grants and Contributions	-	15,135	45,193	44,000	25,638
Capital Grants and Contributions	-	-	-	1,785	190
Total Program Revenues	**0**	**27,868**	**95,028**	**102,732**	**90,047**
Net (Expense) Revenue	**(3,486)**	**12,154**	**(40,074)**	**(50,051)**	**(34,645)**
General Revenues:					
Payments from State of Alabama	-	59	38,065	42,612	36,690
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Unrestricted Investment Earnings	1	-	20	4,141	1,095
Miscellaneous	-	-	399	-	2
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Total General Revenues, Contributions, Special Items	**1**	**59**	**38,484**	**46,753**	**37,787**
Change in Net Assets	**(3,485)**	**12,213**	**(1,590)**	**(3,298)**	**3,142**
Net Assets, October 1, 2011, as Restated	3,485	164,532	81,818	197,013	114,847
Net Assets, September 30, 2012	**$ 0**	**$ 176,745**	**$ 80,228**	**$ 193,715**	**$ 117,989**

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
$ 91,273	**$ 255,843**	**$ 25,115**	**$ 6,573**	**$ 12,996**	**$ 83,298**	**$ 242,854**	**$ 1,149,729**
47,330	164,318	22,402	1,454	104	14	114,101	533,457
18,529	63,552	32	1,364	2	-	42,411	255,856
2,190	1,632	606	260	-	-	1,787	8,450
68,049	**229,502**	**23,040**	**3,078**	**106**	**14**	**158,299**	**797,763**
(23,224)	**(26,341)**	**(2,075)**	**(3,495)**	**(12,890)**	**(83,284)**	**(84,555)**	**(351,966)**
25,796	46,276	1,487	3,081	20,642	90,818	93,785	399,311
-	-	-	-	-	-	134	134
3,330	5,941	4	1,275	10	8	5,170	20,995
228	2,162	-	2	-	-	230	3,023
370	-	-	-	-	-	-	370
29,724	**54,379**	**1,491**	**4,358**	**20,652**	**90,826**	**99,319**	**423,833**
6,500	**28,038**	**(584)**	**863**	**7,762**	**7,542**	**14,764**	**71,867**
114,165	316,323	33,119	90,952	(83,614)	15,842	225,071	1,273,553
$ 120,665	**$ 344,361**	**$ 32,535**	**$ 91,815**	**$ (75,852)**	**$ 23,384**	**$ 239,835**	**$ 1,345,420**

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2012
(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	$ 7,418	$ 2,065	$ 361	$ 31,321	$ 30,285
Investments	-	1,298	-	29,886	45,774
Due from Primary Government	464	-	-	-	-
Due from Component Units	4	-	-	-	-
Accounts Receivable	-	2	-	8,810	6,844
Due from Other Governments	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	195	388
Securities Lending Collateral	46	-	-	-	-
Inventory	-	193	33	1,259	-
Restricted Assets	-	-	-	-	1,914
Other Assets	21	85	-	837	3,941
Capital Assets, Net of Accumulated Depreciation	2,832	9,218	2,466	40,232	41,430
Capital Assets Not Depreciated	174	255	877	809	1,923
TOTAL ASSETS	**10,959**	**13,116**	**3,737**	**113,349**	**132,499**
LIABILITIES					
Warrants Payable	-	-	-	-	-
Salaries Payable	-	-	5	-	-
Due to Primary Government	4	-	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	1,754	211	51	2,833	6,640
Interest Payable	-	-	-	57	-
Due to Other Governments	41	-	-	-	497
Securities Lending Obligation	46	-	-	-	-
Unearned Revenue	-	-	-	8,191	11,319
Amounts Held in Custody for Others	-	-	-	171	584
Noncurrent Liabilities:					
Due Within One Year	-	-	47	595	1,210
Due In More Than One Year	342	674	677	55,204	29,156
TOTAL LIABILITIES	**2,187**	**885**	**780**	**67,051**	**49,406**
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,006	9,473	2,952	17,279	23,988
Restricted for:					
Permanent - Expendable	-	-	-	-	11,782
Permanent - Non-expendable	-	-	-	423	15,975
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Other Purposes	-	-	-	-	-
Unrestricted	5,766	2,758	5	28,596	31,348
TOTAL NET ASSETS	**$ 8,772**	**$ 12,231**	**$ 2,957**	**$ 46,298**	**$ 83,093**

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
$ 12,305	$ 2,269	$ 36	$ 2,663	$ 0	$ 6,736	$ 1,351	$ 96,810
15,102	-	216	-	-	3,981	819	97,076
-	-	-	-	-	-	250	714
-	-	-	-	-	-	-	4
5,554	1,275	-	-	-	-	-	22,485
-	-	-	-	-	-	821	821
233	-	-	-	-	-	-	233
22	-	-	-	-	-	-	605
-	-	-	16	-	1	1	64
7,390	114	-	-	-	-	26	9,015
-	-	-	-	-	-	-	1,914
157	-	8	-	339	-	-	5,388
27,274	11,660	288	-	-	1,188	192	136,780
2,492	714	14,035	-	-	-	161	21,440
70,529	**16,032**	**14,583**	**2,679**	**339**	**11,906**	**3,621**	**393,349**
-	-	-	300	-	6	-	306
-	-	-	-	-	125	-	130
-	-	-	128	-	784	250	1,166
-	-	-	-	-	1	-	1
3,823	40	-	-	-	12	1	15,365
-	-	-	1	80	-	-	138
-	-	-	211	-	-	50	799
-	-	-	16	-	1	1	64
529	717	-	-	-	-	-	20,756
210	144	-	-	-	-	2	1,111
1,100	42	40	47	885	1,512	-	5,478
1,677	433	481	-	18,708	699	149	108,200
7,339	**1,376**	**521**	**703**	**19,673**	**3,140**	**453**	**153,514**
27,431	12,330	13,855	-	-	1,188	353	111,855
3,044	-	-	-	-	-	-	14,826
3,123	-	-	-	-	-	-	19,521
-	-	-	139	-	-	-	139
-	52	-	-	-	-	1,215	1,267
-	383	-	-	-	-	-	383
29,592	1,891	207	1,837	(19,334)	7,578	1,600	91,844
$ 63,190	**$ 14,656**	**$ 14,062**	**$ 1,976**	**$ (19,334)**	**$ 8,766**	**$ 3,168**	**$ 239,835**

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	**$ 11,843**	**$ 4,405**	**$ 1,927**	**$ 56,873**	**$ 57,939**
Program Revenues					
Charges for Services	3,874	4,195	1,655	37,995	28,370
Operating Grants and Contributions	4	11	155	9,135	12,677
Capital Grants and Contributions	-	250	-	-	989
Total Program Revenues	**3,878**	**4,456**	**1,810**	**47,130**	**42,036**
Net (Expense) Revenue	**(7,965)**	**51**	**(117)**	**(9,743)**	**(15,903)**
General Revenues:					
Payments from State of Alabama	8,365	-	-	13,519	18,283
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Unrestricted Investment Earnings	-	-	-	26	3,682
Miscellaneous	-	-	-	64	-
Total General Revenues	**8,365**	**0**	**0**	**13,609**	**21,965**
Change in Net Assets	**400**	**51**	**(117)**	**3,866**	**6,062**
Net Assets, October 1, 2011, as Restated	8,372	12,180	3,074	42,432	77,031
Net Assets, September 30, 2012	**$ 8,772**	**$ 12,231**	**$ 2,957**	**$ 46,298**	**$ 83,093**

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
$ 85,303	**$ 13,939**	**$ 771**	**$ 3,747**	**$ 1,027**	**$ 4,294**	**$ 786**	**$ 242,854**
30,977	2,533	278	27	-	3,972	225	114,101
10,420	8,148	235	-	-	1,256	370	42,411
392	-	-	-	-	-	156	1,787
41,789	**10,681**	**513**	**27**	**0**	**5,228**	**751**	**158,299**
(43,514)	**(3,258)**	**(258)**	**(3,720)**	**(1,027)**	**934**	**(35)**	**(84,555)**
45,559	3,598	-	2,000	1,849	46	566	93,785
-	-	134	-	-	-	-	134
1,021	1	-	-	-	440	-	5,170
157	-	-	-	-	-	9	230
46,737	**3,599**	**134**	**2,000**	**1,849**	**486**	**575**	**99,319**
3,223	**341**	**(124)**	**(1,720)**	**822**	**1,420**	**540**	**14,764**
59,967	14,315	14,186	3,696	(20,156)	7,346	2,628	225,071
$ 63,190	**$ 14,656**	**$ 14,062**	**$ 1,976**	**$ (19,334)**	**$ 8,766**	**$ 3,168**	**$ 239,835**

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, 2012

(Amounts in Thousands)

	Amount
Administrative Office of Courts	$ 1,625
Agriculture and Industries	4,007
Attorney General	991
Child Abuse Prevention	1,923
Children's Affairs	2,973
Commission On Higher Education	1,051
Conservation and Natural Resources	33,091
Corrections	662
Council on the Arts	819
Crime Victims Compensation Commission	1,249
Criminal Justice Information Center	3,003
Drinking Water Finance Authority	15,132
Economic and Community Affairs	214,480
Education	921,676
Emergency Management	83,113
Environmental Management	26,197
Farmers' Market Authority	1,324
Finance Special Funds	2,233
Forensic Sciences	2,829
Forestry Commission	3,184
Geological Survey	1,152
High School of Math and Science	176
Historical Commission	888
Housing Finance Authority	53,822
Human Resources	1,745,152
Industrial Relations	426,342
Insurance	1,699
Labor	104
Land Recycling Finance Authority	369
Manufactured Housing Commission	287
Medicaid	3,760,935
Mental Health	33,907
Military	41,609
Office of Homeland Security	26,528
Office of Prosecution Services	27
Pardons and Paroles	38
Postsecondary Education	10,481
Public Health	451,889
Public Library Service	2,549
Public Safety	9,362
Public Service Commission	522
Rehabilitation Services	64,608
Retired State Employees Health Care Trust	10,582
Revenue	153
School of Fine Arts	55
Senior Services	26,866
Serve Alabama	8,807
Soil and Water Conservation Commission	395
State Employees Insurance Board	897
State Port Authority	1,262
Surface Mining Commission	1,407
Transportation	846,629
Veterans Affairs	30,553
Water Pollution Control Authority	18,382
Total Federal Revenues	**$ 8,899,996**

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 268**

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 278**

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

- Major Revenue Base
- Revenue Rates
- Principal Revenue Payers

Debt Capacity **Page 286**

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

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

Demographic and Economic Information **Page 294**

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 298**

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

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	$ 19,546,191	$ 19,099,058	$ 18,563,915	$ 18,184,809	$ 17,609,211
Restricted	5,285,857	5,380,091	4,795,170	4,448,305	4,624,715
Unrestricted	(1,624,459)	(1,511,819)	(729,037)	(555,506)	(223,495)
Total Governmental Activities Net Assets	**23,207,589**	**22,967,330**	**22,630,048**	**22,077,608**	**22,010,431**
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	877,771	818,852	849,372	844,411	754,001
Restricted	544,665	465,495	102,653	92,353	479,549
Unrestricted	(7,184)	(67,751)	143,676	240,059	333,954
Total Business-type Activities Net Assets	**1,415,252**	**1,216,596**	**1,095,701**	**1,176,823**	**1,567,504**
Primary government					
Invested in Capital Assets, Net of Related Debt	20,423,962	19,917,910	19,413,287	19,029,220	18,363,212
Restricted	5,830,522	5,845,586	4,897,823	4,540,658	5,104,264
Unrestricted	(1,631,643)	(1,579,570)	(585,361)	(315,447)	110,459
Total Primary Government Net Assets	**$ 24,622,841**	**$ 24,183,926**	**$ 23,725,749**	**$ 23,254,431**	**$ 23,577,935**

2007	2006	2005	2004	2003
$ 16,973,157	$ 16,360,753	$ 15,717,808	$ 15,192,120	$ 14,721,726
6,020,208	5,853,605	5,004,105	4,245,991	3,869,559
(112,874)	204,854	379,481	348,930	238,603
22,880,491	**22,419,212**	**21,101,394**	**19,787,041**	**18,829,888**
709,460	643,742	508,280	459,250	425,588
513,546	503,024	352,524	351,847	365,594
284,537	244,630	330,692	215,956	178,510
1,507,543	**1,391,396**	**1,191,496**	**1,027,053**	**969,692**
17,682,617	17,004,495	16,226,088	15,651,370	15,147,314
6,533,754	6,356,629	5,356,629	4,597,838	4,235,153
171,663	449,484	710,173	564,886	417,113
$ 24,388,034	**$ 23,810,608**	**$ 22,292,890**	**$ 20,814,094**	**$ 19,799,580**

CHANGES IN NET ASSETS

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Expenses					
Governmental Activities					
Economic Development and Regulation	$ 212,061	$ 193,900	$ 228,957	$ 306,533	$ 410,911
Education and Cultural Resources	6,395,835	6,735,109	6,434,122	6,393,573	7,197,095
Natural Resources and Recreation	141,992	134,591	148,043	113,621	131,327
Health	6,466,200	6,085,907	6,143,061	5,555,138	5,316,763
Social Services	2,439,369	2,580,186	2,369,709	1,977,390	1,753,526
Protection of Persons and Property	1,152,596	1,075,191	1,146,961	1,112,213	1,095,652
Transportation	1,200,214	1,186,100	1,248,882	1,120,902	1,067,671
General Government	944,250	1,046,923	1,065,323	983,451	1,020,453
Debt Service - Interest and Other Charges	47,963	48,631	47,829	51,184	57,253
Total Governmental Activities Expenses	**19,000,480**	**19,086,538**	**18,832,887**	**17,614,005**	**18,050,651**
Business-type Activities					
Unemployment Compensation	701,971	1,007,325	1,323,058	1,005,780	330,068
State Port Authority	134,185	128,100	133,534	150,073	127,200
Alabama Community College System	804,701	859,258	897,134	829,039	812,195
Alcoholic Beverage Control Board	274,718	266,472	254,001	253,312	249,389
Nonmajor Proprietary Funds	61,296	55,431	45,639	45,339	47,168
Total Business-type Activities Expenses	**1,976,871**	**2,316,586**	**2,653,366**	**2,283,543**	**1,566,020**
Total Primary Government Expenses	**20,977,351**	**21,403,124**	**21,486,253**	**19,897,548**	**19,616,671**
Program Revenues					
Governmental Activities					
Charges for Services:					
Economic Development and Regulation	37,249	35,782	44,888	50,219	139,257
Education and Cultural Resources	55,504	43,110	42,653	46,835	43,018
Natural Resources and Recreation	75,025	86,968	80,956	86,470	90,851
Health	357,958	349,863	305,624	353,893	329,533
Social Services	52,081	48,210	47,401	46,275	27,163
Protection of Persons and Property	230,996	232,056	229,268	256,596	257,968
Transportation	194,020	174,375	196,398	196,137	184,262
General Government	221,018	248,440	253,370	306,047	482,214
Operating Grants and Contributions	8,420,232	8,985,884	9,148,048	7,609,718	6,670,099
Capital Grants and Contributions	864,113	936,928	927,443	812,481	874,111
Total Governmental Activities Program Revenues	**10,508,196**	**11,141,616**	**11,276,049**	**9,764,671**	**9,098,476**
Business-type Activities					
Charges for Services:					
Unemployment Compensation	474,633	546,618	411,147	230,729	247,862
State Port Authority	143,644	120,248	119,414	105,174	136,835
Alabama Community College System	193,500	188,877	183,247	162,567	154,798
Alcoholic Beverage Control Board	276,879	265,184	252,647	251,199	252,265
Nonmajor Proprietary Funds	61,548	54,178	48,551	48,061	47,259
Operating Grants and Contributions	716,244	985,767	1,176,837	666,931	305,339
Capital Grants and Contributions	6,469	12,354	31,809	49,654	13,717
Total Business-type Activities Program Revenues	**1,872,917**	**2,173,226**	**2,223,652**	**1,514,315**	**1,158,075**
Total Primary Government Program Revenues	**$ 12,381,113**	**$ 13,314,842**	**$ 13,499,701**	**$ 11,278,986**	**$ 10,256,551**

2007	2006	2005	2004	2003
$ 335,373	$ 215,950	$ 185,680	$ 185,115	$ 204,330
6,680,377	5,764,988	5,203,315	4,833,259	4,755,420
131,688	145,414	82,841	95,032	101,811
5,361,666	4,823,686	4,641,315	4,529,302	4,365,295
1,678,091	1,627,951	1,606,588	1,496,160	1,511,438
1,014,248	1,032,088	1,031,731	746,763	692,104
997,376	1,025,928	882,823	856,603	772,935
925,736	819,624	777,291	726,150	770,431
43,508	42,672	43,052	42,083	43,493
17,168,063	**15,498,301**	**14,454,636**	**13,510,467**	**13,217,257**
248,448	232,447	251,137	308,281	410,384
115,714	89,939	85,984	74,679	74,894
745,122	683,618	646,868	627,846	593,278
230,370	215,832	192,278	184,391	177,003
45,955	48,972	47,838	47,353	40,632
1,385,609	**1,270,808**	**1,224,105**	**1,242,550**	**1,296,191**
18,553,672	**16,769,109**	**15,678,741**	**14,753,017**	**14,513,448**
129,173	120,178	128,684	129,704	146,343
36,739	13,881	17,430	17,278	14,919
68,641	67,126	70,258	76,139	361,297
333,592	270,428	230,063	201,155	185,770
26,309	24,038	23,604	136,176	138,902
219,999	203,535	201,763	179,469	173,555
196,902	191,625	172,771	181,996	187,344
381,805	490,915	362,860	305,867	112,969
6,617,849	6,612,934	6,311,129	5,573,884	5,427,425
719,041	801,902	651,709	565,871	593,673
8,730,050	**8,796,562**	**8,170,271**	**7,367,539**	**7,342,197**
248,987	283,774	323,849	278,814	259,041
113,233	93,200	88,938	79,396	68,288
166,961	158,348	146,819	145,930	140,709
239,852	219,433	202,959	198,482	184,758
49,938	52,720	52,951	52,944	51,369
270,897	277,667	269,667	297,858	324,201
19,413	45,053	22,776	6,479	21,121
1,109,281	**1,130,195**	**1,107,959**	**1,059,903**	**1,049,487**
$ 9,839,331	**$ 9,926,757**	**$ 9,278,230**	**$ 8,427,442**	**$ 8,391,684**

Continued on next page...

