

# *State of Alabama*

## Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2007

Front cover: The Governor's Mansion of Alabama turned 100 years old in 2007. It was originally constructed as a private residence but was acquired by the State in 1950 to be used as the Governor's residence.

Comments concerning this report should be addressed to:

Office of the State Comptroller  
Financial Reporting Section  
RSA Union, Suite 206  
Montgomery, AL 36130-2602

# STATE OF ALABAMA

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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For the Fiscal Year Ended  
September 30, 2007



Bob Riley  
Governor

James Main  
Director of Finance

Samantha Shaw  
State Auditor

Kay Ivey  
State Treasurer

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

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STATE OF ALABAMA  
DEPARTMENT OF FINANCE  
OFFICE OF THE STATE COMPTROLLER

RSA UNION  
100 North Union Street, Suite 220  
Montgomery, Alabama 36130-2602  
Telephone (334) 242-7050  
FAX (334) 242-2440

BOB RILEY  
Governor

JAMES ALLEN MAIN  
Director of Finance

ROBERT L. CHILDREE  
State Comptroller

March 31, 2008

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, 2007. 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

#### Report

The Comprehensive Annual Financial Report is divided into three sections:

- **The Introductory Section** contains this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the September 30, 2006 CAFR, a list of principal officials at September 30, 2007, and the State organization chart.
- **The Financial Section** includes the Independent Auditor's Report, management's discussion and analysis, basic financial statements including notes, required supplementary information, combining and individual fund financial statements, and supplemental statements and schedules.
- **The Statistical Section** includes selected financial and demographic information about the State, with an emphasis on multi-year trends.

#### Internal Controls

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

#### Audit

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



### **Management's Discussion and Analysis**

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

### **Profile of the Government**

#### **Reporting Entity**

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

#### **Budgetary Controls**

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

**Cash Controls**

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Beginning Cash Balance, October 1</b>	<b>\$ 325,122</b>	<b>\$ 214,652</b>	<b>\$ 187,411</b>	<b>\$ 137,471</b>	<b>\$ 65,176</b>
Receipts	1,634,581	1,656,451	1,437,230	1,297,452	1,313,934
Disbursements	<u>1,673,033</u>	<u>1,545,981</u>	<u>1,409,989</u>	<u>1,247,512</u>	<u>1,241,639</u>
<b>Net Increase (Decrease) in Cash Balance</b>	<b>(38,452)</b>	<b>110,470</b>	<b>27,241</b>	<b>49,940</b>	<b>72,295</b>
<b>Ending Cash Balance, September 30</b>	<b>286,670</b>	<b>325,122</b>	<b>214,652</b>	<b>187,411</b>	<b>137,471</b>
Cash Balance Reserved for Obligations	<u>46,335</u>	<u>60,686</u>	<u>45,945</u>	<u>30,704</u>	<u>33,216</u>
<b>Unobligated Cash Balance, September 30</b>	<b><u>\$ 240,335</u></b>	<b><u>\$ 264,436</u></b>	<b><u>\$ 168,707</u></b>	<b><u>\$ 156,707</u></b>	<b><u>\$ 104,255</u></b>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Beginning Cash Balance, October 1</b>	<b>\$ 739,687</b>	<b>\$ 587,114</b>	<b>\$ 216,210</b>	<b>\$ 32,078</b>	<b>\$ 33,084</b>
Receipts	5,854,027	5,498,362	4,969,255	4,456,027	4,249,955
Disbursements	<u>6,277,747</u>	<u>5,345,789</u>	<u>4,598,351</u>	<u>4,271,895</u>	<u>4,250,961</u>
<b>Net Increase (Decrease) in Cash Balance</b>	<b>(423,720)</b>	<b>152,573</b>	<b>370,904</b>	<b>184,132</b>	<b>(1,006)</b>
<b>Ending Cash Balance, September 30</b>	<b>315,967</b>	<b>739,687</b>	<b>587,114</b>	<b>216,210</b>	<b>32,078</b>
Cash Balance Reserved for Obligations	<u>35,922</u>	<u>44,632</u>	<u>16,455</u>	<u>26,304</u>	<u>24,578</u>
<b>Unobligated Cash Balance, September 30</b>	<b><u>\$ 280,045</u></b>	<b><u>\$ 695,055</u></b>	<b><u>\$ 570,659</u></b>	<b><u>\$ 189,906</u></b>	<b><u>\$ 7,500</u></b>

**General Fund and Education Trust Fund Balances**

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

FUND BALANCES - GAAP Basis (Amounts in Millions)					
	2007	2006	2005	2004	2003
General Fund	\$ 404.8	\$ 404.7	\$ 293.9	\$ 236.7	\$ 163.0
Education Trust Fund	528.4	1,029.5	1,016.1	543.1	409.2

**Cash Management**

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

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds being invested. Interest earnings during the 2007 fiscal year were as follows:

Time Deposit Open Accounts	\$ 39.5 million
Repurchase Agreements	\$ 65.7 million
US Treasury and Agency Securities	\$ 18.7 million

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

**Economic Condition and Outlook**

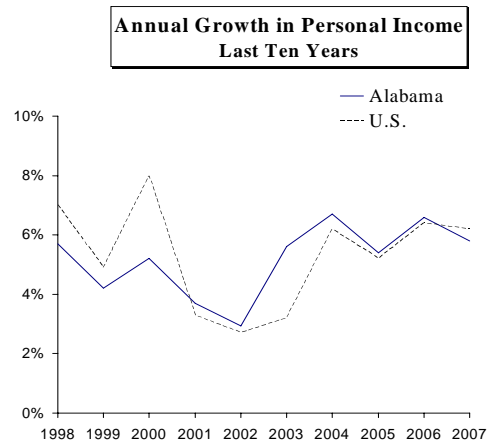
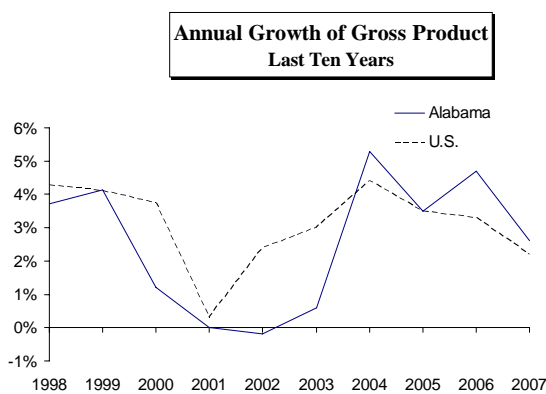
Alabama’s economy grew an estimated 2.3 percent in 2007, compared to the nation’s 2.0 percent. Alabama has faced the same risks as the national economy. The troubled housing market, rapidly rising energy prices, the credit crunch, and falling consumer spending negatively impacted Alabama’s economy in 2007. However, the recent inflow of foreign direct investment has had a significant economic impact in the state. In the past few years, the State has benefited from growth in business services, aerospace, health care, education, and other expanding industries.

Alabama gained 25,900 new jobs which accounted for a 1.0 percent increase in nonagricultural employment over the 12-month period ending in September 30, 2007. The unemployment rate, at 3.7 percent, was significantly lower than the 4.7 percent national rate. Most of the new jobs added were in service providing sectors, primarily in professional and business services, educational and health services, and leisure and hospitality. Some manufacturing industries saw job gains due to the rapid growth of the state’s transportation equipment industries. Manufacturing job gains in Alabama are in sharp contrast to the sector’s job losses nationwide over the last five years. Despite the prosperous growth in the auto industry, textile and apparel firms faced the most intense international competition largely due to lower labor costs overseas. About 1,500 apparel jobs and 1,900 textile and textile product mill jobs were lost in 2007.