CHANGES IN NET ASSETS (Continued from Previous Page)

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Net (Expense)/Revenue					
Governmental Activities	$ (8,492,284)	$ (7,944,922)	$ (7,556,838)	$ (7,849,334)	$ (8,952,175)
Business Activities	(103,954)	(143,360)	(429,714)	(769,228)	(407,945)
Total Primary Government Net (Expense) Revenue	**(8,596,238)**	**(8,088,282)**	**(7,986,552)**	**(8,618,562)**	**(9,360,120)**
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,280,723	2,187,852	2,108,834	2,079,718	2,261,452
Income Taxes	3,291,987	3,098,756	2,973,246	3,108,459	3,512,255
Motor Fuels Taxes	540,666	547,720	551,210	542,887	550,811
Utility Taxes	598,533	671,347	684,437	697,141	667,573
Insurance Premium Tax	278,196	263,428	263,243	267,726	292,866
Property Tax	324,751	315,389	315,321	320,603	314,379
Liquor Taxes	161,447	156,689	156,098	155,592	136,125
Tobacco and Cigarette Taxes	132,567	136,702	136,311	140,016	143,836
Grants and Contributions Not Restricted to Specific Programs	1,253	9,093	40,323	785	-
Unrestricted Investment Earnings	292,612	114,227	283,425	205,111	(181,318)
Miscellaneous	1,105,986	1,021,019	932,348	754,745	828,785
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Transfers	(276,178)	(300,368)	(274,800)	(357,623)	(444,314)
Total Governmental Activities	**8,732,543**	**8,221,854**	**8,169,996**	**7,915,160**	**8,082,450**
Business-type Activities					
Liquor Taxes	11,832	11,065	10,558	9,930	9,912
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Miscellaneous	14,560	12,711	11,561	12,274	13,257
Contributions to Permanent Funds and Endowments	40	462	102	71	88
Special Items	-	-	(9,147)	-	-
Transfers	276,178	300,368	274,800	357,623	444,314
Total Business-type Activities	**302,610**	**324,606**	**287,874**	**379,898**	**467,571**
Total Primary Government General Revenues and Other Charges	**9,035,153**	**8,546,460**	**8,457,870**	**8,295,058**	**8,550,021**
Change in Net Assets					
Governmental Activities	240,259	276,932	613,158	65,826	(869,725)
Business-type Activities	198,656	181,246	(141,840)	(389,330)	59,626
Total Primary Government Changes in Net Assets	**$ 438,915**	**$ 458,178**	**$ 471,318**	**$ (323,504)**	**$ (810,099)**

2007	2006	2005	2004	2003
$ (8,438,013)	$ (6,701,739)	$ (6,284,365)	$ (6,142,928)	$ (5,875,060)
(276,328)	(140,613)	(116,146)	(182,647)	(246,704)
(8,714,341)	**(6,842,352)**	**(6,400,511)**	**(6,325,575)**	**(6,121,764)**
2,432,286	2,110,577	2,086,070	1,873,359	1,821,912
3,446,018	3,172,117	2,938,046	2,494,384	2,520,393
569,369	568,880	533,696	564,031	530,255
656,027	601,473	556,211	598,245	517,757
278,139	275,230	274,698	243,761	231,020
301,158	267,062	252,142	232,275	214,126
163,161	147,651	137,244	129,651	128,746
156,700	152,751	157,715	93,093	64,324
-	-	6,159	75,741	84,231
443,575	222,779	202,601	174,183	191,550
831,951	822,058	721,594	850,103	878,035
-	-	2	-	204
(379,209)	(321,020)	(261,067)	(229,116)	(225,740)
8,899,175	**8,019,558**	**7,605,111**	**7,099,710**	**6,956,813**
9,831	9,314	8,598	8,492	7,790
-	-	-	-	1,806
3,421	10,056	4,330	2,765	2,026
131	122	201	6	207
-	-	-	-	-
379,209	321,020	261,067	229,116	225,740
392,592	**340,512**	**274,196**	**240,379**	**237,569**
9,291,767	**8,360,070**	**7,879,307**	**7,340,089**	**7,194,382**
461,162	1,317,819	1,320,746	956,782	1,081,753
116,264	199,899	158,050	57,732	(9,135)
$ 577,426	**$ 1,517,718**	**$ 1,478,796**	**$ 1,014,514**	**$ 1,072,618**

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
General Fund					
Nonspendable	$ 4,003	$ 3,269	$ 0	$ 0	$ 0
Assigned	1,885	1,377	-	-	-
Unassigned	7,403	(24,796)	-	-	-
Reserved	-	-	5,474	5,519	5,303
Unreserved	-	-	79,184	216,623	376,391
Total General Fund	**13,291**	**(20,150)**	**84,658**	**222,142**	**381,694**
All Other Governmental Funds					
Nonspendable	100,216	74,617	-	-	-
Restricted	5,059,111	5,182,487	-	-	-
Assigned	86,576	36,953	-	-	-
Unassigned	(406,485)	(326,458)	-	-	-
Reserved	-	-	3,450,427	3,163,363	3,191,402
Unreserved, Designated for Capital Projects	-	-	153,318	83,481	185,790
Unreserved, Designated for Debt Service	-	-	689	968	4,513
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	-	-	1,368,248	1,192,314	1,351,620
Permanent Funds	-	-	24,374	30,201	24,938
Total All Other Governmental Funds	**$ 4,839,418**	**$ 4,967,599**	**$ 4,997,056**	**$ 4,470,327**	**$ 4,758,263**

Accounting principles for reporting fund balances changed in 2011 with the implementation of GASB Statement 54. Prior years are not required to be reclassified.

2007	2006	2005	2004	2003
$ 0	$ 0	$ 0	$ 0	$ 0
-	-	-	-	-
-	-	-	-	-
5,772	3,314	6,003	4,228	4,699
399,009	403,022	317,879	249,668	174,636
404,781	**406,336**	**323,882**	**253,896**	**179,335**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,498,507	3,165,956	2,888,340	2,667,067	2,528,464
440,559	275,528	292,934	381,579	465,437
5,332	4,866	4,606	8,208	8,979
2,133,319	2,513,422	2,081,782	1,483,001	1,242,256
20,659	16,173	12,147	4,538	4,708
$ 6,098,376	**$ 5,975,945**	**$ 5,279,809**	**$ 4,544,393**	**$ 4,249,844**

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Revenues					
Taxes	$ 8,621,087	$ 8,293,168	$ 8,072,384	$ 8,008,871	$ 8,446,889
Licenses, Permits, and Fees	679,113	664,064	667,087	659,189	649,742
Fines, Forfeits, and Court Settlements	160,429	162,358	150,366	254,739	148,030
Investment Income	326,340	132,776	313,159	243,477	(142,347)
Federal Grants and Reimbursements	8,409,332	9,292,000	9,306,121	7,606,333	6,697,069
Other Revenues	1,310,904	1,116,093	1,198,260	1,244,254	1,523,910
Total Revenues	19,507,205	19,660,459	19,707,377	18,016,863	17,323,293
Expenditures					
Economic Development and Regulation	189,997	186,281	204,464	226,554	84,627
Education and Cultural Resources	6,399,888	6,710,719	6,427,782	6,388,357	7,166,373
Natural Resources and Recreation	151,359	149,952	183,387	164,682	194,725
Health	6,435,133	6,077,718	6,129,642	5,535,484	5,125,487
Social Services	2,463,019	2,578,242	2,350,328	1,969,621	1,717,523
Protection of Persons and Property	1,105,269	1,158,878	1,114,794	1,085,493	1,025,662
Transportation	1,557,750	1,501,744	1,560,242	1,577,388	1,556,330
General Government	930,941	1,033,994	1,054,077	959,411	987,302
Capital Outlay	24,069	52,646	42,525	92,995	272,032
Debt Service - Principal Retirement	60,581	54,892	50,493	56,388	71,213
Debt Service - Interest and Other Charges	47,895	51,874	52,672	47,655	61,514
Total Expenditures	19,365,901	19,556,940	19,170,406	18,104,028	18,262,788
Other Financing Sources (Uses)					
Transfers In	1,688,140	1,409,958	1,247,478	1,391,457	1,841,818
Bonds Issued	-	-	110,000	-	10,000
Refunding Bonds Issued	-	91,195	112,030	-	22,660
Other Debt Refunding Proceeds	-	-	-	-	-
Capital Leases	45,551	5,989	2,322	9,504	171
Other Debt Issued	-	24,262	62,136	-	-
Debt Issuance Premiums	-	8,491	20,746	-	1,210
Debt Issuance Discounts	-	-	-	-	-
Insurance Recovery Proceeds	5,328	5,059	3,465	2,395	4,579
Transfers Out	(1,973,961)	(1,686,355)	(1,592,790)	(1,757,948)	(2,289,913)
Payments to Refunded Bond Escrow Agent	-	(96,755)	(74,415)	-	-
Current Refunding to Bondholders	-	-	(52,610)	-	(23,625)
Other Debt Refunding Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(234,942)	(238,156)	(161,638)	(354,592)	(433,100)
Net Increase (Decrease) for the Year	**(93,638)**	**(134,637)**	**375,333**	**(441,757)**	**(1,372,595)**
Debt Service as a Percentage of Noncapital Expenditures	**0.59%**	**0.56%**	**0.55%**	**0.6%**	**0.74%**

2007	2006	2005	2004	2003
$ 8,252,828	$ 7,758,564	$ 7,269,833	$ 6,448,698	$ 6,304,581
652,895	611,044	564,523	533,120	507,278
44,180	42,347	47,168	40,221	64,204
519,855	300,993	227,980	182,309	204,596
6,379,007	6,643,162	6,194,503	5,675,945	5,515,520
1,550,167	1,379,486	1,309,343	1,351,088	1,511,073
17,398,932	16,735,596	15,613,350	14,231,381	14,107,252
79,409	70,554	62,894	59,263	64,414
6,423,025	5,643,964	5,087,885	4,710,537	4,657,009
133,234	171,848	120,188	120,095	108,638
5,165,879	4,650,515	4,477,717	4,295,347	4,226,019
1,693,797	1,625,180	1,610,677	1,496,323	1,510,823
982,932	1,011,272	1,005,967	730,780	680,605
1,522,329	1,512,116	1,399,903	1,354,816	1,277,739
933,855	840,293	726,704	618,502	681,096
168,402	56,835	66,823	55,833	48,636
68,616	81,727	78,195	73,650	81,963
48,453	40,319	37,201	38,282	40,125
17,219,931	15,704,623	14,674,154	13,553,428	13,377,067
1,520,089	1,460,110	1,254,049	993,669	1,004,619
305,000	61,150	103,920	-	4,305
-	-	57,975	-	17,553
-	-	-	600	-
11,738	1,989	659	1,152	618
-	-	-	-	3,634
9,333	1,085	5,242	-	-
-	-	(580)	-	-
3,024	7,725	-	-	-
(1,907,908)	(1,791,969)	(1,527,416)	(1,239,110)	(1,239,551)
-	-	(27,949)	-	-
-	-	-	-	(17,162)
-	-	-	(600)	-
(58,724)	(259,910)	(134,100)	(244,289)	(225,984)
120,277	**771,063**	**805,096**	**433,664**	**504,201**
0.69%	**0.79%**	**0.81%**	**0.83%**	**0.93%**

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2011	2010	2009	2008	2007
Mining	842,709	757,568	703,932	811,048	889,288
Utilities	1,737,406	1,584,311	1,581,258	1,628,510	1,505,213
Construction	6,861,958	7,156,763	6,914,755	7,725,755	7,590,057
Manufacturing	15,268,424	14,843,390	14,567,356	16,663,145	16,770,330
Wholesale Trade	5,247,777	5,089,382	5,039,910	5,528,855	5,493,300
Retail Trade	7,797,852	7,600,583	7,476,978	7,695,591	7,859,336
Transportation and warehousing	3,749,065	3,565,000	3,318,348	3,596,006	3,539,174
Finance and insurance	5,673,080	5,261,183	5,353,265	5,444,917	5,466,063
Professional and technical services	9,292,153	9,041,938	9,052,818	9,265,879	8,471,217
Government and government enterprises	26,012,366	25,529,343	24,859,373	24,044,118	22,758,317
All other	85,034,676	80,884,641	75,319,133	77,775,665	71,656,736
Total Personal Income	167,517,466	161,314,102	154,187,126	160,179,489	151,999,031
State Income Taxes	2,851,248	2,582,759	2,737,512	3,043,025	3,018,748
Average Effective Rate*	1.70%	1.60%	1.78%	1.90%	1.99%

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 2011 is the most recent year data is available.

2006	2005	2004	2003	2002
$ 927,201	$ 819,878	$ 704,622	$ 620,247	$ 631,854
1,461,577	1,379,863	1,434,165	1,373,643	1,289,212
7,430,022	6,856,163	6,399,496	5,943,943	5,800,633
16,691,485	15,768,861	15,078,104	14,636,176	14,262,807
5,271,910	4,919,964	4,589,285	4,234,540	4,161,318
7,677,074	7,444,056	7,102,701	6,853,885	6,547,809
3,503,655	3,298,282	3,054,182	2,792,150	2,712,539
5,381,623	4,905,734	4,513,950	4,270,540	3,992,781
7,927,651	7,231,733	6,932,098	6,463,965	5,983,788
21,209,975	20,011,959	18,892,332	17,872,867	16,912,555
66,980,434	62,999,800	59,318,578	54,999,511	53,118,688
$ 144,462,607	$ 135,636,293	$ 128,019,513	$ 120,061,467	$ 115,413,984
$ 2,842,894	$ 2,564,510	$ 2,256,483	$ 2,073,207	$ 2,067,338
1.97%	1.89%	1.76%	1.73%	1.79%

REVENUE CAPACITY
Revenue Rates: Individual and Corporate Income Tax Rates

Last Ten Calendar Years

Filing Status Taxable Net Income Level	**2002-2006** 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	**2007-2011** 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%

	2002-2011
Corporate Income Tax Rates	6.5%

*Source: Alabama Department of Revenue

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

REVENUE CAPACITY
Principal Revenue Payers: Individual Income Tax Filers and Liability

Last Seven Years

For Tax Year 2011

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	508,015	27%	25,527	1%
12,001- 24,000	391,371	21%	148,582	6%
24,001- 39,000	301,431	16%	275,551	10%
39,001- 60,000	251,925	13%	377,668	14%
60,001- 80,000	145,089	8%	318,738	12%
OVER 80,000	280,952	15%	1,509,678	57%
TOTAL	1,878,783	100%	2,655,744	100%

For Tax Year 2010

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	491,334	27%	18,570	1%
12,001- 24,000	379,344	21%	135,460	6%
24,001- 39,000	299,181	15%	268,620	11%
39,001- 60,000	248,925	14%	361,130	15%
60,001- 80,000	144,736	8%	305,220	12%
OVER 80,000	270,012	15%	1,338,410	55%
TOTAL	1,833,532	100%	2,427,410	100%

For Tax Year 2009

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	533,337	28%	24,573	1%
12,001- 24,000	397,273	21%	150,509	6%
24,001- 39,000	309,742	16%	278,400	11%
39,001- 60,000	256,580	13%	376,757	16%
60,001- 80,000	144,920	8%	311,292	13%
OVER 80,000	262,361	14%	1,292,084	53%
TOTAL	1,904,213	100%	2,433,615	100%

For Tax Year 2008

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

For Tax Year 2007

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	526,003	27%	25,258	1%
12,001- 24,000	416,646	21%	159,353	6%
24,001- 39,000	330,490	17%	289,406	10%
39,001- 60,000	268,594	14%	387,854	14%
60,001- 80,000	151,822	8%	320,206	12%
OVER 80,000	272,191	13%	1,576,154	57%
TOTAL	1,965,746	100%	2,758,231	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 2011 is the most recent data available.