Wholesale trade output rose 2.4 percent in 2007. Wholesale prices rose fastest for farm products, processed foods and feeds and refined petroleum products. Retail trade output grew 3.7 percent. The strongest retail sales in 2007 were for computers, software, and other household equipment. Manufacturing sector output grew 2.8 percent, driven primarily by a 9.4 percent increase in motor vehicle manufacturing. Manufacturing output has increased steadily over the last six years due to productivity improvements. Construction output had slow growth of 0.6 percent in 2007. New and expanding automotive and transportation equipment manufacturing firms enabled industrial construction to remain stable, while both residential and commercial construction activity slowed.

According to the U.S. Department of Commerce’s International Trade Administration, Alabama exports jumped 28.6 percent to \$13.9 billion in 2006, accounting for over 9.0 percent of Alabama Gross Domestic Product. Germany is Alabama’s largest trading partner, while other Alabama export destinations include Canada, Mexico, Japan, the United Kingdom, China, and South Korea. Transportation equipment was the state’s top export in 2006, up 73.6 percent from 2005. New car models being manufactured in the state contributed to the increase in industry exports.

The Alabama economy is expected to grow at a slower pace of 2.2 percent in 2008. While high energy prices and the housing sector recession continue to constrain the growth of the nation’s economy, the Alabama economic performance will outgrow the national trend. This is due to the State’s continued economic transition to a more skilled and development driven economy, its impressive critical mass of new manufacturing and service industries, and excellent regional growth attributes. Nonagricultural employment will grow by 1.1 percent in 2008, adding about 21,670 new jobs. Manufacturing sector output will rise 3.4 percent due to the growth in motor vehicle manufacturing and other transportation equipment manufacturing. Business and professional services will continue to grow an estimated 3.5 percent. Other positive factors influencing the economy’s growth are industrial construction projects, increasing exports by Alabama companies, growing convention and tourism traffic, population growth as good jobs attract new residents, and economic development efforts at diversifying the economy and creating more and higher paying jobs.



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

Major Initiatives

**Economic Development Grants**

The State continued its success in using economic development incentive grants to expand the tax base by attracting a number of major industrial projects to the State. The largest such project this year was ThyssenKrupp, which announced in May that it would spend \$3.7 billion on a state-of-the-art steel and stainless steel processing facility to be located north of Mobile. This is expected to be one of the largest private industrial development projects in the United States in the next decade. During construction, 29,000 jobs will be generated and when fully operational the plant will employ 2,700 people directly and tens of thousands indirectly.

**Post-employment Health Care**

In response to GASB Statements 43 and 45, which require governments to report on progress towards funding post-employment benefit promises, the State established by constitutional amendment two irrevocable trust funds. The State Employees' Health Care Trust fund will provide health care benefits to retired state employees and the Retired Education Employees' Health Care Trust will provide health care benefits to retirees of local school systems and state institutions of higher education. An initial contribution of \$417,000,000 was transferred into the Retired Education Employees' Trust Fund.

**Sale of Surplus Real Property**

The State undertook a review of the current use of all State real property during 2007, which resulted in the identification of unproductive property which will be sold. The initial focus of this project is on the Alabama Department of Corrections, which will put 5,763 acres of properties up for sale. All property sold will be appraised, advertised and sold through a public process to the highest bidder. Nearly \$4 million was raised from the sale of correctional property in fiscal year 2007, and much more is expected in 2008. The proceeds generated from the sales of correctional land and buildings is going toward prison infrastructure improvements which will enable the State to house more prisoners and therefore eliminate the cost of housing inmates in private out-of-state prisons.

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, 2006. This was the ninth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,



Robert L. Childree  
State Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# STATE OF ALABAMA

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## PRINCIPAL STATE OFFICIALS

September 30, 2007

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### EXECUTIVE BRANCH

Bob Riley  
Governor

Jim Folsom, Jr.  
Lt. Governor

Kay Ivey  
State Treasurer

Beth Chapman  
Secretary of State

Ron Sparks  
Commissioner of Agriculture  
and Industries

Troy King  
Attorney General

Samantha Shaw  
State Auditor

### JUDICIAL BRANCH

Sue Bell Cobb  
Chief Justice of the Supreme Court

#### Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Harold F. See, Jr.

Lyn Stuart

Thomas A. Woodall

Tom Parker

Robert G. Esdale, Sr.

### LEGISLATIVE BRANCH

Hinton Mitchem  
Senate President, Pro Tempore

Seth Hammett  
Speaker of the House

Ronald L. Jones  
Examiners of Public Accounts

Joyce Bigbee  
Legislative Fiscal Office

Jerry Bassett  
Legislative Reference Service

### EXECUTIVE BRANCH DEPARTMENTS

James Allen Main  
Department of Finance

Emory Folmar  
ABC Board

Neal Wade  
Alabama Development Office

Irene Collins  
Department of Senior Services

John D. Harrison  
State Banking Department

Barnett Lawley  
Department of Conservation  
and Natural Resources

Col. J. Christopher Murphy  
Department of Public Safety

James K. Lyons  
Alabama State Port Authority

Cynthia S. Dillard  
Board of Pardons and Paroles

Bill Johnson  
ADECA

Adjutant General Abner C. Blalock  
State Military Department

Dr. Page Walley  
Department of Human Resources

Jim Bennett  
Department of Labor

John Houston  
Department of Mental Health  
and Mental Retardation

Lee Sentell  
Bureau of Tourism and Travel

Richard H. Dorrough  
Department of Children's Affairs

Richard Allen  
Department of Corrections

John D. James  
Emergency Management Agency

Joe McInnes  
Department of Transportation

Tom Surtees  
Department of Industrial  
Relations

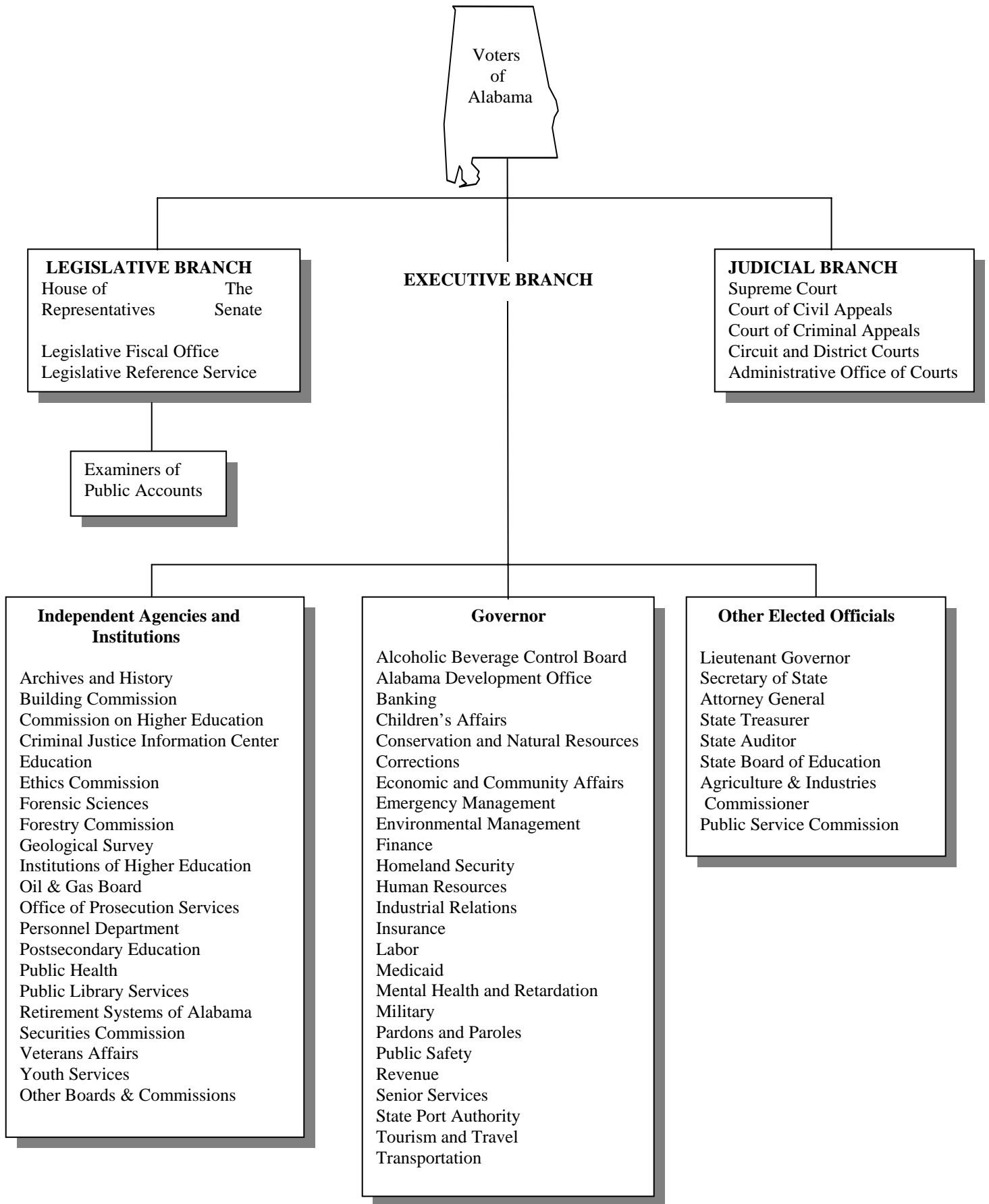
Carol H. Steckel  
Alabama Medicaid Agency