For Tax Year 2006

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 10,000	372,455	22%	22,525	2%
10,001- 20,000	326,257	20%	107,094	7%
20,001- 40,000	408,237	24%	273,349	18%
40,001- 60,000	216,114	13%	230,940	15%
60,001- 80,000	130,007	8%	192,987	13%
OVER 80,000	211,074	13%	680,800	45%
	1,664,144	100%	1,507,695	100%

For Tax Year 2005

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 10,000	382,264	24%	23,678	1%
10,001- 20,000	325,968	20%	114,997	6%
20,001- 40,000	396,010	24%	328,108	17%
40,001- 60,000	206,285	13%	302,402	16%
60,001- 80,000	125,030	8%	267,624	14%
OVER 80,000	185,030	11%	895,822	46%
	1,620,587	100%	1,932,631	100%

REVENUE CAPACITY

Principal Revenue Payers: Corporate Income Tax Filers and Liability

Last Six Years

For Tax Year 2010

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,989	85%	5,448	1%
50,001- 100,000	1,023	5%	4,703	1%
100,001- 500,000	1,398	6%	20,888	5%
500,001- 1,000,000	348	1%	16,250	4%
1,000,001- and higher	689	3%	360,704	89%
TOTAL	22,447	100%	407,993	100%

For Tax Year 2009

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,232	84%	5,295	2%
50,001- 100,000	989	5%	4,498	1%
100,001- 500,000	1,392	6%	19,764	6%
500,001- 1,000,000	377	2%	16,337	5%
1,000,001- and higher	653	3%	279,096	86%
TOTAL	21,643	100%	324,990	100%

For Tax Year 2008

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	19,535	83%	6,316	1%
50,001- 100,000	1,217	5%	5,570	1%
100,001- 500,000	1,624	7%	23,328	5%
500,001- 1,000,000	423	2%	17,709	4%
1,000,001- and higher	783	3%	419,016	89%
TOTAL	23,582	100%	471,939	100%

For Tax Year 2007

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,384	82%	6,815	1%
50,001- 100,000	1,400	6%	6,378	1%
100,001- 500,000	1,805	7%	26,855	5%
500,001- 1,000,000	467	2%	21,468	4%
1,000,001- and higher	784	3%	491,206	89%
TOTAL	24,840	100%	552,722	100%

For Tax Year 2006

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,673	83%	7,355	1%
50,001- 100,000	1,421	5%	6,487	1%
100,001- 500,000	1,735	7%	25,872	5%
500,001- 1,000,000	458	2%	21,311	4%
1,000,001- and higher	767	3%	469,768	89%
TOTAL	25,054	100%	530,793	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 2010 is the most recent data available.

For Tax Year 2005

Alabama Taxable Income	Number of Filers	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	28,371	89%	6,141	2%
50,001- 100,000	1,166	4%	5,209	1%
100,001- 500,000	1,392	4%	20,079	5%
500,001- 1,000,000	362	1%	16,642	4%
1,000,001- and higher	545	2%	339,126	88%
TOTAL	31,836	100%	387,197	100%

DEBT CAPACITY
Ratios of Outstanding Debt

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

	2012	2011	2010	2009	2008
Primary Government					
Governmental Activities:					
General Obligation Bonds	$ 708,349	$ 742,217	$ 769,330	$ 687,336	$ 721,145
Revenue Bonds	216,937	246,086	274,283	298,712	323,483
Capital Leases/Notes/Mortgages	181,117	144,811	117,115	43,549	41,934
Total Governmental Activities	**1,106,403**	**1,133,114**	**1,160,728**	**1,029,597**	**1,086,562**
Business-type Activities:					
Revenue Bonds	662,924	657,155	638,109	619,360	612,959
Capital Leases/Notes/Mortgages	6,840	8,871	11,688	14,275	16,224
Total Business-Type Activities	**669,764**	**666,026**	**649,797**	**633,635**	**629,183**
Total Primary Government	**$ 1,776,167**	**$ 1,799,140**	**$ 1,810,525**	**$ 1,663,232**	**$ 1,715,745**
Debt as a percentage of Personal Income †	1.06%	1.07%	1.12%	1.08%	1.07%
Amount of Debt per Capita †	$ 370	$ 375	$ 378	$ 350	$ 364

Notes: Details regarding the State's outstanding debt can be found in the note 4 of the financial statements.
Fiscal year 2012 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 295 for personal income and population data.

2007	2006	2005	2004	2003
$ 773,253	$ 516,973	$ 507,503	$ 445,211	$ 490,085
333,438	355,698	351,139	347,429	369,327
42,352	25,643	32,100	38,370	42,316
1,149,043	**898,314**	**890,742**	**831,010**	**901,728**
572,782	394,044	411,633	337,291	308,061
20,877	39,228	33,986	17,918	14,948
593,659	**433,272**	**445,619**	**355,209**	**323,009**
$ 1,742,702	**$ 1,331,586**	**$ 1,336,361**	**$ 1,186,219**	**$ 1,224,737**
1.15%	0.92%	0.99%	0.93%	1.02%
$ 373	$ 288	$ 292	$ 262	$ 272

DEBT CAPACITY
Ratios of General Bonded Debt Outstanding

Last Ten 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 †
2012	$ 708,349	$ 879,861	$ 62,975	$ 1,525,235	0.91%	$ 318
2011	742,217	903,242	56,471	1,588,988	0.95%	331
2010	769,330	912,392	47,562	1,634,160	1.01%	341
2009	687,336	918,072	40,925	1,564,483	1.01%	329
2008	721,145	936,442	42,914	1,614,673	1.01%	342
2007	773,253	906,220	29,930	1,649,543	1.09%	353
2006	516,973	749,742	25,945	1,240,770	0.86%	268
2005	507,503	762,772	25,008	1,245,267	0.92%	272
2004	445,211	684,720	28,844	1,101,087	0.86%	243
2003	490,085	677,388	30,016	1,137,457	0.95%	253

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 †
2012	$ 2,688,117	$ 109,055	$ 2,579,062	1.54%	$ 537
2011	2,813,957	85,030	2,728,927	1.63%	568
2010	2,768,732	109,337	2,659,395	1.65%	556
2009	2,534,100	46,175	2,487,925	1.61%	523
2008	2,621,615	99,039	2,522,576	1.57%	535
2007	1,620,570	113,650	1,506,920	0.99%	322
2006	1,734,825	72,209	1,662,616	1.15%	359
2005	1,822,135	111,376	1,710,759	1.26%	374
2004	1,832,695	112,896	1,719,799	1.34%	380
2003	1,844,164	103,307	1,740,857	1.45%	387

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 295 for personal income and population data.
Fiscal year 2012 personal income and population data are estimated.
All years presented with revised population and personal income data.

The *Constitution of Alabama of 1901* prohibits the issuance of debt by the State. The State does issue revenue bonds which are limited obligations of public corporations governed by State officials. General Obligation bonds are issued only by voter ratified amendments to the *Constitution of Alabama of 1901.*

DEBT CAPACITY

Pledged Revenue Coverage – Primary Government Revenue Bonds

Last Nine Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
State Port Authority					
Revenue-Charges for facilities usage	144,686	121,533	106,460	103,420	125,070
Debt Service					
Principal	7,895	7,525	7,165	6,830	7,250
Interest	17,983	16,775	12,361	14,656	13,428
Coverage [1]	5.59	5.00	5.45	4.81	6.05
Alabama College System					
Revenue-Tuition and Fees	299,364	292,476	267,009	206,769	186,429
Debt Service					
Principal	16,575	15,475	14,955	14,150	14,311
Interest	11,881	11,652	11,393	12,198	12,027
Coverage [1]	10.52	10.78	10.13	7.85	7.08
Federal Aid Highway Finance Authority					
Revenue-Federal Revenue	823,507	923,363	979,460	726,063	831,530
Debt Service					
Principal	13,930	13,605	13,010	12,450	11,920
Interest	3,412	5,259	5,890	6,527	7,136
Coverage [1]	47.49	48.95	51.82	38.26	43.64

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.

2007	2006	2005	2004
109,735	88,155	87,022	77,871
6,260	5,910	5,575	5,280
9,770	10,124	10,459	10,749
6.85	5.50	5.43	4.86
184,664	137,133	185,013	101,333
12,970	12,045	9,112	7,527
9,448	9,968	6,521	5,589
8.24	6.23	11.83	7.73
748,952	790,928	648,831	548,830
11,415	10,910	10,430	9,970
7,669	8,123	8,550	8,983
39.25	41.56	34.18	28.96

DEBT CAPACITY

Pledged Revenue Coverage – Component Unit Revenue Bonds

Last Nine Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Alabama Incentives Financing Authority					
Tennessee Valley Exhibit Commission					
Revenue-Tennessee Valley Electric Payment	20,642	19,903	20,851	20,813	19,313
Debt Service					
Principal	5,045	4,935	140	1,760	2,630
Interest	6,977	7,088	6,638	5,982	6,202
Coverage [1]	1.72	1.66	3.08	2.69	2.19
Public School and College Authority					
Revenue-General Sales Tax, Utility Tax, Use Tax	2,441,387	2,370,684	2,328,626	2,307,959	2,514,550
Debt Service					
Principal	101,770	69,180	71,235	130,720	91,215
Interest	123,123	114,892	132,698	116,126	93,359
Coverage [1]	10.86	12.88	11.42	9.35	13.62
State Industrial Development Authority					
Revenue-Cigarette Tax	4,448	4,590	4,654	4,773	4,921
Debt Service					
Principal	100	500	1,900	3,100	3,315
Interest	6	26	112	258	343
Coverage [1]	41.96	8.73	2.31	1.42	1.35
Mental Health Financing Authority					
Revenue-Cigarette Tax	5,930	6,121	6,205	6,364	6,562
Debt Service					
Principal	1,325	1,255	1,190	4,710	4,775
Interest	195	234	270	505	745
Coverage [1]	3.90	4.11	4.25	1.22	1.19
Alabama Revolving Fund Authority					
Revenue-Mobile Telecommunications Tax	82,404	94,790	105,919	108,781	101,287
Debt Service					
Principal	865	-	515	475	440
Interest	984	746	702	743	780
Coverage [1]	44.57	127.06	87.03	89.31	83.02
Alabama Twenty-first Century Authority					
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000
Debt Service					
Principal	6,530	6,205	5,910	5,625	5,360
Interest	7,110	6,339	6,659	6,958	7,241
Coverage [1]	0.95	1.04	1.03	1.03	1.03

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

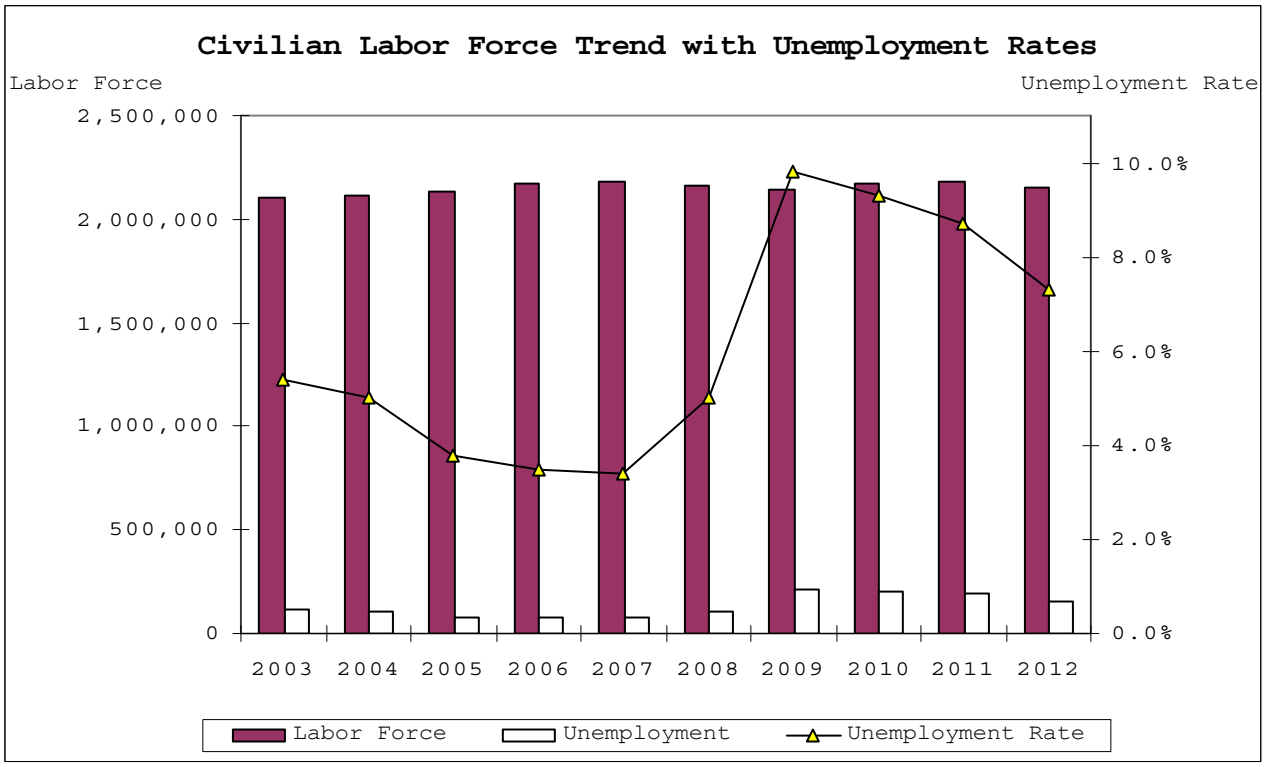
[1] Coverage equals revenue divided by debt service.

2007	2006	2005	2004
18,328	18,592	17,462	16,169
2,480	2,340	2,205	2,095
7,473	7,920	7,508	7,001
1.84	1.81	1.80	1.78
2,482,747	2,374,944	2,162,285	2,048,794
87,765	110,240	72,640	68,290
72,688	76,720	78,218	77,371
15.47	12.70	14.33	14.07
5,121	5,247	5,197	3,141
3,115	3,050	3,050	3,050
508	647	776	927
1.41	1.42	1.36	0.79
6,828	6,996	6,929	4,188
4490	4,420	5,590	5,400
969	1,145	2,544	2,302
1.25	1.26	0.85	0.54
101,057	90,919	84,892	75,895
405	370	345	315
815	847	876	903
82.83	74.71	69.53	62.31
13,000	13,000	13,000	13,000
5,100	4,855	4,660	4,490
7,513	7,773	8,022	8,262
1.03	1.03	1.03	1.02

DEMOGRAPHIC AND ECONOMIC INFORMATION
Labor Force Statistics

Last Ten Years
(Amounts in Thousands)

Year	Labor Force	Employment	Unemployment	Unemployment Rate
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	2,178,480	2,104,157	74,323	3.4%
2008	2,160,934	2,053,747	107,187	5.0%
2009	2,140,379	1,930,230	210,149	9.8%
2010	2,171,716	1,969,557	202,159	9.3%
2011	2,181,859	1,992,522	189,337	8.7%
2012	2,156,301	1,999,182	157,119	7.3%

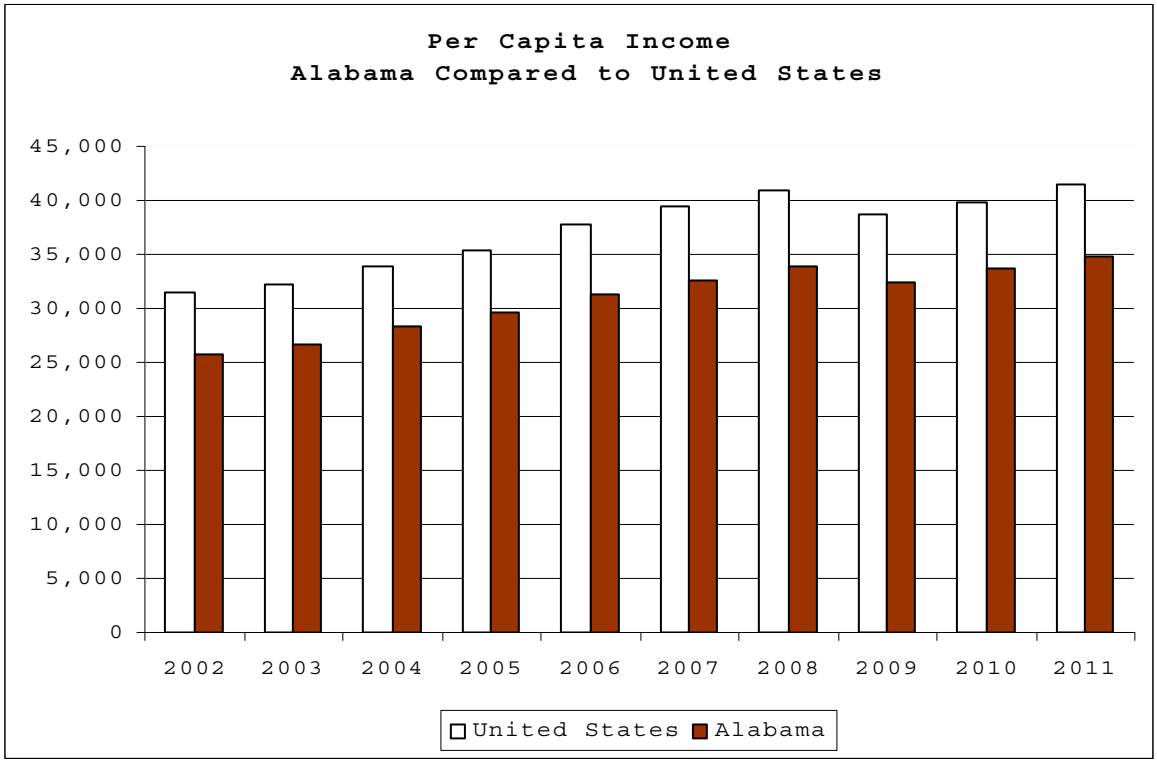


Note: Data were not seasonally adjusted.
2008-2012 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.
Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

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
2002	287,625,193	4,480,089	31,481	25,762	9,054,702,000	115,413,984
2003	290,107,933	4,503,491	32,295	26,660	9,369,072,000	120,061,467
2004	292,805,298	4,530,729	33,909	28,256	9,928,790,000	128,019,513
2005	295,516,599	4,569,805	35,452	29,681	10,476,669,000	135,636,293
2006	298,379,912	4,628,981	37,725	31,208	11,256,516,000	144,462,607
2007	301,231,207	4,672,840	39,506	32,528	11,900,562,000	151,999,031
2008	304,093,966	4,718,206	40,947	33,949	12,451,660,000	160,179,489
2009	306,771,529	4,757,938	38,637	32,406	11,852,715,000	154,187,126
2010	309,330,219	4,785,401	39,791	33,710	12,308,496,000	161,314,102
2011	311,591,917	4,802,740	41,560	34,880	12,949,905,000	167,517,466