Cynthia Underwood  
Department of Revenue

Walter A. Bell  
Department of Insurance

Jim Walker  
Office of Homeland Security

ORGANIZATION CHART









**State of Alabama**  
**Department of**  
**Examiners of Public Accounts**

**Ronald L. Jones**  
**Chief Examiner**

*Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2007, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.06%	0.07%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	29%	9%
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	85%	74%

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

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



RONALD L. JONES  
Chief Examiner of Public Accounts

March 31, 2008



## 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, 2007. 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 \$564 million during fiscal year 2007. The assets of the State exceeded its liabilities at the close of the fiscal year by \$24.4 billion (*net assets*). Of this amount, \$17.7 billion was invested in capital assets (net of related debt), \$2.8 billion was in the Alabama Trust Fund Capital, \$1.3 billion was restricted for educational purposes, and \$2.4 billion was restricted for various other purposes.
- The Change in Net Assets in governmental activities was a positive \$460 million.
- Governmental activities have \$4 billion in investments, \$3.4 billion of which is in the Alabama Trust Fund.
- The booming Alabama economy produced a 7.7 percent growth in tax revenues.
- The business-type activities reported net assets at year-end of \$1.5 billion, an increase of \$105 million for the fiscal year.
- The State's total bonded debt at the end of the fiscal year was \$1.68 billion, an increase of \$412 million, which represents the net difference between new issuances and payments and refundings of outstanding debt.
- During the year the State issued \$197 million in new revenue bonds and \$179 million in refunding bonds. The State also issued \$305 million in general obligation bonds during fiscal year 2007, and the payments on general obligation bonds totaled \$49 million during the year.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$6.5 billion, holding steady from last year. Approximately \$2.6 billion of this amount is unreserved, undesignated fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$26 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$2 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

### Overview of the Financial Statements

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

#### **Government-wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

### **Governmental funds**

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

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

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

### **Proprietary funds**

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

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

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

### **Fiduciary funds**

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedule reconciling the budgetary fund balances and generally accepted accounting principles fund balances at fiscal year-end, (2) ten year loss development information for the State Insurance Fund, (3) a schedule of funding progress for the Employees’ Retirement System, and (4) 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 \$24.4 billion as of September 30, 2007.

The largest component (73 percent) of the State’s net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased \$721 million. Of that amount \$497 million was infrastructure and infrastructure construction in progress.

Long-term liabilities increased 26 percent, or \$409 million. The large increase in long-term liabilities was primarily the result of the State issuing \$305 million in General Obligation Bonds.

About 98 percent of the State’s net assets that are unrelated to capital assets are restricted and represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. The remaining balance of \$150 million is unrestricted net assets and represents the amount that may be used to meet the State’s ongoing obligations that are not funded by resources that are restricted. Internally imposed designations of resources are not presented as restricted net assets. The State has a deficit in unrestricted net assets for governmental activities for the first time.

Net Assets as of September 30  
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 8,957,371	\$ 8,167,179	\$ 1,080,967	\$ 971,131	\$ 10,038,338	\$ 9,138,310
Capital Assets	17,406,489	16,842,418	1,193,377	1,036,388	18,599,866	17,878,806
Total Assets	26,363,860	25,009,597	2,274,344	2,007,519	28,638,204	27,017,116
Long-term Liabilities	1,411,579	1,167,421	596,177	431,782	2,007,756	1,599,203
Other Liabilities	2,073,554	1,422,964	181,798	184,341	2,255,352	1,607,305
Total Liabilities	3,485,133	2,590,385	777,975	616,123	4,263,108	3,206,508
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	16,971,809	16,360,753	719,911	643,742	17,691,720	17,004,495
Restricted	6,020,208	5,853,605	513,663	503,024	6,533,871	6,356,629
Unrestricted	(113,290)	204,854	262,795	244,630	149,505	449,484
Total Net Assets	\$ 22,878,727	\$ 22,419,212	\$ 1,496,369	\$ 1,391,396	\$ 24,375,096	\$ 23,810,608



# STATE OF ALABAMA

The following table 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 \$564 million during fiscal year 2007. Taxes provided \$7.6 billion, or approximately 41 percent, of the State's total revenue. Tax revenues increased 7.7 percent or \$544 million over the previous year as Alabama's economy continues its rapid growth. Investment earnings were up \$235 million, an increase of 74 percent, reflecting both the general increase in market returns as well as an increase in the cash available to invest coming from budget surpluses in the prior year.

Spending on Education and Cultural Resources increased by 14 percent, or \$796 million in 2007. Included in this amount was an increase in support for local school systems of \$442 million, or 13 percent and an increase in support for universities of \$191 million, or 18 percent. Included in both of these increases was funding for a pay raise for teachers and related personnel. Education and Cultural Resources spending was \$6.4 billion, or 36 percent, of the State's total expenses.

A total of \$5.2 billion, or 29 percent, was spent on Health-Physical and Mental. That amount is an increase of 10.6 percent, or \$493 million over 2006. Of the \$5.2 billion total, \$3.9 billion was spent on Medicaid programs. Spending for the Medicaid program increased \$346 million, or 9.8 percent. \$238 million of that increase was in Hospital Care, where accounting changes requested by the Federal government resulted in the State being able to obtain a higher cap on costs. Spending for the Public Health Department increased \$89 million, or 16.7 percent. The Public Health Departments spent \$34 million more on Disease Control, primarily for vaccination programs, and \$11 million more on the Children's Health Insurance Program.

Spending on Economic Development and Regulation more than doubled over 2006. Most of this increase is the result of economic development grants made from the proceeds of bonds issued during 2006 and 2007.