Note: Year 2011 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

	2012			2011		
Employer	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.93%	30,000-39,999	1	1.93%
Army	20,000-29,999	2	1.38%	20,000-29,999	2	1.38%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	6	0.41%	5,000-9,999	6	0.41%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	7	0.41%	5,000-9,999	8	0.41%
U S Postal Service	5,000-9,999	4	0.41%	5,000-9,999	4	0.41%
Regions Bank	5,000-9,999	8	0.41%	5,000-9,999	7	0.41%
Huntsville Hospital	5,000-9,999	9	0.41%	5,000-9,999	9	0.41%
The University of Alabama	5,000-9,999	10	0.41%	5,000-9,999	10	0.41%
	90,000-149,990		6.59%	90,000-149,990		6.59%

	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%
Winn Dixie Montgomery	-	-	-	5,000-9,999	5	0.41%
Regions Bank	5,000-9,999	5	0.42%	5,000-9,999	9	0.41%
Pilgrims Pride Corporation	5,000-9,999	9	0.42%	5,000-9,999	10	0.41%
Huntsville Hospital	5,000-9,999	10	0.42%	-	-	-
	95,000-159,990		6.69%	95,000-159,990		6.54%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.
Source: Alabama Department of Industrial Relations - Labor Market Information Division

Employer	2008 Employment Range	2008 Rank	2008 % of Total State Employment	2007 Employment Range	2007 Rank	2007 % of Total State Employment	2006 Employment Range	2006 Rank	2006 % of Total State Employmen
Wal Mart Associates Inc	30,000-39,999	1	1.80%	30,000-39,999	1	1.79%	30,000-39,999	1	1.82%
Army	20,000-29,999	2	1.28%	20,000-29,999	2	1.28%	20,000-29,999	2	1.30%
Mobile Education Board	10,000-19,999	3	0.77%	10,000-19,999	4	0.77%	5,000-9,999	3	0.39%
University Of Alabama In Birmingham	5,000-9,999	6	0.39%	5,000-9,999	6	0.38%	5,000-9,999	4	0.39%
Alabama Power Co Electric	5,000-9,999	7	0.39%	5,000-9,999	9	0.38%	5,000-9,999	5	0.39%
U. Of Ala In Bham Medical Center	5,000-9,999	9	0.39%	5,000-9,999	8	0.38%	5,000-9,999	6	0.39%
U S Postal Service	5,000-9,999	4	0.39%	10,000-19,999	3	0.77%	5,000-9,999	7	0.39%
Gold Kist Inc	-	-	-	-	-	-	5,000-9,999	8	0.39%
Winn Dixie Montgomery	-	-	-	5,000-9,999	10	0.38%	5,000-9,999	9	0.39%
Regions Bank	5,000-9,999	5	0.39%	5,000-9,999	5	0.38%	5,000-9,999	10	0.39%
Huntsville Hospital	5,000-9,999	10	0.39%	-	-	-	-	-	-
Pilgrims Pride Corporation	5,000-9,999	8	0.39%	5,000-9,999	7	0.38%	-	-	-
	95,000-159,990		6.58%	100,000-169,990		6.89%	90,000-149,990		6.24%

Employer	2005 Employment Range	2005 Rank	2005 % of Total State Employment	2004 Employment Range	2004 Rank	2004 % of Total State Employment	2003 Employment Range	2003 Rank	2003 % of Total State Employmen
Wal Mart Associates Inc	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%	30,000-39,999	1	1.92%
Army	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%	15,000-19,999	2	0.96%
Mobile Education Board	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	7	0.40%	5,000-9,999	6	0.41%	5,000-9,999	7	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%	5,000-9,999	10	0.41%
U S Postal Service	5,000-9,999	9	0.40%	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%
Gold Kist Inc	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%	-	-	-
Winn Dixie Montgomery	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%	5,000-9,999	6	0.41%
Brunos Supermarkets Inc	5,000-9,999	5	0.40%	5,000-9,999	4	0.41%	5,000-9,999	4	0.41%
BellSouth Telecommunications	-	-	-	-	-	-	5,000-9,999	9	0.41%
	90,000-149,990		6.40%	85,000-139,990		6.54%	85,000-139,990		6.18%

OPERATING INFORMATION

State Government Employment by Function

Last Ten Years

	2012	2011	2010	2009	2008
Primary Government					
Governmental Activities:					
Economic Development and Regulation	724	745	802	881	881
Education and Cultural Resources	1,089	1,183	1,254	1,200	1,226
Natural Resources and Recreation	1,483	1,476	1,451	1,454	1,608
Health	4,570	5,403	5,626	5,513	5,644
Social Services	5,690	5,911	6,108	5,966	5,968
Protection of Person and Property	8,422	8,137	8,521	8,445	8,317
Transportation	4,963	4,989	5,363	5,301	5,368
General Government	4,059	4,464	4,587	4,686	4,731
Total Governmental Activities	**31,000**	**32,308**	**33,712**	**33,446**	**33,743**
Business-type Activities:					
Alcoholic Beverage Control Board	899	906	902	901	898
State Port Authority	188	181	185	193	200
Alabama Community College System	1,941	1,953	1,950	1,937	1,916
Total Business-Type Activities	**3,028**	**3,040**	**3,037**	**3,031**	**3,014**
Total Primary Government	**34,028**	**35,348**	**36,749**	**36,477**	**36,757**

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

Sources: Alabama Personnel Department
Alabama Commission on Higher Education
Alabama Administrative Office of the Courts
Alabama House of Representatives
Alabama Senate

2007	2006	2005	2004	2003
882	836	824	835	893
1,210	1,117	1,104	1,086	1,092
1,378	1,460	1,383	1,486	1,575
5,493	5,167	4,890	4,818	5,081
6,163	6,277	6,313	6,323	6,488
8,057	7,842	7,733	7,590	7,583
5,263	5,169	5,138	5,013	4,981
4,458	4,173	4,124	4,166	4,482
32,904	**32,041**	**31,509**	**31,317**	**32,175**
895	851	778	753	746
184	165	150	142	119
1,885	1,792	1,766	1,796	1,750
2,964	**2,808**	**2,694**	**2,691**	**2,615**
35,868	**34,849**	**34,203**	**34,008**	**34,790**

OPERATING INFORMATION
Indicators of Demand or Level of Service

Last Seven Fiscal Years

	2012	2011	2010	2009	2008
Economic Development and Regulation					
Forestry Commission					
Number of fires	1,421	3,665	2,314	2,094	2,450
Average acres burned	12	19	11	11	10
Agriculture and Industries					
Pounds of meat processed under inspection	87,148,545	92,168,293	111,056,537	97,868,453	105,603,617
Educational and Cultural Resources					
Education Department					
Teachers	46,073	47,573	48,165	49,364	49,364
Number of local schools supported	1,496	1,523	1,520	1,376	1,367
Number of children served	743,130	749,084	739,198	739,197	744,000
Natural Resources and Recreation					
Conservation and Natural Resources					
Number of guests to outdoor recreational sites	3,992,768	3,899,694	3,758,217	3,366,161	3,082,009
Acres of land managed	318,535	293,559	210,834	198,802	197,451
Number of registered boats	266,003	250,402	248,514	271,206	273,406
Health - Physical and Mental					
Public Health					
Vital records issued	471,065	440,327	432,547	479,904	517,723
Medicaid					
Average number of monthly recipients	722,902	722,439	878,232	821,602	765,616
Average Number of claims processed monthly	2,715,634	2,670,589	2,848,694	2,700,907	2,180,736
Social Services					
Industrial Relations					
Employment Security claims	284,253	346,020	359,287	506,603	285,075
Human Resources					
Number of visits to licensed child care centers	2,581	3,203	3,254	3,435	4,060
Child support caseload	236,000	234,000	229,000	229,635	228,479
Households receiving food assistance	411,710	387,214	344,788	280,625	231,470
Number of child abuse/neglect assessments	19,884	19,538	17,221	n/a	29,301
Protection of Persons and Property					
Department of Corrections					
Number of inmates	25,376	25,651	25,390	25,854	25,303
Public Safety					
Arrest tickets issued	411,086	436,802	533,220	568,505	538,910
Accidents investigated	31,544	30,227	30,520	30,904	33,115
Pardons and Paroles					
Number of board decisions	11,946	11,097	10,284	12,954	12,158
Number of offenders supervised	67,339	75,132	71,578	67,579	66,196
Forensic Sciences					
Number of death cases investigated	2,394	2,476	2,403	2,512	4,098
Transportation					
Transportation Department					
Roadway miles	10,870	10,849	10,876	10,877	10,875
Bridges	5,390	5,395	5,374	5,368	5,362
General Government					
Administrative Office of Courts					
Caseload	2,039,383	2,248,910	2,589,067	2,611,460	2,589,796
Revenue Department					
Number of payments received	3,460,511	4,368,358	3,318,271	3,296,454	3,304,603

2007	2006
4,591	4,932
16	15
88,835,448	88,823,389
49,574	47,319
1,358	1,364
739,552	742,977
3,031,646	2,961,506
10,946	8,298
273,987	243,483
584,475	501,984
732,970	n/a
4,819,280	4,419,711
237,697	237,389
3,650	2,946
228,019	229,078
226,855	209,316
28,566	27,216
27,062	24,159
407,289	324,627
31,939	36,147
11,546	13,375
58,862	49,269
3,607	3,756
11,235	10,846
5,683	5,328
2,353,372	2,041,982
n/a	n/a

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Nine Fiscal Years

(Amounts in Thousands)

	2012	2011	2010	2009	2008
Economic Development and Regulation					
Forestry Commission					
Buildings	159	159	160	159	142
Vehicles	303	360	379	380	371
Heavy Equipment	547	569	654	657	671
Educational and Cultural Resources					
Education Television					
Buildings	25	25	26	26	24
Natural Resources and Recreation					
Conservation and Natural Resources					
Buildings	671	677	678	668	659
Vehicles	739	740	760	778	774
Heavy Equipment	218	222	214	211	207
Health					
Environmental Management					
Vehicles	173	177	183	163	178
Social Services					
Human Resources					
Buildings	36	34	31	30	31
Protection of Persons and Property					
Agriculture and Industries					
Vehicles	154	165	246	249	234
Corrections					
Buildings	391	385	370	370	362
Vehicles	503	504	446	421	446
Military					
Buildings	647	657	665	669	680
Public Safety					
Vehicles	1,089	1,372	1,353	1,275	1,375
Youth Services					
Buildings	113	114	115	118	119
Vehicles	85	114	106	103	101
Pardons and Paroles					
Vehicles	312	329	321	322	305
Transportation					
Transportation					
Buildings	562	526	510	510	501
Vehicles	2,099	2,276	2,039	2,062	2,343
Heavy Equipment	1,032	1,092	1,093	1,061	1,146
General Government					
Administrative Office of Courts					
Vehicles	14	22	23	22	20
Revenue Department					
Vehicles	29	34	29	26	27

2007	2006	2005	2004
142	142	142	142
397	326	322	307
690	682	741	715
24	24	24	24
631	611	609	604
759	689	672	645
211	212	210	213
189	196	192	172
30	30	30	30
233	236	222	186
362	362	362	345
448	404	332	332
642	688	688	688
1,357	1,159	1,287	1,062
118	118	118	118
96	89	82	74
262	252	248	211
473	472	472	471
2,379	2,356	2,389	2,241
1,127	1,130	1,184	1,138
17	7	7	7
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, 2011 through September 30, 2012

Filed: September 6, 2013

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

13-378

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the 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, 2011 through September 30, 2012.

Respectfully submitted,

Gail Traylor

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

Sworn to and subscribed before me this
the 26th day of August, 2013.

Cheryl S. McAlister
Notary Public

rb

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Contains items pertaining to the scope and objective of the audit, a description of the contents of the report, and other information pertaining to the State of Alabama Single Audit.		
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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.	46
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.	49
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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Exhibit #5 **Summary Schedule of Prior Audit Findings** – a report, prepared by the management of State Agencies, which provides the status of all audit findings relative to federal awards in the prior audit's Schedule of Findings and Questioned Costs.

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Auditee Responses/Corrective Action Plans – responses by State Agencies on the results of the audit and their plans for corrections.

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Department of
Examiners of Public Accounts

SUMMARY

Single Audit of Federal Financial Assistance Programs
State of Alabama
October 1, 2011 through September 30, 2012

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, 2012, which is a required component of a Single Audit, was issued by the Department of Examiners of Public Accounts as Report Number 13-235 on May 17, 2013. 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	$21,243,601
	ARRA-Tax Credit Assistance Program	14.258	$ 5,299,910
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$18,382,493
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$15,132,259
State Employees' Insurance Board	Grants to State for Operation of Qualified High Risk Pools	93.780	$ 896,534

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 on 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 on Compliance with 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 $9,189,749,349 in federal financial assistance during the 2011-2012 fiscal year. Of this amount, state agencies expended $228,558,856 for various programs under the American Recovery and Reinvestment Act, the largest being the Highway Planning and Construction Program with expenditures of $64,336,637. 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, 2012

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	1,137,058
Conservation Reserve Program	10.069	106,100
Market Protection and Promotion	10.163	42,751
Specialty Crop Block Grant Program	10.169	540,609
Organic Certification Cost Sharing	10.171	4,966
State Mediation Grants	10.435	67,161
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,619,503
Supplemental Nutrition Assistance Program (SNAP) Cluster		
Supplemental Nutrition Assistance Program	10.551	1,387,131,390
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	47,835,544
Total (SNAP) Cluster (M)		1,434,966,934
Child Nutrition Cluster		
School Breakfast Program	10.553	58,584,768
National School Lunch Program	10.555	209,195,294
Special Milk Program for Children	10.556	39,583
Summer Food Service Program for Children	10.559	3,954,964
Total Child Nutrition Cluster		271,774,609
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	143,647,740
Child and Adult Care Food Program (M)	10.558	39,719,959
State Administrative Expenses for Child Nutrition	10.560	3,303,088
Emergency Food Cluster		
Emergency Food Assistance Program - Administrative Costs	10.568	953,747
Emergency Food Assistance Program - Food Commodities	10.569	7,600,772
Total Emergency Food Assistance Cluster		8,554,519
WIC Farmers' Market Nutrition Program (FMNP)	10.572	80,953
Team Nutrition Grants	10.574	7,457
Seniors Farmers Market Nutrition Program	10.576	1,600,119
ARRA - WIC Grants to States (WGS)	10.578	4,259
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	480,050
Supplemental Nutrition Assistance Program, Outreach/Participation Program	10.580	170,693

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,145,183			Agriculture and Industries/Conservation and Natural Resources
122,891			Conservation and Natural Resources
54,151			Agriculture and Industries
362,402			Agriculture and Industries
4,966			Agriculture and Industries
72,781			Agriculture and Industries
1,388,191			Agriculture and Industries
1,387,893,791			Human Resources
39,665,433			Human Resources
1,427,559,224			
58,587,150		58,396,870	Education
209,199,017	3A	208,924,121	Education
39,583		39,583	Education
3,957,361	3A	3,786,405	Education
271,783,111		271,146,979	
143,181,247	3B	5,526,892	Public Health
39,748,243		39,249,585	Education
3,309,875			Education
953,703		937,432	Education
7,600,772	3A	7,600,772	Education
8,554,475		8,538,204	
71,928			Farmer's Market Authority
7,510			Education
1,520,450			Farmer's Market Authority
20,781			Public Health
480,050		420,592	Education
246,043			Human Resources

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Fresh Fruit and Vegetable Program	10.582	2,728,139
Schools and Roads - Grants to States	10.665	6,210,799
Recovery Act of 2009: Wildlife Fire Management	10.688	2,391,442
Environmental Quality Incentives Program	10.912	21,538
Other Federal Assistance		
National Animal Health Lab Network (NAHLN) Agreement	10.Unknown	3,269
Shell Egg Surveillance	10.Unknown	5,620
U .S. Forest Service Bird Identification Program	10.Unknown	
Total Department of Agriculture		1,919,189,335
DEPARTMENT OF COMMERCE		
Economic Adjustment Assistance	11.307	324,251
Interjurisdictional Fisheries Act of 1986	11.407	3,465
Coastal Zone Management Administration Awards	11.419	1,296,932
Coastal Zone Management Estuarine Research Reserves	11.420	1,684,520
Cooperative Fishery Statistics	11.434	672,584
Southeast Area Monitoring and Assessment Program	11.435	202,002
Regional Fishery Management Councils	11.441	30,747
Unallied Management Projects	11.454	2,377,909
Congressionally Identified Awards and Projects	11.469	132,084
Costal Services Center	11.473	
Public Safety Interoperable Communications Grant Program	11.555	9,453,016
ARRA - Broadband Technology Opportunities Program	11.557	466,448
ARRA - State Broadband Data and Development Grant Program	11.558	735,583

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
2,728,139		2,728,139	Education
6,130,825		2,152,434	Department of Finance
1,670,374		721,068	Forestry Commission
21,538			Forestry Commission
11,463			Agriculture and Industries
8,991			Agriculture and Industries
3,066			Conservation and Natural Resources
1,910,207,898		330,483,893	
			Farmer's Market Authority
23,307			Conservation and Natural Resources
1,228,319		1,095,753	Conservation and Natural Resources
1,425,034		11,257	Conservation and Natural Resources/ Forever Wild Trust Fund
665,795		4,821	Conservation and Natural Resources
182,519		118,283	Conservation and Natural Resources
31,103			Conservation and Natural Resources
2,800,362		1,126,485	Conservation and Natural Resources
190,032		81,807	Conservation and Natural Resources
27,073			Conservation and Natural Resources
9,268,695		8,981,547	Homeland Security
467,201		438,622	Economic and Community Affairs
736,223		540,020	Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
Joint Enforcement Agreement (Advancement)	11.Unknown	1,078,752
Dept. of Commerce - NOAA FNA08NOS4000375	11.Unknown	26,117
Dept. of Commerce - NOAA FNA10NOS4000043	11.Unknown	40,000
Total Department of Commerce		18,524,410
DEPARTMENT OF DEFENSE		
Navigation Projects	12.107	524,769
National Guard Cluster		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	41,436,784
ARRA-National Guard Military Operations and Maintenance (O&M) Projects	12.401	206,295
Total National Guard Cluster (M)		41,643,079
Other Federal Assistance		
Tuscumbia Darter Survey	12.Unknown	
Bob Cat Cave Monitoring (USA Aviation & Missile Command)	12.Unknown	28,106
Total Department of Defense		42,195,954
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Manufactured Home Dispute Resolution	14.171	280,488
State Administered Community Development Block Grant Cluster		
Community Development Block Grants/State's Program (M) and Non-Entitlement Grants in Hawaii	14.228	33,906,903
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Recovery Act	14.255	336,077
Total CDBG - State Administered (CDBG) Cluster (M)		34,242,980
Emergency Solutions Grant Program	14.231	1,676,630
Shelter Plus Care	14.238	210,807
Housing Opportunities for Persons with AIDS	14.241	1,361,325
Homeless Prevention and Rapid Re-Housing Program - Recovery Act	14.257	1,646,835
Total Department of Housing and Urban Development		39,419,065

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
388,868			Conservation and Natural Resources
26,117			Revenue
40,000			Revenue
17,500,648		12,398,595	
678,787		2,891	Conservation and Natural Resources
45,350,090			Military Department
945,447			Military Department
46,295,537			
9,421			Geological Survey
28,741			Geological Survey
47,012,486		2,891	
280,488			Manufactured Housing Commission
33,909,131		31,917,269	Economic and Community Affairs
336,077		310,785	Economic and Community Affairs
34,245,208		32,228,054	
1,681,531		1,579,481	Economic and Community Affairs
210,807		210,807	Mental Health
1,361,325		1,301,122	Economic and Community Affairs
1,646,835		1,629,721	Economic and Community Affairs
39,426,194		36,949,185	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF INTERIOR		
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	1,407,404
Abandoned Mine Land Reclamation (AMLR) Program	15.252	3,940,157
Science and Technology Projects Related to Coal Mining and Reclamation	15.255	20,517
Coastal Impact Assistance Program (CIAP)	15.426	10,400,091
Fish and Wildlife Cluster		
Sport Fish Restoration Program	15.605	5,459,068
Wildlife Restoration and Basic Hunter Education	15.611	5,741,932
Total Fish and Wildlife Cluster		11,201,000
Cooperative Endangered Species Conservation Fund	15.615	464,059
Clean Vessel Act	15.616	75,333
Wildlife Conservation and Restoration	15.625	60,495
Partners for Fish and Wildlife	15.631	86,482
Conservation Grants Private Stewardship for Imperiled Species	15.632	270,112
Landowner Incentive Program	15.633	452,711
State Wildlife Grants	15.634	643,859
Recovery Act - Habitat Enhancement, Restoration and Improvement	15.656	112,984
Endangered Species Conservation Recovery Implementation Funds	15.657	
Natural Resource Damage Assessment, Restoration and Implementation	15.658	
Endangered Species - Candidate Conservation Action Funds	15.660	3,845
U. S. Geological Survey - Research and Data Acquisition	15.808	90,212
National Cooperative Geologic Mapping Program	15.810	138,450
Historic Preservation Fund Grants-In-Aid	15.904	859,974
Outdoor Recreation - Acquisition, Development and Planning	15.916	671,382
Save America's Treasures	15.929	26,454
Total Department of Interior		30,925,521

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
2,340,564			Surface Mining Commission
4,552,206			Industrial Relations
25,000			Geological Survey
3,998,942		636,625	Conservation and Natural Resources
5,160,841		854,089	Conservation and Natural Resources
5,472,272		138,079	Conservation and Natural Resources
10,633,113		992,168	
496,341		255,666	Conservation and Natural Resources
102,236			Environmental Management
			Conservation and Natural Resources
42,471		42,378	Conservation and Natural Resources
201,128		195	Conservation and Natural Resources/ Geological Survey
442,844		403,531	Conservation and Natural Resources
777,506		231,267	Conservation and Natural Resources
108,723		108,617	Conservation and Natural Resources
35,665		5,452	Conservation and Natural Resources
2,644			Conservation and Natural Resources
3,710			Geological Survey
139,943		59,134	Economic and Community Affairs/Geological Survey
125,208			Geological Survey
828,781		69,754	Historical Commission
671,382		671,382	Economic and Community Affairs
26,454			Historical Commission
25,554,861		3,476,169	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF JUSTICE		
Sexual Assault Services Formula Program	16.017	174,375
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	3,291
Juvenile Accountability Block Grants	16.523	575,240
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	523,730
Missing Children's Assistance	16.543	271,087
Title V - Delinquency Prevention Program	16.548	58,950
State Justice Statistics Program for Statistical Analysis Centers	16.550	64,967
National Criminal History Improvement Program (NCHIP)	16.554	390,645
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	328,936
Crime Victim Assistance	16.575	6,001,698
Crime Victims Compensation	16.576	1,248,508
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	155,894
Violence Against Women Formula Grants Cluster		
Violence Against Women Formula Grants	16.588	2,199,858
ARRA - Violence Against Women Formula Grants	16.588	217,011
Total Violence Against Women Formula Grants Cluster		2,416,869
Residential Substance Abuse Treatment for State Prisoners	16.593	434,646
State Criminal Alien Assistance Program	16.606	170,549
Bulletproof Vest Partnership Program	16.607	141,894
Project Safe Neighborhoods	16.609	173,675
Public Safety Partnership and Community Policing Grants	16.710	2,263,942
Enforcing Underage Drinking Laws Program	16.727	145,142
Protecting Inmates and Safeguarding Communities	16.735	81,200

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
174,375		165,702	Economic and Community Affairs
			Corrections
754,931		79,311	Economic and Community Affairs
521,592		460,529	Economic and Community Affairs
408,265		155,919	Public Safety
58,877		56,187	Economic and Community Affairs
64,967			Criminal Justice Information
390,645		162,936	Criminal Justice Information
286,850			Attorney General/Forensic Science
5,997,115		5,632,606	Economic and Community Affairs
1,248,508			Crime Victims Compensation
145,856			Public Health
2,202,848		1,893,939	Economic and Community Affairs
212,783		137,881	Economic and Community Affairs
2,415,631		2,031,820	
426,817			Economic and Community Affairs
170,549			Corrections
135,204		3,125	Economic and Community Affairs
176,390			Economic and Community Affairs
2,573,557		54,863	Public Safety/Corrections/ Criminal Justice Information
145,516		88,437	Economic and Community Affairs
138,849			Corrections

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Justice Assistance Grant (JAG) Program Cluster		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	7,488,322
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	550,130
Total JAG Program Cluster		8,038,452
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	308,469
DNA Backlog Reduction Program	16.741	2,110,152
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	337,637
Anti-Gang Initiative	16.744	24,897
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	56,414
Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748	208,807
Support for Adam Walsh Act Implementation Grant Program	16.750	117,140
Congressionally Recommended Awards	16.753	778,036
Recovery Act-Internet Crimes Against Children Task Force Program (ICAC)	16.800	
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	1,031,870
Second Chance Act Prisoner Reentry Initiative	16.812	150,538
Equitable Sharing Program	16.922	3,856,892
Other Federal Assistance		
Drug Enforcement Agency Cooperative Agreements	16.Unknown	211,488
Alcohol, Tobacco, Firearms and Explosives (BATF)	16.Unknown	467
Organized Crime Drug Enforcement Task Force (OCDETF)	16.Unknown	567
United States Marshals 2009-DG-BX-0016	16.Unknown	29,581
Total Department of Justice		32,886,645
DEPARTMENT OF LABOR		
Labor Force Statistics	17.002	1,245,121
Compensation and Working Conditions	17.005	78,258
Employment Service Cluster		
Employment Service/Wagner-Peyser Funded Activities	17.207	8,468,117
Disabled Veterans' Outreach Program (DVOP)	17.801	979,294
Local Veterans' Employment Representative Program	17.804	1,313,066
Total Employment Service Cluster		10,760,477

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
4,823,923		4,026,448	Economic and Community Affairs
706,022		566,083	Economic and Community Affairs
5,529,945		4,592,531	
308,469		242,701	Criminal Justice Information
2,121,543			Forensic Science
336,648			Economic and Community Affairs
24,953		23,273	Economic and Community Affairs
54,137			Mental Health
199,409			Forensic Science
72,944			Corrections
1,020,452			Public Safety/Forensic Science
(9,000)			Public Safety
1,031,870		712,731	Criminal Justice Information
186,121		186,121	Mental Health
1,812,110			Public Safety
268,934			Public Safety
(628)			Public Safety
			Public Safety
26,543			Public Safety
29,218,944		14,648,792	
1,267,980			Industrial Relations
78,258			Labor
8,647,894			Industrial Relations
1,008,335			Industrial Relations
1,316,519			Industrial Relations
10,972,748			

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Unemployment Insurance Cluster		
Unemployment Insurance	17.225	871,578,014
ARRA - Unemployment Insurance (Administrative Grant)	17.225	1,017,715
ARRA - Unemployment Insurance (Federal Benefits)	17.225	(79,350)
Total Unemployment Insurance Cluster		872,516,379
Senior Community Service Employment Program	17.235	1,921,731
Trade Adjustment Assistance Cluster		
Trade Adjustment Assistance	17.245	5,290,599
Trade Adjustment Assistance-Supplemental	17.245	233,856
Total Trade Adjustment Assistance Cluster		5,524,455
Workforce Investment Act Cluster		
Workforce Investment Act Adult Program	17.258	11,059,546
Workforce Investment Act Youth Activities	17.259	10,190,231
ARRA - Workforce Investment Act Youth Activities	17.259	
Workforce Investment Act Dislocated Workers	17.260	1,171,281
ARRA - Workforce Investment Act Dislocated Workers	17.260	648,636
Workforce Investment Act Dislocated Worker Formula Grants	17.278	12,395,693
Total Workforce Investment Act Cluster (M)		35,465,387
Community Based Job Training Grants	17.269	1,370,151
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	1,938,655
Workforce Investment Act (WIA) National Emergency Grants	17.277	5,104,897
OSHA Data Initiative	17.505	48,806
Total Department of Labor		935,974,317
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	658,840,757
ARRA - Highway Planning and Construction	20.205	64,224,084
Recreational Trails Program	20.219	1,838,623
Appalachian Development Highway System	23.003	64,180,422
Total Highway Planning and Construction Cluster		789,083,886

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
736,609,819	3D		Industrial Relations
1,127,808	3D		Industrial Relations
(76,902)	3D		Industrial Relations
737,660,725			
1,919,231		1,831,017	Senior Services
10,417,905			Industrial Relations
240,188			Industrial Relations
10,658,093			
11,002,393		4,774,826	Economic and Community Affairs
10,110,925		5,691,583	Economic and Community Affairs
		(10,836)	Economic and Community Affairs
1,183,367		766,648	Economic and Community Affairs/Postsecondary Education
655,618		601,275	Economic and Community Affairs
12,517,757		5,126,003	Economic and Community Affairs
35,470,060		16,949,499	
1,386,280		1,248,088	Economic and Community Affairs/Postsecondary Education
1,951,129		1,729,238	Economic and Community Affairs/Industrial Relations
5,095,298		4,565,479	Economic and Community Affairs
48,806			Labor
806,508,608		26,323,321	
678,579,513		3,697,452	Transportation
64,336,637		28,598	Transportation
1,850,214		1,735,371	Economic and Community Affairs
64,467,972			Transportation
809,234,336		5,461,421	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Airport Improvement Program	20.106	557,757
National Motor Carrier Safety	20.218	3,164,730
Performance and Registration Information Systems Management	20.231	196,063
Commercial Driver's License Program Improvement Grant	20.232	438,704
Safety Data Improvement Program	20.234	356,793
Commercial Vehicle Information Systems and Networks	20.237	352,202
Commercial Drivers License Information System (CDLIS) Modernization Grant	20.238	103,446
Federal Transit Cluster		
Federal Transit - Capital Investment Grants	20.500	1,359,830
Federal Transit - Formula Grants	20.507	1,872,095
ARRA - Federal Transit - Formula Grants	20.507	900,012
Total Federal Transit Cluster		4,131,937
Formula Grants Cluster		
Formula Grants for Other Than Urbanized Areas	20.509	8,579,753
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	3,020,489
Total Formula Grants Cluster		11,600,242
Transit Services Programs Cluster		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	533,526
Job Access Reverse Commute	20.516	1,465,323
New Freedom Program	20.521	259,177
Total Transit Services Programs Cluster		2,258,026
Highway Safety Cluster		
State and Community Highway Safety	20.600	3,508,686
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	705,169
Occupant Protection Incentive Grants	20.602	343,469
Safety Belt Performance Grants	20.609	40,720
State Traffic Safety Information System Improvement Grants	20.610	460,113
Total Highway Safety Cluster		5,058,157
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety	20.614	49,222
Pipeline Safety Program Base Grant	20.700	265,317
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	287,580

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
557,757			Transportation
2,558,323		322,323	Criminal Justice Information/Public Safety
196,063		196,063	Criminal Justice Information
584,994			Public Safety
356,793		356,793	Criminal Justice Information
352,202		352,202	Criminal Justice Information
103,786			Public Safety
1,359,830		1,359,830	Transportation
1,872,095		1,872,095	Transportation
900,012		900,012	Transportation
4,131,937		4,131,937	
8,579,753		8,526,869	Transportation
3,020,489		2,371,973	Transportation
11,600,242		10,898,842	
533,526		526,919	Transportation
1,449,893		1,367,641	Senior Services/Transportation
256,464		165,159	Senior Services/Transportation
2,239,883		2,059,719	
3,571,555		2,542,746	Economic and Community Affairs
661,938		436,743	Economic and Community Affairs
342,323		215,971	Economic and Community Affairs
8,109		7,254	Economic and Community Affairs
460,113		410,113	Economic and Community Affairs
5,044,038		3,612,827	
65,154			Public Safety
265,317			Public Service Commission
337,577		314,698	Emergency Management Agency

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
Federal Motor Carrier Safety Administration PZ09011000000	20.Unknown	82,404
Total Department of Transportation		817,986,466
APPALACHIAN REGIONAL COMMISSION		
Appalachian Area Development	23.002	569,214
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	114,677
Total Appalachian Regional Commission		683,891
GENERAL SERVICES ADMINISTRATION		
Donation of Federal Surplus Personal Property	39.003	5,274,047
Help America Vote Act-Title I, Section 101	39.011	865
Total General Services Administration		5,274,912
NATIONAL FOUNDATION FOR THE ARTS		
Promotion of the Arts - Partnership Agreements	45.025	818,900
Total National Foundation For the Arts		818,900
NATIONAL FOUNDATION FOR THE HUMANITIES		
Promotion of the Humanities - Federal/State Partnership	45.129	1,800
Total National Foundation for the Humanities		1,800
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
Grants to States	45.310	2,549,400
Other Federal Assistance		
Institute of Museum and Library Services (IMLS) Enhancement Grants #CL-00-08-0002-08	45.Unknown	2,197
Total Institute of Museum and Library Services		2,551,597
TENNESSEE VALLEY AUTHORITY		
Other Federal Assistance		
Other Federal Assistance-TVA	62.Unknown	988,524
Tennessee Valley Authority-Contract TV-62313A	62.Unknown	170,500
Total Tennessee Valley Authority		1,159,024

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
82,404			Revenue
837,710,806		27,706,825	
583,089		571,546	Economic and Community Affairs/Transportation
90,812			Economic and Community Affairs
673,901		571,546	
4,026,805	3E	3,906,677	Economic and Community Affairs
1,226,865	3I		Secretary of State
5,253,670		3,906,677	
655,422		655,422	Council on the Arts
655,422		655,422	
2,000			Historical Commission
2,000			
2,401,923		962,280	Public Library Service
2,197			School of Math and Science
2,404,120		962,280	
1,027,465		615,285	Emergency Management Agency
198,592			Public Health
1,226,057		615,285	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
DEPARTMENT OF VETERANS AFFAIRS		
ARRA - Grants to States for Construction of State Home Facilities	64.005	11,512,455
Veterans State Nursing Home Care	64.015	15,142,715
State Approving Agency Contract Number V101(223C) P-5200	64.Unknown	342,066
Total Department of Veterans Affairs		26,997,236
ENVIRONMENTAL PROTECTION AGENCY		
State Indoor Radon Grants	66.032	207,615
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	387,378
State Clean Diesel Grant Program Cluster		
State Clean Diesel Grant Program	66.040	89,122
ARRA - State Clean Diesel Grant Program	66.040	33,311
Total State Clean Diesel Grant Program Cluster		122,433
Congressionally Mandated Projects	66.202	27,478
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	147,555
Water Quality Management Planning	66.454	91,530
Nonpoint Source Implementation Grants	66.460	2,120,378
Regional Wetland Program Development Grants	66.461	61,667
Beach Monitoring and Notification Program Implementation Grants	66.472	108,406
Performance Partnership Grants	66.605	18,346,459
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	60,781
Protection of Children from Environmental Health Risks	66.609	11,821
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	242,644
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	66.802	366,186
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	669,683