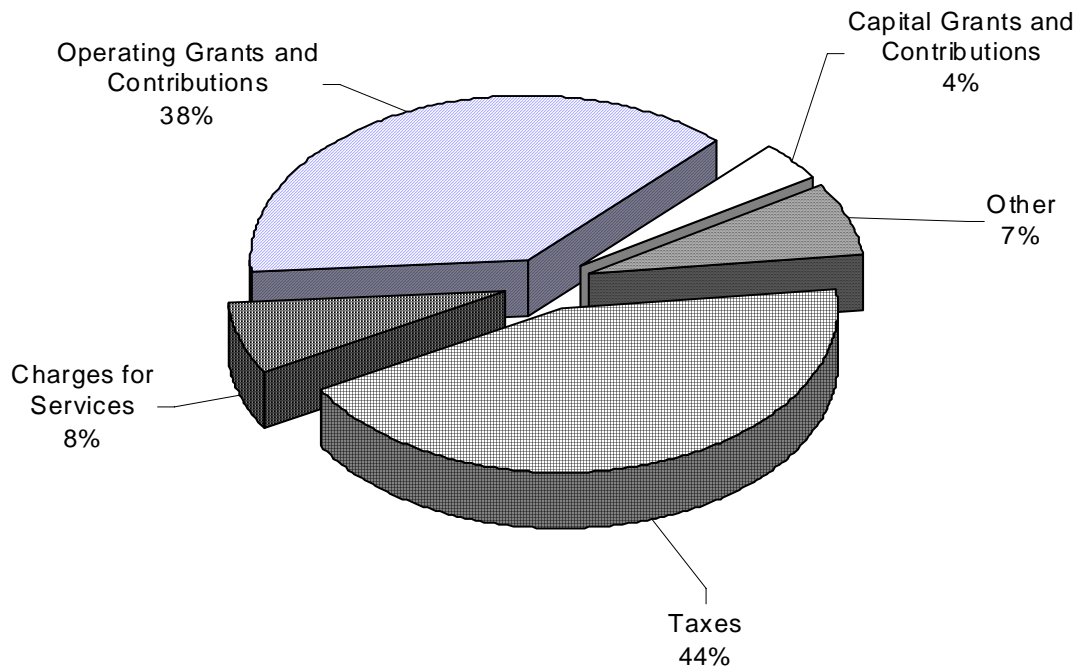
Changes in Net Assets  
For the Fiscal Year Ended September 30  
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,263,166	\$ 1,261,765	\$ 758,608	\$ 773,420	\$ 2,021,774	\$ 2,035,185
Operating Grants and Contributions	6,618,419	6,612,934	270,897	277,667	6,889,316	6,890,601
Capital Grants and Contributions	719,041	801,902	19,413	45,053	738,454	846,955
General Revenues:						
Taxes	7,593,396	7,049,432	9,831	9,314	7,603,227	7,058,746
Investment Earnings	513,088	284,139	40,206	34,056	553,294	318,195
Miscellaneous	744,942	739,378	3,421	10,056	748,363	749,434
Total Revenues	<u>17,452,052</u>	<u>16,749,550</u>	<u>1,102,376</u>	<u>1,149,566</u>	<u>18,554,428</u>	<u>17,899,116</u>
Expenses:						
Economic Development and Regulation	213,970	100,588			213,970	100,588
Education and Cultural Resources	6,448,699	5,653,464			6,448,699	5,653,464
Natural Resources and Recreation	105,066	145,414			105,066	145,414
Health- Physical and Mental	5,156,773	4,663,485			5,156,773	4,663,485
Social Services	1,689,019	1,627,951			1,689,019	1,627,951
Protection of Persons and Property	1,019,074	1,032,088			1,019,074	1,032,088
Transportation	1,011,638	1,025,928			1,011,638	1,025,928
General Government	925,698	819,122			925,698	819,122
Debt Service - Interest and Other Charges	43,391	42,672			43,391	42,672
Unemployment Compensation			248,448	232,447	248,448	232,447
State Port Authority			106,762	89,939	106,762	89,939
Alabama College System			745,122	683,618	745,122	683,618
Alcoholic Beverage Control Board			230,370	215,832	230,370	215,832
Nonmajor Proprietary Funds			46,041	48,972	46,041	48,972
Total Expenses	<u>16,613,328</u>	<u>15,110,712</u>	<u>1,376,743</u>	<u>1,270,808</u>	<u>17,990,071</u>	<u>16,381,520</u>
Increase (Decrease) in Net Assets						
Before Contributions and Transfers	838,724	1,638,838	(274,367)	(121,242)	564,357	1,517,596
Contributions to Permanent Funds & Endowments	-	-	131	122	131	122
Transfers	(379,209)	(321,020)	379,209	321,020	-	-
Change in Net Assets	459,515	1,317,818	104,973	199,900	564,488	1,517,718
Net Assets- Beginning	<u>22,419,212</u>	<u>21,101,394</u>	<u>1,391,396</u>	<u>1,191,496</u>	<u>23,810,608</u>	<u>22,292,890</u>
Net Assets- Ending	<u>\$ 22,878,727</u>	<u>\$ 22,419,212</u>	<u>\$ 1,496,369</u>	<u>\$ 1,391,396</u>	<u>\$ 24,375,096</u>	<u>\$ 23,810,608</u>

**Governmental Activities**

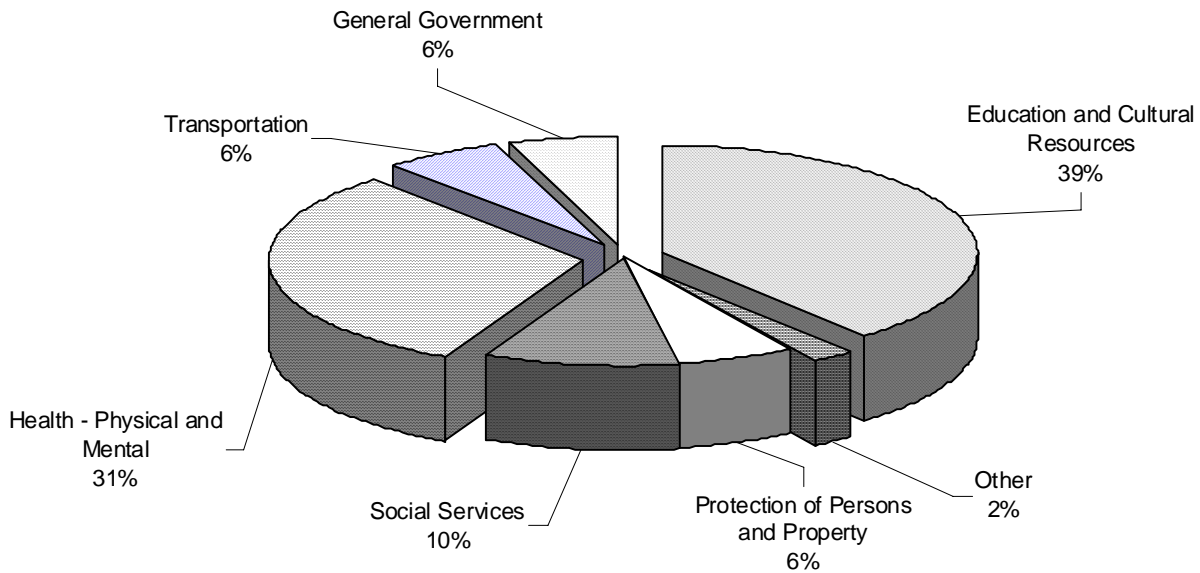
Total revenues for governmental activities in fiscal year 2007 were \$17.5 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues totaled \$8.6 billion, down slightly from last year. Operating grants and contributions are the largest program revenues, and at \$6.6 billion, make up 38 percent of total governmental revenues. Operating grants and contributions grew slightly, increasing by \$6 million compared to the previous year. In the previous two years substantial extra federal grant money was received to offset the effects of hurricanes so the flat growth was to be expected. About 89 percent of operating and 98 percent of the capital grants were received from the Federal government. Charges for Services remained steady compared to the previous year, increasing just a little over \$1 million. General revenues, which include taxes, of governmental activities were \$8.8 billion, an increase of nearly 10 percent. Taxes increased \$544 million, or 7.7 percent. Revenue from all tax types represents 44 percent of total governmental revenues earned during fiscal year 2007. Of the \$7.6 billion in tax revenues, the largest taxes were income taxes of \$3.4 billion and sales and use taxes of \$2.2 billion. Sales and use taxes grew 6 percent and income taxes grew 8.6 percent, reflecting the fact that the Alabama economy continued to grow more rapidly than the U.S. economy.