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
11,512,455			Veterans' Affairs
15,142,715			Veterans' Affairs
231,184			Postsecondary Education
26,886,354			
207,615		184,344	Public Health
581,822			Environmental Management
407,756			Environmental Management
			Environmental Management
407,756			
90,743			Environmental Management
143,473			Environmental Management
130,793		1,626	Environmental Management
2,554,627		903,647	Environmental Management
131,054			Environmental Management
216,433			Environmental Management
14,993,686		817,698	Agriculture and Industries/Environmental Management
64,161			Public Health
13,486			Environmental Management
241,636		125,000	Public Health
601,601			Environmental Management
1,215,518			Environmental Management

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Leaking Underground Storage Tank Trust Fund Cluster		
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,135,120
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,250,549
Total Leaking Underground Storage Tank Trust Fund Cluster		2,385,669
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	61,469
Brownfield Assessment and Cleanup Cluster		
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	12,268
ARRA - Brownfield Assessment and Cleanup Cooperative Agreements	66.818	
Total Brownfield Assessment and Cleanup Cluster		12,268
Other Federal Assistance		
Cooperative Pesticide Recordkeeping	66.Unknown	88,000
Total Environmental Protection Agency		25,519,420
DEPARTMENT OF ENERGY		
State Energy Program Cluster		
State Energy Program	81.041	626,988
ARRA - State Energy Program	81.041	11,515,666
Total State Energy Program Cluster (M)		12,142,654
Weatherization Assistance Cluster		
Weatherization Assistance for Low-Income Persons	81.042	267,344
ARRA - Weatherization Assistance for Low-Income Persons	81.042	23,645,225
Total Weatherization Assistance Cluster (M)		23,912,569
Fossil Energy Research and Development	81.089	57,841
States and Tribal Concerns, Proposed Solutions	81.106	68,420
State Energy Program Cluster		
State Energy Program Special Projects	81.119	6,164
ARRA - State Energy Program Special Projects	81.119	63,385
Total State Energy Program Cluster		69,549
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	399,002
ARRA - Energy Efficient Appliance Rebate Program (EEARP)	81.127	9,595
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	3,381,014

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
2,732,199		52,564	Environmental Management
328,450			Environmental Management
3,060,649		52,564	
118,360			Environmental Management
90,358			Environmental Management
600,836			Environmental Management
691,194			
88,000			Agriculture and Industries
25,552,607		2,084,879	
625,946		322,384	Economic and Community Affairs
11,524,506		1,894,981	Economic and Community Affairs
12,150,452		2,217,365	
235,093		172,228	Economic and Community Affairs
23,621,482		22,512,408	Economic and Community Affairs
23,856,575		22,684,636	
111,546			Geological Survey
84,055			Emergency Management Agency
5,915		991	Economic and Community Affairs
63,385		60,969	Economic and Community Affairs
69,300		61,960	
407,073			Economic and Community Affairs/Public Service Commission
9,595			Economic and Community Affairs
3,381,541		3,009,129	Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
Petroleum Violation Escrow	81.Unknown	1,618
Total Department of Energy		40,042,262
DEPARTMENT OF EDUCATION		
Adult Education - Basic Grants to States	84.002	8,652,972
Title I Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	222,055,001
Title I Grants to Local Educational Agencies, Recovery Act	84.389	7,582,111
Total Title I Part A Cluster		229,637,112
Migrant Education - State Grant Program	84.011	1,886,419
Title I State Agency Program for Neglected and Delinquent Children	84.013	892,124
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	185,156,936
Special Education - Preschool Grants	84.173	5,629,811
Special Education - Grants to States, Recovery Act	84.391	10,076,400
Special Education - Preschool Grants, Recovery Act	84.392	511,089
Total Special Education Cluster (IDEA)		201,374,236
Career and Technical Education - Basic Grants to States	84.048	19,661,831
Vocational Rehabilitation Services Cluster		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	57,188,353
Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	7,407
Total Vocational Rehabilitation Services Cluster		57,195,760
Rehabilitation Services - Client Assistance Program	84.161	163,195
Independent Living - State Grants	84.169	311,766
Independent Living Services for Older Individuals Who Are Blind Cluster		
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	525,692
Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399	
Total Independent Living Services for Older Individuals Who Are Blind Cluster		525,692

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,414,288		1,342,710	Economic and Community Affairs
41,484,425		29,315,800	
8,499,771		8,053,658	Post Secondary Education
222,020,604		220,284,869	Education
7,698,312		7,633,304	Education
229,718,916		227,918,173	
1,886,560		1,541,260	Education
892,124		646,166	Education
185,168,899		178,322,231	Education
5,630,190		5,314,145	Education
10,076,400		10,076,400	Education
511,089		511,089	Education
201,386,578		194,223,865	
19,674,412		16,892,037	Education
57,179,824	3F		Rehabilitation Services
114,169			Rehabilitation Services
57,293,993			
163,196			Rehabilitation Services
311,766			Rehabilitation Services
525,695			Rehabilitation Services
8,354			Rehabilitation Services
534,049			

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Early Intervention Services (IDEA) Cluster		
Special Education - Grants For Infants and Families	84.181	4,968,209
Special Education - Grants for Infants and Families, Recovery Act	84.393	
Total Early Intervention Services (IDEA) Cluster		4,968,209
Byrd Honors Scholarships	84.185	2,342
Safe and Drug-Free Schools and Communities - State Grants	84.186	247,055
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	379,813
Education of Homeless Children and Youth Cluster		
Education for Homeless Children and Youth	84.196	1,006,897
Education for Homeless Children and Youth, Recovery Act	84.387	152,042
Total Education of Homeless Children and Youth Cluster		1,158,939
Even Start - State Educational Agencies	84.213	295,800
Assistive Technology	84.224A	435,961
Tech-Prep Education	84.243	547,012
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	85,096
Ready to Teach	84.286	33,669
E-Learning for Educators	84.286A	501,847
Twenty-First Century Community Learning Centers (M)	84.287	18,241,514
Educational Technology State Grants Cluster		
Education Technology State Grants	84.318	715,901
Education Technology State Grants, Recovery Act	84.386	628,060
Total Educational Technology State Grants Cluster		1,343,961
Special Education - State Personnel Development	84.323	1,315,808
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	489,050
Rural Education	84.358	4,406,196
English Language Acquisition Grants	84.365	3,306,308
Mathematics and Science Partnerships	84.366	3,164,428
Improving Teacher Quality State Grants (M)	84.367	38,771,615

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
4,968,227		1,532,140	Rehabilitation Services
520,227		51,998	Rehabilitation Services
5,488,454		1,584,138	
2,342		4,263	Education
247,600		163,246	Economic and Community Affairs/Education
379,813			Rehabilitation Services
1,007,085		935,348	Education
152,042		152,042	Education
1,159,127		1,087,390	
295,729		291,539	Education
435,962			Rehabilitation Services
546,958		507,462	Education
85,096			Rehabilitation Services
17,711		17,711	Education
340,161			Alabama Public Television Foundation Authority
18,242,519		17,438,874	Education
715,720		676,269	Education
732,714		500,495	Education
1,448,434		1,176,764	
1,315,808		729,988	Education
489,050		300,395	Education
4,406,196		4,218,042	Education
3,306,406		3,202,258	Education
3,164,428		3,164,428	Education
38,772,954		37,831,217	Education

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Improving Teacher Quality State Grants	84.367B	1,052,581
Grants for State Assessments and Related Activities (M)	84.369	3,804,974
Striving Readers	84.371	43,783
School Improvement Grants Cluster		
School Improvement Grants	84.377	2,101,885
School Improvement Grants, Recovery Act	84.388	11,744,360
Total School Improvement Grants Cluster (M)		13,846,245
College Access Challenge Grant Program	84.378	1,309,680
State Fiscal Stabilization Fund Cluster		
State Fiscal Stabilization Fund - Educational State Grants, Recovery Act	84.394	4,623,578
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	378,506
Total State Fiscal Stabilization Fund Cluster		5,002,084
Education Jobs Funds	84.410	14,458,206
Hurricane Education Recovery	84.938	1,297,239
Total Department of Education		640,810,522
ELECTIONS ASSISTANCE COMMISSION		
Help America Vote Act Requirements Payments	90.401	6,974
Total Elections Assistance Commission		6,974
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Public Health and Social Services Emergency Fund	93.003	74,050
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	117,100
Special Programs for the Aging - Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	73,116
Special Programs for the Aging - Title VII, Chapter 2: Long-Term Care Ombudsman Services for Older Individuals	93.042	243,851
Special Programs for the Aging - Title III, Part D: Disease Prevention and Health Promotion Services	93.043	347,164

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
1,052,278			Commission on Higher Education
3,806,722			Education
43,783			Education
2,102,035		1,400,000	Education
11,904,523		11,828,740	Education
14,006,558		13,228,740	
1,309,680		811,439	Education
4,623,578		4,623,578	Governor's Office/Executive Budget Office
378,506			Governor's Office/Executive Budget Office
5,002,084		4,623,578	
14,458,206		14,458,206	Governor's Office/Executive Budget Office
1,297,239		1,297,239	Education
641,482,663		555,412,076	
118,441	3I		Secretary of State
118,441			
74,050		74,050	Mental Health
117,053			Public Health
73,268		73,268	Senior Services
243,975		243,975	Senior Services
305,974		289,380	Senior Services

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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	5,620,647
Special Programs for the Aging - Title III, Part C: Nutrition Services	93.045	10,563,127
Nutrition Services Incentive Program	93.053	2,777,096
Total Aging Cluster		18,960,870
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	695,968
National Family Caregiver Support, Title III Part E	93.052	2,652,593
Public Health Emergency Preparedness (M)	93.069	8,083,034
Environmental Public Health and Emergency Response	93.070	255,500
Medicare Enrollment Assistance Program	93.071	22,286
Lifespan Respite Care Program	93.072	61,251
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	1,455,817
Guardianship Assistance	93.090	15,894
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	488,353
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	842,134
Maternal and Child Health Federal Consolidated Programs	93.110	854,256
AIDS Comprehensive Care/Preventative Program-Hemophilia of Georgia	93.110B	25,873
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,010,646
Emergency Medical Services for Children	93.127	126,400
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	216,500
Injury Prevention and Control Research and State and Community Based Programs	93.136	495,919
Projects for Assistance in Transition from Homelessness (PATH)	93.150	520,063

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
5,671,225		5,341,788	Senior Services
10,490,082		10,196,184	Senior Services
2,777,096		2,777,096	Senior Services
18,938,403		18,315,068	
711,865		574,529	Senior Services
2,612,714		2,505,649	Senior Services
9,136,927		937,077	Public Health
255,528		21,360	Public Health
13,094		13,094	Senior Services
57,251		57,251	Senior Services
1,455,817		1,324,493	Child Abuse and Neglect Prevention Board
61,433			Human Resources
475,255		220,207	Public Health
842,134		842,134	Mental Health
854,555		49,500	Public Health/Rehabilitation Services
23,790			Rehabilitation Services
1,010,677		97,806	Public Health
126,333			Public Health
216,445			Public Health
495,964		342,102	Public Health
521,006		521,006	Mental Health

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Disabilities Prevention	93.184	2,000
Family Planning - Services	93.217	5,560,400
Traumatic Brain Injury State Demonstration Grant Program	93.234	20,397
Affordable Care Act (ACA) Abstinence Education Program	93.235	921,250
State Rural Hospital Flexibility Program	93.241	377,200
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	209,805
Universal Newborn Hearing Screening	93.251	270,100
Immunization Cluster		
Immunization Cooperative Agreements	93.268	59,161,985
ARRA - Immunization	93.712	22,052
Total Immunization Cluster (M)		59,184,037
Adult Viral Hepatitis Prevention and Control	93.270	94,800
The Affordable Care Act: Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	9,494,840
Small Rural Hospital Improvement Grant Program	93.301	293,600
ARRA - State Loan Repayment Program	93.402	70,000
ARRA - State Primary Care Offices	93.414	103,994
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	3,502,791
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	229,606
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	206,924
Centers for Disease Control and Prevention Affordable Care Act (ACA) Communities Putting Prevention to Work	93.520	1,721,888

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
2,006			Public Health
5,560,347		1,071,092	Public Health
188,756			Rehabilitation Services
922,948		772,632	Public Health
377,206		308,126	Public Health
213,783		27,000	Mental Health
270,123		168,740	Public Health
59,161,999	3G	5,001,765	Public Health
19,484			Public Health
59,181,483		5,001,765	
94,790			Public Health
9,378,949		1,211,808	Emergency Management Agency/Public Health
293,514		254,601	Public Health
70,000		70,000	Public Health
86,899			Public Health
3,030,696		2,441,128	Children's Affairs
235,753			Public Health
206,924		206,924	Senior Services
1,847,597		1,687,927	Public Health

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infections Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	963,049
PPHF 2012-Prevention and Public Health Fund (Affordable Care Act)-Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	535,902
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	322,216
Promoting Safe and Stable Families (M)	93.556	6,741,686
Temporary Assistance for Needy Families (TANF) (M)	93.558	84,282,611
Child Support Enforcement	93.563	43,554,219
Low-Income Home Energy Assistance	93.568	48,778,788
Community Services Block Grant Cluster		
Community Services Block Grant	93.569	11,167,770
ARRA - Community Services Block Grant	93.710	(12,899)
Total Community Services Block Grant Cluster		11,154,871
Child Care Development Cluster		
Child Care and Development Block Grant	93.575	35,159,927
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	40,966,124
Total Child Care Development Cluster (M)		76,126,051
State Court Improvement Program	93.586	891,853
Community-Based Child Abuse Prevention Grants	93.590	467,562
Grants to States for Access and Visitation Programs	93.597	193,490
Chafee Education and Training Vouchers Program (ETV)	93.599	744,702
Head Start Cluster		
Head Start	93.600	247,998
ARRA-Head Start	93.708	608,747
Total Head Start Cluster		856,745

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
961,670			Public Health
535,901			Public Health
322,216			Public Health
7,117,314			Human Resources
88,157,376			Human Resources
41,169,078	3H		Human Resources
48,896,340		46,964,568	Economic and Community Affairs
11,189,300		10,384,192	Economic and Community Affairs
			Economic and Community Affairs
11,189,300		10,384,192	
45,269,118			Human Resources
41,790,102		2,813,073	Human Resources
87,059,220		2,813,073	
891,853			Administrative Office of Courts
467,562		420,806	Child Abuse and Neglect Prevention Board
193,490			Administrative Office of Courts
729,884			Human Resources
242,916		4,500	Children's Affairs
575,649		125,000	Children's Affairs
818,565		129,500	

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Adoption Incentive Payments	93.603	(271,638)
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,365,087
Children's Justice Grants to States	93.643	208,910
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,144,906
Foster Care Cluster		
Foster Care - Title IV-E	93.658	38,921,986
AARA - Foster Care - Title IV-E	93.658	
Total Foster Care Cluster (M)		38,921,986
Adoption Assistance	93.659	13,843,490
Social Services Block Grant	93.667	30,118,495
Child Abuse and Neglect State Grants	93.669	226,063
Child Abuse and Neglect Discretionary Activities	93.670	240,193
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	1,538,748
Chafee Foster Care Independence Program	93.674	2,301,902
ARRA - Strengthening Communities Fund	93.711	18,805
ARRA - Preventing Healthcare - Associated Infections	93.717	192,042
ARRA - State Grants to Promote Health Information Technology	93.719	2,817,285
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723	676,907
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	153,499
ARRA - Communities Putting Prevention to Work: Chronic Diseased Self Management Program	93.725	233,949
Children's Health Insurance Program (M)	93.767	163,534,838
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	258,519

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
453,201			Human Resources
1,365,065		523,284	Mental Health
249,278			Human Resources
4,905,196			Human Resources
30,527,353			Human Resources
13,449			Human Resources
30,540,802			
10,047,663			Human Resources
26,343,861			Human Resources
295,311			Human Resources
372,595			Human Resources
1,474,598		1,397,722	Economic and Community Affairs
2,151,397			Human Resources
18,805			Serve Alabama
185,596		10,150	Public Health
3,323,739			Alabama Medicaid Agency
677,213		230,734	Public Health
158,899		84,328	Public Health
233,949		189,160	Senior Services
162,582,801		4,500	Public Health
256,393			Rehabilitation Services

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Medicaid Cluster		
State Medicaid Fraud Control Units	93.775	782,469
State Survey and Certification of Health Care Providers and Suppliers	93.777	6,919,051
Medical Assistance Program	93.778	3,732,783,305
ARRA - Medical Assistance Program	93.778	57,314,594
Total Medicaid Cluster (M)		3,797,799,419
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1,110,081
National Bioterrorism Hospital Preparedness Program	93.889	4,487,365
Grants to States for Operation of Offices of Rural Health	93.913	177,900
HIV Care Formula Grants	93.917	20,872,441
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	259,319
HIV Prevention Activities - Health Department Based	93.940	2,131,800
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	848,500
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	850,500
Block Grants for Community Mental Health Services (M)	93.958	4,097,612
Olmstead Grant	93.958S	20,000
Block Grants for Prevention and Treatment of Substance Abuse (M)	93.959	25,918,821
National All Schedules Prescription Electronic Reporting Grant	93.975	8,709
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,837,654
Mental Health and Disaster Assistance and Emergency Mental Health	93.982	3,076,709
Preventive Health and Health Services Block Grant	93.991	940,000
Maternal and Child Health Services Block Grant to the States (M)	93.994	10,590,753

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
809,832			Attorney General
8,310,957		25	Alabama Medicaid Agency/Public Health
3,737,034,578		23,437,616	Alabama Medicaid Agency
56,424,312			Alabama Medicaid Agency
3,802,579,679		23,437,641	
1,140,161		1,078,660	Senior Services
4,487,628		2,062,704	Public Health
177,902			Public Health
20,906,471		6,450,665	Public Health
259,199			Education
2,131,775		220,617	Public Health
848,543		84,731	Public Health
850,460		673,836	Public Health
4,925,431		4,448,141	Mental Health
15,207		15,207	Mental Health
26,124,107		25,256,868	Mental Health
3,184			Public Health
1,837,571		207,621	Public Health
3,076,709		3,060,773	Mental Health
939,790		27,789	Public Health
10,592,741		1,027,601	Public Health