**Revenues - Governmental Activities  
Fiscal Year Ended September 30, 2007**



The two largest activities (1) Education and Cultural Resources and (2) Health-Physical and Mental together accounted for 70 percent of the governmental activities expenses for fiscal year 2007. Social Services accounted for 10 percent of the governmental activities expenses. Overall expenses increased by \$1.5 billion, or 10.2 percent. Education spending increased 14.1 percent, or \$796 million, which included a pay raise for teachers and education support personnel. Education and Cultural Resources now makes up 39 percent of governmental activity expenses, up from 36 percent last year. As discussed above, the two fastest growing taxes are sales and income taxes, and both are legally restricted to Education uses only, so the growth in spending tends to reflect the growth in legally restricted revenues. Within Education and Cultural, 91 percent is for support for local school systems and state universities. Health – Physical and Mental accounted for 31 percent of state spending, the same as last year. The Medicaid program accounts for 84 percent of Health spending and the Department of Public Health accounts for 12 percent.

**Expenses - Governmental Activities  
Fiscal Year Ended September 30, 2007**



## **Business-type Activities**

The largest business-type activity is the Alabama College System, which accounts for half of business-type net assets. The other major business-type activities are the Alabama Port Authority and the Alcoholic Beverage Control Board. In fiscal year 2007 the net assets of business-type activities increased by \$105 million. Transfers from the Alabama Capital Improvement Trust Fund, a nonmajor governmental fund, for capital financing to the Port Authority of \$34.9 million were a major part of the increase in net assets. Revenues of business-type activities totaled \$1.1 billion. Most of this revenue was self-generated program revenues so only \$53 million of the \$1.1 billion revenues came from general revenues. The program revenues consisted of \$759 million of charges for services, \$271 million of operating grants and contributions, and \$19 million of capital grants and contributions. The total expenses for business-type activities were \$1.4 billion.

## **Financial Analysis of the State's Funds**

### **Governmental Funds**

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

At the end of fiscal year 2007, the governmental funds reported combined ending fund balances of \$6.5 billion. Of this total amount, \$4 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest reserved amount of \$2.8 billion is for the Alabama Trust Fund which is a special revenue fund. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of an amendment to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. \$248 million of the balance of the Alabama Trust Fund is reserved for the Education Rainy Day Account for the Education Trust Fund. That account was created by a constitutional amendment. \$446 million of the Governmental Funds have been designated for various capital projects and debt service, another \$471 million has been reserved for a variety of purposes, leaving \$2.6 billion as unreserved and undesignated.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$399 million, and reserved fund balance was \$6 million. Expenditures for the General Fund increased \$47.5 million, or 3 percent. Protection of Persons and Property expenditures increased \$12 million, with the majority of these increases being for inmate administration and highway patrol for the State. Spending on General Government increased \$33 million, with \$24 million going for employee salaries and benefits. The legislature granted all state employees a 5 percent raise in 2007 so General Fund spending for salaries and benefits was up in all functional categories while spending for professional services and grants was down.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues from the State's growing economy for fiscal year 2007 were up approximately \$443 million as compared to fiscal year 2006, an 8 percent increase. Sales and use tax revenues were up by \$167 million, individual income tax revenues were up by \$153 million and corporate income tax revenues were up by \$115 million. Expenditures, as limited by the budget, were up 17.5 percent, or \$834 million, as the State used a portion of the large surplus left from last year's budget. A large portion of the increase, \$441 million was for financial assistance for local school systems. Included in that amount was a pay raise for teachers and support personnel. Because spending increased at more than twice the rate of revenue growth, the balance of cash and cash equivalents in the ETF decreased \$445 million to \$341 million and the fund balance decreased \$501 million to \$528 million. The ETF transferred out \$676 million, with the largest of these transfers going to the Alabama College System, in the amount of \$381 million, to supplement operations. Another \$72 million went to replenish the Education Trust Fund Rainy Day Account and \$166 million went to the Education Trust Fund Proration Prevention Fund in preparation for any possible future budget shortfalls.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. Revenues from royalties and other payments related to the production of oil and gas decreased by

## STATE OF ALABAMA

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\$108 million in 2007. Amendment 666 directs the Alabama Trust Fund Board of Trustees to transfer 35 percent of the oil and gas royalties received in a fiscal year to the Alabama Capital Improvement Fund and the County and Municipal Government Capital Improvement Trust Fund. Another one percent is entitled to the Division of Lands of the Department of Conservation and Natural Resources. Investment income more than doubled over the prior year, rising from \$149 million to \$315 million, an increase of \$166 million. During the 2007 fiscal year, the amount constitutionally reserved for Trust Capital grew by \$178 million, a 6.8 percent increase.

Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Federal revenues decreased by about 3 percent, or \$100 million, primarily because in the previous year one-time extra federal revenue was available for counties affected by hurricane Katrina. Overall, revenues were up 2 percent, or \$76 million. Expenditures rose nearly 12 percent, or \$403 million with the largest increases being due to \$119 million additional costs in pharmaceutical programs, \$80 million in nursing home care programs and \$72 million in physician care programs. The change in pharmaceutical programs was partly due to 2007 being the first full year under the federal Medicare Part D program. Nursing home and physician care program cost increases were a combination of inflation, increased number of recipients, and increased services. Total fund balance for Medicaid decreased by \$132 million to a deficit of \$894 thousand.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues decreased by 13 percent, or \$101 million under 2006. Expenditures rose by 1 percent, or \$14 million. The fund balance decreased by \$81 million to a total fund balance of \$478 million. \$47 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$21 million is in inventory of materials on hand, and \$42 million is reserved by statute for replacement of equipment. The remaining \$367 million is unreserved but the management of the DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective service programs that provide financial assistance to individuals. This is the major operating fund of the Department of Human Resources. 86 percent of the funding is from federal funds, but is supplemented by whiskey tax and the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Over \$1.3 billion was spent in the fund in 2007, but the fund balance at year end is a mere \$36 million, up \$10 million from 2006. The low fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

Only Medicaid had a negative fund balance at September 30, 2007. This is typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). Medicaid often has a negative fund balance because GAAP requires the accrual of claims payable and the related federal receivables but not the State matching amounts which will come from next year's budget. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund always has a large fund balance.

### **Proprietary Funds**

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year, total net assets for all enterprise funds increased by \$117 million. The net assets of the Unemployment Compensation Trust Fund increased by \$2 million in fiscal year 2007. The net assets of the State Port Authority increased by \$53 million. This was primarily due to \$45 million in capital contributions and payments from the Capital Improvement Trust Fund (a non-major special revenue fund). Operating revenues were up substantially, to \$110 million from \$88 million the prior year, a 25 percent increase. Interruptions in coal shipments caused by mining accidents and strikes in the prior year had kept revenues down in the prior year. The Alabama College System's net assets increased \$85 million in 2007, primarily the result of an increase in capital assets. The net assets of the Alcoholic Beverage Control Board's decreased by \$22 million in fiscal year 2007, resulting in a \$27 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative.