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Other Federal Assistance		
CLIA	93.Unknown	441,100
Mammography Quality Standards-HHS Contract 223-95-4400	93.Unknown	140,824
Food Inspections-Contract 223-96-4036	93.Unknown	145,226
Drug and Alcohol Services Information System (DASIS)	93.Unknown	65,682
State Epidemiological Outcomes Workgroup (SEOW)	93.Unknown	
National Association of State Mental Health Program (NASMHPD) Contract No. HHSS2832007000201	93.Unknown	173,500
State Outcome Measurement and Management System (SOMMS)	93.Unknown	
Building Lead ADU-Center for Disease Control-Purchase Order	93.Unknown	27,500
Mine Ventilation (NIOSH)	93.Unknown	25,000
BSE Inspections Contract HHSF223201110145C	93.Unknown	27,256
Total Department of Health and Human Services		4,534,113,672
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
State Commissions	94.003	331,649
Learn and Serve America - School and Community Based Programs	94.004	31,884
AmeriCorps	94.006	2,306,579
Program Development and Innovation Grants	94.007	44,677
Training and Technical Assistance	94.009	51,365
Volunteer Generation Fund	94.021	125,873
Total Corporation for National and Community Service		2,892,027
EXECUTIVE OFFICE OF THE PRESIDENT		
High Intensity Drug Trafficking Program	95.001	815,309
Total Executive Office of the President		815,309
SOCIAL SECURITY ADMINISTRATION		
Social Security - Disability Insurance	96.001	54,369,791
Social Security - Work Incentives Planning and Assistance Program	96.008	123,668
Total Social Security Administration		54,493,459
DEPARTMENT OF HOMELAND SECURITY		
Homeland Security Grant Program	97.004	384,861
Boating Safety	97.011	2,117,241
Community Assistance Program - State Support Services Element (CAP-SSSE)	97.023	197,388

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
405,913			Public Health
3,302			Public Health
109,245			Public Health
55,699			Mental Health
69,952			Mental Health
117,496		56,906	Mental Health
78,014			Mental Health
16,390			Public Health
6,922			Geological Survey
53,274			Agriculture and Industries
4,536,544,181		170,985,469	
303,980		10,000	Serve Alabama
31,884		31,884	Education
2,300,707		2,300,707	Serve Alabama
44,248		1,500	Serve Alabama
49,074		6,200	Serve Alabama
124,123		71,863	Serve Alabama
2,854,016		2,422,154	
1,111,089		809,766	Public Safety
1,111,089		809,766	
54,500,594			Education
164,662			Rehabilitation Services
54,665,256			
351,863		64,842	Emergency Management Agency
2,117,241			Conservation and Natural Resources
201,699			Economic and Community Affairs

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Receipts
Emergency Food and Shelter National Board Program	97.024	56,900
Crisis Counseling	97.032	884,134
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M)	97.036	75,668,640
Hazard Mitigation Grant	97.039	10,174,738
Chemical Stockpile Emergency Preparedness Program (CSEPP) (M)	97.040	14,672,145
National Dam Safety Program	97.041	49,446
Emergency Management Performance Grants	97.042	5,626,391
Cooperating Technical Partners	97.045	4,774,340
Pre-Disaster Mitigation (PDM)	97.047	1,156,844
Emergency Operations Centers	97.052	420,424
Interoperable Emergency Communications	97.055	958,864
Port Security Grant Program	97.056	1,486,334
Homeland Security Grant Program	97.067	9,556,964
Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	97.077	
Buffer Zone Protection Program (BZPP)	97.078	140,840
Earthquake Consortium	97.082	41,790
Disaster Assistance Projects	97.088	5,928,107
Driver's License Security Grant Program	97.089	177,204
Other Federal Assistance		
United States Secret Service (USSS)	97.Unknown	6,886
Total Department of Homeland Security		134,480,481
TOTAL FEDERAL AWARDS		$ 9,307,763,199

(M) - Denotes Major Programs

Expenditures	Note	Pass-Through to Subrecipients	Agency
56,974			Human Resources
884,134			Emergency Management Agency
76,178,730		67,253,741	Emergency Management Agency
10,234,573		7,991,101	Emergency Management Agency
14,672,145		13,933,387	Emergency Management Agency
47,974			Economic and Community Affairs
6,171,284		4,283,610	Emergency Management Agency
4,775,511			Economic and Community Affairs
1,167,267		1,167,267	Emergency Management Agency
420,424		420,424	Homeland Security
982,236		852,352	Homeland Security
1,139,286		998,539	Homeland Security
9,918,190		5,382,108	Conservation and Natural Resources/Homeland Security
454			Public Safety
147,831		147,831	Homeland Security
41,790			Emergency Management Agency
5,929,447		5,594,363	Serve Alabama
248,315			Public Safety
7,334			Public Safety
135,694,702		108,089,565	
$ 9,189,749,349		$ 1,327,820,590	

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2012

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, 2012. 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 $27,569,248. Major programs consist of thirteen Type A programs and clusters and eleven high-risk Type B programs and clusters. Major programs comprise 66.08% 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 $29,625,535, 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, 2012.

B. During the fiscal year ended September 30, 2012, the Alabama Department of Public Health received $26,319,998 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 33,568 more persons during the 2011-2012 fiscal year. This number is based on an average gross food package cost of $65.34.

C. The Community Development Block Grant-Section 108 Loan Guarantee Program (CFDA #14.248) had no new loans during the 2011-2012 fiscal year and an outstanding loan balance of $300,000 at September 30, 2012.

D. Total expenditures for the Unemployment Insurance Program (CFDA #17.225) include state and federal amounts of $333,002,701 and $404,658,024, 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 $1,113,046 and $1,099,113, respectively, of Social Security Administration reimbursements under the Rehabilitation Services – Vocational Rehabilitation Grants to States Program (CFDA #84.126).

G. The amount reported as receipts and expenditures for the Immunization Grants Program (CFDA #93.268) includes the value of immunization vaccines received and distributed in the amount of $54,727,985 during the 2011-2012 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 $8,397,272 during the 2011-2012 fiscal year.

I. Interest income of $865 was earned on the Help America Vote Act Title I funds (CFDA #39.011), and interest income of $6,974 was earned on Help America Vote Act Title II funds (CFDA #90.401). These amounts are reported as receipts on the schedule.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2012, which collectively comprise the State of Alabama's basic financial statements, and have issued our report thereon dated March 29, 2013. 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 State Port Authority	X	
State Employees' Insurance Board		X
Public Education Employees' Health Insurance Fund		X
Alabama Housing Finance Authority	X	
Alabama Water Pollution Control Authority	X	
Space Science Exhibit Commission	X	
Alabama Drinking Water Finance Authority	X	
Alabama Higher Education Loan Corporation		X
University of Alabama	X	
Auburn University	X	
University of South Alabama	X	
University of Montevallo	X	
Retirement Systems of Alabama		X
Employees' Savings Plans (PEIRAF and RSA-1)		X
Retired Education Employees' Health Care Trust		X
Retired State Employees' Health Care Trust		X
Prepaid Affordable College Tuition Program	X	
Alabama College Education Savings Plan	X	

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. As indicated above, other auditors audited the financial statements of certain agencies and funds in accordance with ***Government Auditing Standards***. This report does not include the results of those other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the State of Alabama is responsible for establishing and maintaining effective 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 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.

The findings in the accompanying Schedule of Findings and Questioned Costs 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.

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 functions, to prevent or detect and correct 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 as findings 2010-01-01, 2011-01-01, and 2011-01-02 to be material weaknesses in internal control over financial reporting.

A significant deficiency is a deficiency, or combination of 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 accompanying Schedule of Findings and Questioned Costs as finding 2001-01-02 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***. 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.

The State of Alabama's response to the findings identified in our audit are described the accompanying Auditee Response/Corrective Action Plan. We did not audit the State of Alabama's response and corrective action plan 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, 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 29, 2013

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, 2012. 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, and the State Employees' Insurance Board. 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, 2012. 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	$21,243,601
	ARRA-Tax Credit Assistance Program	14.258	$ 5,299,910
Water Pollution Control Authority	Capitalization Grants for State Revolving Funds	66.458	$18,382,493
Drinking Water Finance Authority	Capitalization Grants for Drinking Water – State Revolving Funds	66.468	$15,132,259
State Employees' Insurance Board	Grants to State for Operation of Qualified High Risk Pools	93.780	$ 896,534

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.

In our opinion, 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, 2012. However, the results of our auditing procedures 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 item 2002-1-1.

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.

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

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 item 2012-8-1 to be a material weakness.

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.

2010-6-1	2012-6-1
2011-6-1	2012-9-1
2011-6-2	2012-9-2
2012-2-1	

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, 2012 and have issued our report thereon dated March 29, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Alabama's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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.

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

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

July 31, 2013 except for our
report on the Schedule of
Expenditures of Federal Awards,
for which the date is March 29, 2013

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:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	X Yes	____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.551 and 10.561	Supplemental Nutrition Assistance Cluster
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
17.258, 17.259, 17.260 and 17.278	Workforce Investment Act Cluster
81.041	State Energy Program Cluster
81.042	Weatherization Assistance for Low Income Persons
84.367	Improving Teacher Quality State Grants

Section I – Summary of Examiner's Results

Identification of major programs continued:

CFDA Numbers	Name of Federal Program or Cluster
84.287	Twenty-First Century Community Learning Centers
84.369	Grants for State Assessments and Related Activities
84.377 and 84.388	School Improvement Grants
93.069	Public Health Emergency Preparedness
93.268 and 93.712	Immunization Grants
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families Cluster
93.575 and 93.596	Child Care Development Center
93.658	Foster Care Title IV-E
93.767	Children's Health Insurance Program
93.775, 93.777 and 93.778	Medicaid Cluster
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grants to States
97.036	Disaster Grants-Public Assistance
97.040	Chemical Stockpile Preparedness Grant

Dollar threshold used to distinguish Between Type A and Type B programs: $27,569,248

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
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. **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.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2011-01-01	Internal Control	**Finding 2011-01-01 – 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 Labor (formerly the Department Industrial Relations) had a disaster recovery plan; however, the plan has not been updated since 2002 to adequately reflect significant changes in hardware, software, and personnel. The Department of Labor also does not have an alternate site that could be used as an alternate processing facility if the primary site becomes unavailable. These conditions increase the risk that the Department could incur major disruptions in service if there is a catastrophic event at or near its primary data processing center. **Recommendation** The Department of Labor should update all components of its disaster recovery plan. Periodic reviews and updates of the disaster recovery plan should be performed. The Department should make arrangements for a remote alternate processing facility in a location that is not likely to be affected by a disaster at the primary site.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2011-01-02	Internal Control	**Finding 2011-01-02 – 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 Labor (formerly the Department Industrial Relations) did not have adequate policies and procedures in place for access security. **Recommendation** The Department of Labor 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
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 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 Financial Resource Management System/State Business Systems (FRMS/SBS) 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 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, 2012. 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
2012-2-1	93.775 93.777 93.778	U. S. Department of Health and Human Services; Medicaid Cluster Grant Year: 2012 Grant Number: 05-1205AL5MAP	**Finding** The OMB A-133 Compliance Supplement includes a special test and provisions compliance requirement that states in part "the State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers." During our testing, it was determined that the Medicaid Agency Provider Audit Unit did not maintain a sufficient project management system. There was one field audit conducted on a nursing facility which was incomplete due to lack of monitoring of the audit progression process. This lead to the audit results being ineffectively communicated to the nursing facility for approximately one year after the completion of fieldwork and eleven months since the final supervisory review was performed. The Provider Audit Unit over field audits was unaware the Report of Audit was still outstanding until it was requested as part of our audit tests. The Report of Audit was subsequently finalized. In addition, Provider Audit had difficulty in locating the file due to a lack of controls regarding a systemic organization of working paper files. This is a significant deficiency in internal control.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Recommendation An adequate system of internal controls should be placed in operation to provide for sufficient project management of the on-site audit function. An adequate system of internal controls over on-site (field) audits should include maintaining a log or database of assignments, audit progression, audit file location, etc. Additionally, controls should provide for the monitoring of field audit status, location of working paper files and completion of all aspects of the assignment.	
			Comment On January 30, 2013, Medicaid received from the Centers (CMS) for Medicare and Medicaid a notice of disallowance in the amount of $72,056,075 related to certain Title XIX expenditures claimed for the period October 1, 2005 through October 31, 2007. The Agency requested a timely reconsideration. On May 24, 2013, CMS sustained the original decision on the disallowance. Medicaid has appealed the decision to the Departmental Appeals Board.	

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 Grant Award No: 5AL400401	**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 (Jefferson, Mobile and Montgomery) 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 (ADP) system. We found errors in data elements such as name and date of birth for 2 of the clients. 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 entered into their automated data processing system is accurate.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2011-6-1	10.551 10.561	U. S. Department of Agriculture; Supplemental Nutrition Assistance Program Cluster Grant Award No: 5AL400401	**Finding** According to the *Alabama Department of Human Resources EBT Manual* Section 8.3.7 C. When the addressee comes to the office to pick up his/her card and PIN, the EBT coordinator should review some form of identification to validate the identity of the client before releasing the items. The coordinator should enter the date of issuance, check off that identification was seen, and have the client sign the log to acknowledge receipt. The EBT coordinator will also initial the space provided to confirm the card and/or PIN was issued. We reviewed the physical security over EBT cards and PINs at three counties. During our review, we found 47 errors in Jefferson County. It appeared that identification to validate the identity of the client before releasing the items was not performed, the date of issuance was not recorded, and the EBT coordinator did not initial to confirm the card and/or PIN was issued. In the Jefferson County-Bessemer office, we found 7 errors where the EBT coordinator did not initial the log to confirm the card and/or PIN was issued. 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.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Recommendation The Department of Human Resources should ensure that counties comply with agency policies and procedures for the security of EBT cards and PINs.	
2011-6-2	10.551 10.561 93.558 93.575 93.596	U. S. Department of Agriculture; Supplemental Nutrition Assistance Program Cluster Grant Award No: 5AL400401 U. S. Department of Health and Human Services; Temporary Assistance for Needy Families Grant Award No: G-1202ALTANF Child Care and Development Fund Grant Award No: G1201ALCCDF	**Finding** Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act) requires grant and cooperative agreement recipients and contractors to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data with a value of $25,000 or more through FSRS. The Department of Human Resources did not report subawards in accordance with the Transparency Act. Additionally, the Department of Human Resources did not have internal controls in place to ensure compliance with this requirement. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Department of Human Resources should develop and implement internal controls to ensure compliance with the Federal Funding Accountability and Transparency Act.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-6-1	93.558	U. S. Department of Health and Human Services; Temporary Assistance for Needy Families Grant Award No: G-1202ALTANF	**Finding** Federal regulations require that when the State agency administering the Child Support program determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. In 60 cases reviewed there were 2 errors in which the TANF assistance was not properly reduced. The total overpayment for the audit period for these 2 cases is $1,771.00. DHR has processed a claim against the clients for the overpayment. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations. **Recommendation** The Department of Human Resource should establish procedures to ensure that the TANF Unit applies proper sanctions when the client does not cooperate in establishing paternity or a support order.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-9-1	93.069	U. S. Department of Health and Human Services; Centers for Disease Control and Prevention – Public Health Emergency Preparedness Grant Number: 2U90TP416978-11	**Finding** An effective system of internal controls for cash management requires that a pass through agency closely monitor its subrecipients to determine that cash advances are expended in accordance with Circular A-133 regulations relating to cash management. The Department of Public Health (ADPH) contracts with subrecipients in administering the Public Health Emergency Preparedness (PHEP) program. One of the clauses in the contract requires subrecipients receiving advances to spend the funds within 30 days of receipt. During the audit period, two subrecipients received advances. ADPH did not have adequate documentation for one of the two subrecipients to determine whether the subrecipient had complied with the policy. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Recommendation The Department of Public Health should establish procedures to adequately monitor the subrecipients that receive cash advances for the PHEP program to ensure they are in compliance with the regulations for cash management. This includes minimizing the amount of time between drawdown and actual expenditure of the funds. ADPH should also retain documentation to support that funds advanced to subrecipients were expended in accordance with the contract provisions.	
2012-9-2	93.069	U. S. Department of Health and Human Services; Centers for Disease Control and Prevention – Public Health Emergency Preparedness Grant Number: 2U90TP416978-11	**Finding** An effective system of internal controls should include monitoring procedures to ensure that funds passed through to subrecipients are expended for allowable costs. Three of 16 subrecipients were tested; we determined that one subrecipient was reimbursed $2,143.88 for the salary and fringe benefits of an employee for work that was performed prior to the beginning date of the grant. We also determined that the same subrecipient was reimbursed $2,659.56 for this employee's termination pay.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued The total unallowable cost reimbursed to the subrecipient was $4,803.44. This is a significant deficiency in internal control and noncompliance with federal laws and regulations. **Recommendation** The Department of Public Health should establish internal controls to monitor each of its subrecipients to ensure that subrecipients used federal funds for allowable purposes, complied with laws, regulations, and the provisions of contracts and grant agreements.	
	93.767	U. S. Department of Health and Human Services; Children's Health Insurance Program	**Comment** The Office of Inspector General, Office of Audit Services, Region IV, performed a review of the Children's Health Insurance Program (CHIP). The report was released September 2012 and noted improper payments related to concurrent eligibility for the Medicaid Program and enrollment in other insurance. During our inquiry of federal program personnel we were informed that CMS/CMCHO is still working with State CHIP officials to resolve the amount the State owes and to develop a corrective action plan.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-8-1	93.958 93.959	U. S. Department of Health and Human Services; Block Grants for Community Mental Health Services Grant Numbers: 3B09SM010001-11S4, 3B09SM010001-12S3 U. S. Department of Health and Human Services; Block Grants for Prevention and Treatment of Substance Abuse Grant Numbers: 3B08TI010001-11S2, 3B08TI010001-12S2	**Finding** OMB Circular A-133 Subpart D-§93.400 (d) (4) and (5) requires that the pass-through entity ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipients's fiscal year have met the audit requirements of this part for that fiscal year and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. The Department of Mental Health did not have a system to determine whether subrecipients expending $500,000 or more in Federal awards received audits as required by OMB Circular A-133. This is a material weakness in internal controls. **Recommendation** The Department of Mental Health should implement internal control procedures to ensure that subrecipients expending $500,000 or more in a year in Federal awards have met the audit requirements of OMB circular A-133 as discussed above.	