**Budgetary Highlights****General Fund**

The original budget for the General Fund was increased by a net of \$33 million during fiscal year 2007. Expenditures were increased by \$18 million and Transfers Out increased by \$15 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. Conditional and other appropriations were approximately \$36 million. Conditional amounts are not included in the budget until the conditions have been met. There were \$27 million of conditional appropriations released during the fiscal year. The Department of Corrections received a conditional appropriation in the amount of \$10 million for its annual budget. These funds were needed because of the conditions of the overcrowded prison system. The Department of Mental Health and Mental Retardation received a conditional appropriation in the amount of \$3.5 million. These funds were needed to address the waiting list of clients for mental retardation services. The annual budget was decreased by \$8 million as a result of capital project appropriations for various agencies including \$3 million for the Department of Corrections. The Department of Agriculture and Industries and the Alabama Forestry Commission received supplemental appropriations of \$1.8 million each. 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 \$10 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. Allotments from the emergency appropriations totaled approximately \$7 million to various agencies in fiscal year 2007. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$26 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$2 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 2007, the State had invested \$18.6 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$115 million.

Capital Assets as of September 30  
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Capital Assets Not Being Depreciated:						
Land	\$ 179,230	\$ 158,577	\$ 62,763	\$ 52,281	\$ 241,993	\$ 210,858
Construction In Progress	110,276	96,733	249,717	188,586	359,993	285,319
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress - Infrastructure	4,399,528	4,121,676	-	-	4,399,528	4,121,676
Infrastructure	11,932,373	11,713,468	-	-	11,932,373	11,713,468
Total Capital Assets Not Being Depreciated	<u>16,624,065</u>	<u>16,093,112</u>	<u>314,830</u>	<u>243,217</u>	<u>16,938,895</u>	<u>16,336,329</u>
Capital Assets Being Depreciated:						
Buildings	1,067,923	1,035,118	1,098,196	1,023,754	2,166,119	2,058,872
Machinery & Equipment	585,468	541,578	411,176	371,914	996,644	913,492
Total Capital Assets Being Depreciated	<u>1,653,391</u>	<u>1,576,696</u>	<u>1,509,372</u>	<u>1,395,668</u>	<u>3,162,763</u>	<u>2,972,364</u>
Less Accumulated Depreciation	<u>870,967</u>	<u>827,390</u>	<u>630,825</u>	<u>602,497</u>	<u>1,501,792</u>	<u>1,429,887</u>
Total Capital Assets Being Depreciated, Net	<u>782,424</u>	<u>749,306</u>	<u>878,547</u>	<u>793,171</u>	<u>1,660,971</u>	<u>1,542,477</u>
Capital Assets, Net	<u>\$17,406,489</u>	<u>\$16,842,418</u>	<u>\$1,193,377</u>	<u>\$1,036,388</u>	<u>\$18,599,866</u>	<u>\$17,878,806</u>

## STATE OF ALABAMA

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

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

The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered "Good" condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered "Fair", requiring routine maintenance such as pavement patching. The weighted average rating of Alabama's roads was 82.54, which exceeds the State's goal.

The State maintains 5,338 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.67, in the upper end of the satisfactory range, unchanged from the previous year.

In fiscal years 2007, 2006, 2005, 2004, and 2003, the State estimated it would need to spend \$277.7, \$247.1, \$247.1, \$205.0 and \$205.0 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the "Established Condition Levels" presented above. In fiscal year 2007, the State spent \$293,253,000 for roadway preservation and \$2,821,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$320,025,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the "Established Condition Levels" presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the "Established Condition Levels".

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

### **Long-term Debt**

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

# STATE OF ALABAMA

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 773,253	\$ 516,973	\$ -	\$ -	\$ 773,253	\$ 516,973
Revenue Bonds	333,438	355,698	572,782	394,044	906,220	749,742
Total	<u>\$ 1,106,691</u>	<u>\$ 872,671</u>	<u>\$ 572,782</u>	<u>\$ 394,044</u>	<u>\$ 1,679,473</u>	<u>\$ 1,266,715</u>

The State of Alabama issued \$305,000,000 in general obligation bonds in fiscal year 2007. The State Port Authority issued \$179,367,000 in refunding bonds and \$130,383,000 in new bonds. The Alabama College System issued \$66,340,000 in new bonds. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The fiscal year 2008 budget has certain appropriation increases for the General Fund and Education Trust Fund, which amount to approximately \$167 million and \$452 million, respectively. The increases for the General Fund were spread among various agencies and appropriations. The budgets for Medicaid Agency, Public Safety, and Correction have increased by \$70 million, \$25 million, and \$13 million, respectively. Due to the Federal Medical Assistance Percentages decrease from 68.85 percent to 67.62 percent in FY2008, the State matching expenditures for assistance payments increase. The additional funds for Medicaid appropriation are to keep the Medicaid program with the same benefits. The additional funds for Public Safety are for new troopers and training. A major portion of the increase for the Department of Correction is for capital outlay. The K-12 Local Boards of Education received an appropriation increase of \$357 million for fiscal year 2008 over fiscal year 2007 from the Education Trust Fund. Other increases to the Education Trust Fund budget were for the other K-12 programs through State Department of Education and the universities in the amounts of \$88 million and \$196 million, respectively. A large portion of the Education Trust Fund budget increase was for the cost of fringe benefits. Tax collections have continued to be on an upward trend. The 2008 budget assumes that gross revenues will rise 3.6 percent to \$9.0 billion.

### **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, 2007

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,969,576	\$ 687,817	\$ 3,657,393	\$ 1,215,799
Investments	4,014,775	276,730	4,291,505	5,631,782
Accounts Receivable	230,498	84,896	315,394	762,682
Internal Balances	37,309	(37,309)	-	-
Due from Primary Government	-	-	-	39,776
Due from Component Units	48,357	54	48,411	-
Due from Other Governments	359,245	2,741	361,986	732,047
Taxes Receivable	669,525	-	669,525	161,176
Interest and Dividends Receivable	26,788	5,824	32,612	23,590
Mortgages, Notes, and Loans Receivable	39	-	39	610,310
Securities Lending Collateral	558,385	1,052	559,437	58,153
Inventory	30,171	35,741	65,912	32,430
Other Assets	10,835	23,421	34,256	151,189
Restricted Assets	1,868	-	1,868	10,832
Capital Assets, Net of Accumulated Depreciation	782,424	878,547	1,660,971	3,527,571
Capital Assets Not Depreciated	16,624,065	314,830	16,938,895	684,698
<b>TOTAL ASSETS</b>	<b>26,363,860</b>	<b>2,274,344</b>	<b>28,638,204</b>	<b>13,642,035</b>
<b>LIABILITIES</b>				
Warrants Payable	35,064	156	35,220	6,615
Accounts Payable	891,024	59,007	950,031	436,295
Salaries Payable	163,594	7,215	170,809	21,814
Interest Payable	7,741	-	7,741	55,411
Due to Primary Government	-	-	-	48,411
Due to Component Units	34,366	5,410	39,776	-
Due to Other Governments	197,836	3,920	201,756	103,602
Securities Lending Obligation	558,385	1,052	559,437	58,153
Unearned Revenue	12,102	60,925	73,027	463,380
Amounts Held in Custody for Others	74,551	13,067	87,618	245,790
Noncurrent Liabilities:				
Due Within One Year	98,891	31,046	129,937	396,369
Due In More Than One Year	1,411,579	596,177	2,007,756	5,350,460
<b>TOTAL LIABILITIES</b>	<b>3,485,133</b>	<b>777,975</b>	<b>4,263,108</b>	<b>7,186,300</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	16,971,809	719,911	17,691,720	2,435,736
Restricted for:				
Permanent - Expendable	-	43,377	43,377	968,606
Permanent - Non-expendable	30,991	6,627	37,618	1,058,051
Unemployment Compensation	-	439,178	439,178	-
Forever Wild Stewardship Account	14,195	-	14,195	-
Alabama Trust Capital	2,785,386	-	2,785,386	-
Education	1,343,942	-	1,343,942	-
Health	74,100	-	74,100	-
Social Services	104,724	-	104,724	-
Transportation	469,024	-	469,024	-
General Government	413,728	-	413,728	-
Debt Service	22,134	24,481	46,615	554,098
Capital Projects	59,930	-	59,930	-
Other Purposes	702,054	-	702,054	27,509
Unrestricted	(113,290)	262,795	149,505	1,411,735
<b>TOTAL NET ASSETS</b>	<b>\$ 22,878,727</b>	<b>\$ 1,496,369</b>	<b>\$ 24,375,096</b>	<b>\$ 6,455,735</b>