Summary Schedule of Prior Audit Findings
Department of Finance
For the Year Ended September 30, 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(b), the Alabama Department of Finance has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2012.

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 Plans for Finance - Information Services Division for fiscal year 2007, fiscal year 2008, and fiscal year 2009 have been prepared and sent to DHHS for review and approval. 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. With regard to the Motor Pool Fund, the Finance Department continues to experience fluctuations in operating expenses, especially with the unpredictable variations in the cost of gasoline and other petroleum products. Vehicle purchases and other procurements have been monitored and limited authorizations have been given as a result of the previous grim economic forecasts. With improvement in the economy projected, some purchases of vehicles and other items have been allowed. With these actions, the excess working capital should be reduced. With regard to the Mail and Supply Fund, the Finance Department - Service Division continues to lease and purchase mailing equipment to improve its mail processing and expand its services to customers. With these additional expenditures and other measures, the excess working capital balance has been significantly reduced.

Summary Schedule of Prior Audit Findings
Alabama Medicaid Agency
For the Year Ended September 30, 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(b), the Medicaid Agency has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2012.

Finding Ref. No.	**Status of Prior Audit Finding**
2010-2-2	Corrective action was taken.
2010-2-3	Corrective action was taken.
2011-2-1	Corrective action was taken.

Summary Schedule of Prior Audit Findings
Department of Economic and Community Affairs
For the Year Ended September 30, 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(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, 2012.

Finding Ref. No.	**Status of Prior Audit Finding**
2011-3-1	Corrective action was taken.
2011-3-2	Corrective action was taken.

Summary Schedule of Prior Audit Findings
Department of Human Resources
For the Year Ended September 30, 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(b), the Department of Human Resources has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2012.

Finding Ref. No.	**Status of Prior Audit Finding**
2010-6-1	Corrective action was taken.
2010-6-2	Corrective action was taken.
2011-6-1	Corrective action was taken.
2011-6-2	Corrective action has been implemented. We plan to be fully compliant by the close of fiscal year 2013.

Summary Schedule of Prior Audit Findings
Department of Public Health
For the Year Ended September 30, 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(b), the Alabama Department of Public Health has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2012.

Finding Ref. No.	**Status of Prior Audit Finding**
2011-9-1	Corrective action was taken.
2011-9-2	Corrective action will be completed on November 30, 2012.
2011-9-3	ADPH modified its Automated Contract Entry System (ACES) and fully implemented the DUNS number requirement on October 15, 2012.
2011-9-4	Corrective action was taken.

Summary Schedule of Prior Audit Findings
Military Department
For the Year Ended September 30, 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(b), the Alabama Military Department has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2012.

Finding Ref. No.	**Status of Prior Audit Finding**
2009-15-1	Corrective action was taken.
2010-15-2	Corrective action was taken.
2011-15-1	Corrective action was taken.

Auditee Responses/Corrective Action Plans
Section II – Financial Statement Findings (GAGAS)
Department of Finance
For the Year Ended September 30, 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 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, 2012.

Corrective Action Plan Details

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 Financial Resource Management System/State Business Systems (FRMS/SBS) did not have adequate policies and procedures in place for access security.

Contact Person(s): Mike Dennis

Corrective action planned: All of the corrective actions for this finding have been implemented except for the following, which can only be resolved with a software upgrade. 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: unknown

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, 2012.

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): Karen Mims, IT Manager I

Corrective action planned: Computer Services, CPMS-CEMS Support Section has now successfully implemented a mainframe software change control management system called Endevor which is offered by Computer Associates. All check out/check in of programming code now must be conducted through use of this software and can no longer be performed directly by any of the programming staff for the CPMS/CEMS Section. Implementation of CA Endevor ensures consistency and complete control of the source libraries, protects software assets, and maintains application integrity.

Anticipated completion date: This was fully implemented on April 26, 2013.

Auditee Responses/Corrective Action Plans
Section II – Financial Statement Findings (GAGAS)
Department of Labor
For the Year Ended September 30, 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 Labor 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, 2012.

Corrective Action Plan Details

Finding 2011-01-01 – 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 Labor had a disaster recovery plan; however, the plan has not been updated since 2002 to adequately reflect significant changes in hardware, software, and personnel. The Department of Labor also does not have an alternate site that could be used as an alternate processing facility if the primary site becomes unavailable. These conditions increase the risk that the Department could incur major disruptions in service if there is a catastrophic event at or near its primary data processing center.

Contact Person(s): Jeannine Trotter

Corrective action planned: The Alabama Department of Labor will contract with the Alabama Department of Finance's ISD for mainframe services thereby utilizing its disaster recovery services. The Department will also update its disaster recovery plan to reflect significant changes in hardware, software, and personnel.

Anticipated completion date: June 30, 2014.

Finding 2011-01-02 – 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 Labor did not have adequate policies and procedures in place for access security.

Contact Person(s): Jeannine Trotter

Corrective action planned: The Department now conducts periodic reviews of its user accounts, revoking any user that no longer needs access. This revocation requires confirmation of the employee's manager. The Department is testing software changes that force default passwords to be changed upon initial sign on and every 60 days after. The Department has also implemented stricter system documentation policies that require all system changes to be logged with periodic review of the logs by the IT Director. We are also working with the Alabama Department of Finance's ISD mainframe security personnel to structure our security software features and controls to better protect the computer data and programs for which we are responsible. We are installing new help desk software that allows for better tracking of help desk tickets and we will ensure that all links are working properly.

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 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, 2012.

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, 2012. 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 Revolving 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 thru 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 fiscal year 2007. The 2007 and 2008 fiscal years are currently under review by DHHS. The Finance Department continues to analyze and adjust rates. The result is that working capital reserves should be 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 economy seeing small moves in a positive direction, management has authorized a limited number of vehicle purchases. These purchases and other expenditures should aid in reducing the excess working capital balance.

With regard to the Mail and Supply Fund, the Finance Department - Service Division (Mail Room) continues to lease and purchase mailing equipment to improve its mail processing and expand its services to customers. With new postal rules and regulations being announced, the Division has been diligent in revising processes and upgrading equipment items to ensure efficiency and increased volumes of work. With these measures, the excess working capital balance should be reduced.

Anticipated completion date: December 31, 2014.

Auditee Responses/Corrective Action Plans
Section III – Federal Awards Findings and Questioned Costs
Alabama Medicaid Agency
For the Year Ended September 30, 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 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, 2012.

Corrective Action Plan Details

Finding 2012-02-1

The OMB A-133 Compliance Supplement includes a special test and provisions compliance requirement that states in part "the State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers."

During our testing, it was determined that the Medicaid Agency Provider Audit Unit did not maintain a sufficient project management system. There was one field audit conducted on a nursing facility which was incomplete due to lack of monitoring of the audit progression process. This lead to the audit results being ineffectively communicated to the nursing facility for approximately one year after the completion of fieldwork and eleven months since the final supervisory review was performed.

The Provider Audit Unit over field audits was unaware the Report of Audit was still outstanding until it was requested as part of our audit tests. The Report of Audit was subsequently finalized. In addition, Provider Audit had difficulty in locating the file due to a lack of controls regarding a systemic organization of working paper files. This is a significant deficiency in internal control.

Contact Person(s):

Keith Boswell C.P.A.
Director, Provider Audit
(334) 242-2311
Keith.boswell@medicaid.alabama.gov

Corrective action planned:

In the past, individual logs were maintained by different personnel for the purposes of tracking:

- Field audit assignment
- Field audit completion
- Audit appeals, and
- Audit settlement recoupment or payment

Maintaining separate logs did not show a clear progression of the audit from beginning to end.

To address this issue, an extensive and detailed log was created on June 17, 2013, to track field audits conducted. This log tracks the progression of audits assigned to field auditors through final disposition.

The new log will:

- Provide a complete picture of the progression of the audits from start to finish
- Allow more timely dissemination of audit findings to the auditee
- Facilitate the flow of information between managers
- Assist the Provider Audit Division in meeting information requests from stakeholders in a timely manner

The log is maintained by the Provider Audit Division in SharePoint. Updates to the log are tracked by SharePoint creating an email alert to managers notifying them that updates have been made and by whom; thus, facilitating the flow of information.

Updates will be made in the log by the following:

- Jim Stuckey – to assign audits and upon completion of the proposed audit adjustments, the recalculated rate or recoupment letter is mailed to the auditee
- Danny Bamberg – to review recommended adjustments and notify the Reimbursement Unit to process rate recalculations and or settlements
- Sandra Johnson – to assign field audit adjustments to her staff to prepare recalculated rates and process final settlements

- Demetrius Kemp/Leshaundria Smith – to process settlements or recoupments and notify auditee giving them time to request an informal conference and/or fair hearing
- Daniel Vandervort – to review rate settlement and rate calculations of Demetrius and Leshaundria as it relates to the reimbursement/recoupment process
- Keith Boswell – to mediate between the auditee and Medicaid relating to any disputed adjustments and conducts informal conferences and or fair hearings
- Demetrius Kemp – to process the recoupments and payments

The Control Log will serve as an internal control system of management for audit tracking from beginning to the final phase of recoupment/payment to the auditee.

Jim Stuckey, Field Audit Manager, will be responsible for ensuring the resolution of all audits conducted. Monitoring the progression of audits will ensure timely dissemination of audit findings to the auditee.

We feel the above corrective action plan will address and correct the internal control deficiency identified by this audit.

Anticipated completion date: The logs have been established since June 17, 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 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, 2012.

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 (Jefferson, Mobile and Montgomery) 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 (ADP) system. We found errors in data elements such as name and date of birth for 2 of the clients.

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

Contact Person(s): Patricia Huffman, Food Assistance Division

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. Any errors identified in these reviews require worker action to correct the errors.

Anticipated completion date: Supervisory case reviews and Management Evaluation Reviews are on-going.

Finding 2011-6-1

According to the *Alabama Department of Human Resources EBT Manual* Section 8.3.7 C. When the addressee comes to the office to pick up his/her card and PIN, the EBT coordinator should review some form of identification to validate the identity of the client before releasing the items. The coordinator should enter the date of issuance, check off that identification was seen, and have the client sign the log to acknowledge receipt. The EBT coordinator will also initial the space provided to confirm the card and/or PIN was issued.

We reviewed the physical security over EBT cards and PINs at three counties. During our review, we found 47 errors in Jefferson County. It appeared that identification to validate the identity of the client before releasing the items was not performed, the date of issuance was not recorded, and the EBT coordinator did not initial to confirm the card and/or PIN was issued. In the Jefferson County-Bessemer office, we found 7 errors where the EBT coordinator did not initial the log to confirm the card and/or PIN was issued.

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.

Contact Person(s): Patricia Huffman, Food Assistance Division

Corrective action planned: State Office will review EBT Logs for Jefferson County to include notification to the County Director and Assistant Director regarding this repeat finding as previous reviews and monitoring by our office have occurred to insure that correct procedures were followed. Since an additional level of oversight is warranted, the State Office will include local Management Staff in the monitoring process.

Anticipated completion date: November 30, 2013.

Finding 2011-6-2

Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act) requires grant and cooperative agreement recipients and contractors to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data with a value of $25,000 or more through FSRS.

The Department of Human Resources did not report subawards in accordance with the Transparency Act. Additionally, the Department of Human Resources did not have internal controls in place to ensure compliance with this requirement.

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

Contact Person(s): Conitha King/Nancy Schlich, Finance Division

Corrective action planned: We have begun entering the required sub-award information for fiscal year 2013 into the system and intend to have it complete prior to the end of this fiscal year. We are working on development of a data sheet to be completed by sub-awardees for fiscal year 2014 awards in order to be certain that we have required information and that it is reported as required.

Anticipated completion date: September 30, 2013.

Finding 2012-6-1

Federal regulations require that when the State agency administering the Child Support program determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance.

In 60 cases reviewed there were 2 errors in which the TANF assistance was not properly reduced. The total overpayment for the audit period for these 2 cases is $1,771.00. DHR has processed a claim against the clients for the overpayment. This is a significant deficiency in internal controls and noncompliance with federal laws and regulations.

Contact Person(s): Avis Hunter, Family Assistance Division

Corrective action planned: We agree with the audit findings that two cases were not sanctioned timely. We will review the county action regarding establishment of the erroneous payment to verify the correct amount of erroneous payment.

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 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, 2012.

Corrective Action Plan Details

Finding 2012-9-1

An effective system of internal controls for cash management requires that a pass through agency closely monitor its subrecipients to determine that cash advances are expended in accordance with Circular A-133 regulations relating to cash management.

The Department of Public Health (ADPH) contracts with subrecipients in administering the Public Health Emergency Preparedness (PHEP) program. One of the clauses in the contract requires subrecipients receiving advances to spend the funds within 30 days of receipt. During the audit period, two subrecipients received advances. ADPH did not have adequate documentation for one of the two subrecipients to determine whether the sub-recipient had complied with the policy.

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

Contact Person(s): Monica Sewell-Watts

Corrective action planned: To correct this, the Finance Manager and Contracts Manager will set a calendar reminder to alert them of the upcoming 30 day mark for all advanced payment grants. If the required documentation is not received from the sub-recipient in the allotted time frame, the sub-recipient will be contacted and informed that the funds must be returned to ADPH.

Anticipated completion date: October 1, 2013.

Finding 2012-9-2

An effective system of internal controls should include monitoring procedures to ensure that funds passed through to subrecipients are expended for allowable costs.

Three of 16 subrecipients of the Public Health Emergency Preparedness (PHEP) program were tested; we determined that one sub-recipient was reimbursed $2,143.88 for the salary and fringe benefits of an employee for work that was performed prior to the beginning date of the grant.

We also determined that the same sub-recipient was reimbursed $2,659.56 for this employee's termination pay.

The total unallowable cost reimbursed to the sub-recipient was $4,803.44. This is a significant deficiency in internal control and noncompliance with federal laws and regulations.

Contact Person(s): Monica Sewell-Watts

Corrective action planned: CEP paid the sub-recipient in question according to the check date (date the check was issued), not the pay-period dates. It was also our understanding that the termination pay was for time earned during the grant year in question. To correct this, CEP will require its sub-recipients to notate the pay-period on the check stubs/voucher sent in as documentation for reimbursement. We will also require documentation to prove that any termination pay (falls within the timeframe of that current grant) is for time/leave earned during that current/particular grant year.

Anticipated completion date: October 1, 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 Department of Mental 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, 2012.

Corrective Action Plan Details

Finding 2012-08-1

OMB Circular A-133 Subpart D-§93.400 (d) (4) and (5) requires that the pass-through entity ensure that sub-recipients expending $500,000 or more in Federal awards during the sub-recipients' fiscal year have met the audit requirements of this part for that fiscal year and issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.

The Department of Mental Health did not have a system to determine whether sub-recipients expending $500,000 or more in Federal awards received audits as required by OMB Circular A-133. This is a material weakness in internal controls.

Contact Person(s): Joey V. Kreauter

Corrective action planned: While the Department of Mental Health did have a system to determine whether sub-recipients expending $500,000 or more in Federal awards received audits, the process broke down due to lack of continuity in key personnel charged with administering the system. A new director has been appointed and processes for both operation and continuity have been put in place as described below.

The Contracts Office will resume procedures to notify all sub-recipients that audits should be received by DMH within thirty days after their receipt of the report from their auditor, or nine months after the end of the audit period.

The procedure for identifying needed audits and tracking them is as follows:

1. In January of each year a printout of all prior year contracts will be requested from Data Management.
2. The Contracts Office will highlight each sub-recipient who is required to submit an audit.
3. A date will be entered beside the sub-recipient's name as each audit is received.

4. A reminder will be mailed to each sub-recipient who has not submitted an audit by the due date.
5. A letter will be mailed to each sub-recipient requesting an audit within two weeks after the due date and setting forth specific consequences of failing to provide the audit.
6. A spread sheet will be maintained by the Contracts Office with the due date of each sub-recipients audit, the date the audit was received in the Contracts Office, and the dates of contact if the audit is not received.
7. If no audit is received in the Contracts Office by the required time set forth in the third request, a letter will be sent to the sub-recipient initiating sanctions up to and including withholding of federal funds.

The process to ensure continuity in operations will be as follows:

Since the responsible office is only "two deep", as a backup, the Director will train the number two person in the office on the necessary procedures to be followed. Additionally, the relevant requirements of Circular A-133 will be transmitted to any successor in office in the form of a continuity memo.

Anticipated completion date: September 27, 2013.

The work is ongoing. We have identified those contracts, through data reports, that are at or exceed the $500,000 threshold. This information is listed within a master contract excel spreadsheet. The office has notified sub-recipients from whom audits are required and some of those have already been received. Those sub-recipients that have not sent the requested audits will be notified by letter requesting their audit and providing a specific deadline for receipt.