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



## STATE OF ALABAMA

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Economic Development and Regulation	\$ 213,970	\$ 58,452	\$ 10,249	\$ 0
Education and Cultural Resources	6,448,699	12,406	797,470	10,001
Natural Resources and Recreation	105,066	53,920	34,065	37
Health - Physical and Mental	5,156,773	259,598	4,102,569	-
Social Services	1,689,019	5,905	1,296,084	152
Protection of Persons and Property	1,019,074	208,252	234,414	5
Transportation	1,011,638	199,489	23,759	708,846
General Government	925,698	465,144	119,809	-
Debt Service - Interest and Other Charges	43,391	-	-	-
Total Governmental Activities	16,613,328	1,263,166	6,618,419	719,041
Business-type Activities				
Unemployment Compensation	248,448	228,572	15,488	-
State Port Authority	106,762	109,735	-	10,221
Alabama College System	745,122	152,558	255,238	9,192
Alcoholic Beverage Control Board	230,370	218,195	126	-
Nonmajor Proprietary Funds	46,041	49,548	45	-
Total Business-type Activities	1,376,743	758,608	270,897	19,413
<b>Total Primary Government</b>	<b>17,990,071</b>	<b>2,021,774</b>	<b>6,889,316</b>	<b>738,454</b>
<b>Component Units:</b>				
Public School and College Authority	122,787	-	46	-
Mental Health	793,452	10,561	62,642	-
Housing Finance Authority	81,907	47,940	-	-
Water Pollution Control Authority	32,221	20,978	16,538	-
University of Alabama	2,861,780	1,581,182	711,455	69,379
Auburn University	741,492	325,485	234,182	19,041
University of South Alabama	517,967	357,121	39,759	19,897
Public Education Employees' Health Insurance	633,953	416,753	2	-
State Employees' Health Insurance Board	385,505	418,999	3	-
Nonmajor Component Units	993,629	535,530	209,511	19,919
<b>Total Component Units</b>	<b>7,164,693</b>	<b>3,714,549</b>	<b>1,274,138</b>	<b>128,236</b>

**General Revenues:**

## Taxes:

Sales and Use Taxes

Income Taxes

Motor Fuels Taxes

Utility Taxes

Insurance Premium Tax

Property Tax

Liquor Taxes

Tobacco and Cigarette Taxes

Investment Earnings

Miscellaneous

Contributions to Permanent Funds and Endowments

Payments from State of Alabama

Transfers

**Total General Revenues, Special Items, and Transfers****Change in Net Assets**

Net Assets, October 1, 2006, as Restated

**Net Assets, September 30, 2007***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
\$ (145,269)	\$ 0	\$ (145,269)	\$ 0
(5,628,822)	-	(5,628,822)	-
(17,044)	-	(17,044)	-
(794,606)	-	(794,606)	-
(386,878)	-	(386,878)	-
(576,403)	-	(576,403)	-
(79,544)	-	(79,544)	-
(340,745)	-	(340,745)	-
(43,391)	-	(43,391)	-
<u>(8,012,702)</u>	<u>0</u>	<u>(8,012,702)</u>	<u>0</u>
-	(4,388)	(4,388)	-
-	13,194	13,194	-
-	(328,134)	(328,134)	-
-	(12,049)	(12,049)	-
-	3,552	3,552	-
<u>0</u>	<u>(327,825)</u>	<u>(327,825)</u>	<u>0</u>
<b>(8,012,702)</b>	<b>(327,825)</b>	<b>(8,340,527)</b>	<b>0</b>
-	-	-	(122,741)
-	-	-	(720,249)
-	-	-	(33,967)
-	-	-	5,295
-	-	-	(499,764)
-	-	-	(162,784)
-	-	-	(101,190)
-	-	-	(217,198)
-	-	-	33,497
-	-	-	(228,669)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,047,770)</u>
2,199,848	-	2,199,848	78,946
3,446,018	-	3,446,018	-
569,369	-	569,369	-
511,734	-	511,734	144,293
273,614	-	273,614	4,525
301,002	-	301,002	-
150,085	9,831	159,916	13,076
141,726	-	141,726	9,434
513,088	40,206	553,294	578,705
744,942	3,421	748,363	99,173
-	131	131	34,319
-	-	-	1,928,031
(379,209)	379,209	-	-
<u>8,472,217</u>	<u>432,798</u>	<u>8,905,015</u>	<u>2,890,502</u>
<b>459,515</b>	<b>104,973</b>	<b>564,488</b>	<b>842,732</b>
22,419,212	1,391,396	23,810,608	5,613,003
<u>\$ 22,878,727</u>	<u>\$ 1,496,369</u>	<u>\$ 24,375,096</u>	<u>\$ 6,455,735</u>

## STATE OF ALABAMA

BALANCE SHEET  
Governmental Funds

September 30, 2007

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 351,884	\$ 340,814	\$ 106,885	\$ 38,908	\$ 435,109
Investments	-	-	3,356,229	-	61,338
Accounts Receivable	1,458	253	203,065	644	5,552
Due from Other Funds	31,046	929	-	40,791	4,639
Due from Component Units	76	2	-	10,689	63
Due from Other Governments	26	15	-	162,892	88,525
Taxes Receivable	205,084	239,878	-	-	25,942
Interest and Dividends Receivable	1,217	-	22,241	-	54
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	20,716	21,816	405,544	2,463	27,383
Inventory	2,652	-	-	-	21,073
Restricted Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 614,159</b>	<b>\$ 603,707</b>	<b>\$ 4,093,964</b>	<b>\$ 256,387</b>	<b>\$ 669,678</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ 990	\$ 11,922	\$ 0	\$ 23	\$ 3,678
Accounts Payable	15,220	23,598	380,189	190,055	104,398
Salaries Payable	54,169	8,259	-	1,986	20,643
Due to Other Funds	5,198	6,742	-	29,797	3,251
Due to Component Units	396	64	-	32,911	35
Due to Other Governments	5,947	2,669	-	12	16,188
Securities Lending Obligation	20,716	21,816	405,544	2,463	27,383
Deferred Revenue	105,468	-	5,577	-	2,449
Amounts Held in Custody for Others	422	8	-	7	13,880
Compensated Absences	852	238	-	27	257
<b>Total Liabilities</b>	<b>209,378</b>	<b>75,316</b>	<b>791,310</b>	<b>257,281</b>	<b>192,162</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	3,120	1,729	66	4,398	47,262
Inventory	2,652	-	-	-	21,073
Highway Equipment Replacement	-	-	-	-	42,250
Court Settlements	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Education Rainy Day Account	-	-	248,000	-	-
Forever Wild Stewardship Account	-	-	14,195	-	-
Alabama Trust Capital	-	-	2,785,386	-	-
Local Government	-	-	51,430	-	-
Forever Wild Lands	-	-	14,611	-	-
General Fund	-	-	117,267	-	-
Capital Improvement Trust	-	-	71,699	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	399,009	-	-	-	-
Special Revenue Funds	-	526,662	-	(5,292)	366,931
Permanent Funds	-	-	-	-	-
<b>Total Fund Balances</b>	<b>404,781</b>	<b>528,391</b>	<b>3,302,654</b>	<b>(894)</b>	<b>477,516</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 614,159</b>	<b>\$ 603,707</b>	<b>\$ 4,093,964</b>	<b>\$ 256,387</b>	<b>\$ 669,678</b>

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

	Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$	93,456	\$ 1,533,199	\$ 2,900,255
	-	516,590	3,934,157
	-	6,527	217,499
	18,875	49,923	146,203
	14	1,020	11,864
	14	107,773	359,245
	43,944	154,677	669,525
	-	2,495	26,007
	-	39	39
	5,443	70,657	554,022
	-	1,352	25,077
	-	1,868	1,868
<b>\$</b>	<b>161,746</b>	<b>\$ 2,446,120</b>	<b>\$ 8,845,761</b>

\$	1,319	\$ 16,571	\$ 34,503
	45,271	125,148	883,879
	21,292	54,701	161,050
	13,009	76,075	134,072
	270	645	34,321
	624	171,759	197,199
	5,443	70,657	554,022
	35,498	117,029	266,021
	2,489	57,747	74,553
	276	635	2,285
	<b>125,491</b>	<b>690,967</b>	<b>2,341,905</b>

	5,390	33,499	95,464
	-	1,352	25,077
	-	-	42,250
	-	7,876	7,876
	-	33	33
	-	-	248,000
	-	-	14,195
	-	-	2,785,386
	-	-	51,430
	-	-	14,611
	-	-	117,267
	-	-	71,699
	-	30,991	30,991
	-	440,559	440,559
	-	5,449	5,449
	-	-	399,009
	30,865	1,214,735	2,133,901
	-	20,659	20,659
	<b>36,255</b>	<b>1,755,153</b>	<b>6,503,856</b>
<b>\$</b>	<b>161,746</b>	<b>\$ 2,446,120</b>	<b>\$ 8,845,761</b>

STATE OF ALABAMA

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

September 30, 2007

(Amounts in Thousands)

**Total Fund Balances for Governmental Funds** \$6,503,856

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

Land	178,473	
Historical Exhibits	2,657	
Construction in progress	85,059	
Construction in progress - Infrastructure	4,399,528	
Infrastructure	11,932,373	
Buildings	902,577	
Equipment	523,054	
Accumulated Depreciation - Buildings	(384,188)	
Accumulated Depreciation - Equipment	(299,903)	
		17,339,630

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. 253,920

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. 155,402

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Arbitrage Liability	(86)	
Capital Leases, Notes, and Mortgages	(42,047)	
Compensated Absences	(270,472)	
Claims and Judgments	(39,484)	
		(352,089)

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	(756,704)	
Revenue Bonds Payable	(240,773)	
Unamortized Premiums	(18,923)	
Unamortized Discounts	512	
Unamortized Loss	1,102	
Deferred Debt Financing Costs	535	
Accrued Interest Payable	(7,741)	
		(1,021,992)

**Net Assets of Governmental Activities** \$22,878,727

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





## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
<b>REVENUES</b>					
Taxes	\$ 1,132,578	\$ 5,857,604	\$ 0	\$ 0	\$ 367,907
Licenses, Permits, and Fees	149,728	607	-	-	154,785
Fines, Forfeits, and Court Settlements	24,156	42	-	1,803	-
Investment Income	146,593	-	314,795	209	3,463
Federal Grants and Reimbursements	736	119	-	2,957,773	681,430
Other Revenues	13,177	388	248,227	852,554	38,757
<b>Total Revenues</b>	<b>1,466,968</b>	<b>5,858,760</b>	<b>563,022</b>	<b>3,812,339</b>	<b>1,246,342</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	10,337	-	-	-	-
Education and Cultural Resources	7,563	5,442,606	-	-	-
Natural Resources and Recreation	4,338	-	212	-	-
Health - Physical and Mental	586,806	43,996	-	3,815,774	-
Social Services	15,541	35,007	-	-	-
Protection of Persons and Property	524,450	46,580	-	-	-
Transportation	-	-	-	-	1,279,119
General Government	307,614	17,580	16,129	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	73	6,268	-	-	12,856
Debt Service - Interest and Other Charges	12	2,586	-	-	5,300
<b>Total Expenditures</b>	<b>1,456,734</b>	<b>5,594,623</b>	<b>16,341</b>	<b>3,815,774</b>	<b>1,297,275</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>10,234</b>	<b>264,137</b>	<b>546,681</b>	<b>(3,435)</b>	<b>(50,933)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	209,495	12	72,917	113,974	46,955
Transfers Out	(222,557)	(675,701)	(292,514)	(243,036)	(54,930)
Bonds Issued	-	-	-	-	-
Capital Leases	732	-	-	-	1,175
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	6	-	-	-	1,630
<b>Total Other Financing Sources (Uses)</b>	<b>(12,324)</b>	<b>(675,689)</b>	<b>(219,597)</b>	<b>(129,062)</b>	<b>(5,170)</b>
<b>Net Change in Fund Balances</b>	<b>(2,090)</b>	<b>(411,552)</b>	<b>327,084</b>	<b>(132,497)</b>	<b>(56,103)</b>
Fund Balances, October 1, 2006, as Restated	406,336	939,943	2,975,570	131,603	533,006
Increase (Decrease) in Inventory	535	-	-	-	613
<b>Fund Balances, September 30, 2007</b>	<b>\$ 404,781</b>	<b>\$ 528,391</b>	<b>\$ 3,302,654</b>	<b>\$ (894)</b>	<b>\$ 477,516</b>

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

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 131,293	\$ 765,706	\$ 8,255,088
694	344,821	650,635
-	18,179	44,180
98	54,697	519,855
1,013,516	1,726,015	6,379,589
34,949	362,115	1,550,167
<b>1,180,550</b>	<b>3,271,533</b>	<b>17,399,514</b>
-	69,072	79,409
-	972,856	6,423,025
-	128,684	133,234
-	719,965	5,166,541
1,306,240	337,009	1,693,797
-	411,902	982,932
-	243,210	1,522,329
464	592,068	933,855
-	168,402	168,402
2,877	46,542	68,616
1,044	39,394	48,336
<b>1,310,625</b>	<b>3,729,104</b>	<b>17,220,476</b>
<b>(130,075)</b>	<b>(457,571)</b>	<b>179,038</b>
201,996	874,740	1,520,089
(69,056)	(350,114)	(1,907,908)
-	305,000	305,000
4,645	5,186	11,738
-	9,333	9,333
1	1,387	3,024
<b>137,586</b>	<b>845,532</b>	<b>(58,724)</b>
<b>7,511</b>	<b>387,961</b>	<b>120,314</b>
28,744	1,367,079	6,382,281
-	113	1,261
<b>\$ 36,255</b>	<b>\$ 1,755,153</b>	<b>\$ 6,503,856</b>

STATE OF ALABAMA

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

September 30, 2007

(Amounts in Thousands)

<b>Net Change in Fund Balances for Governmental Funds</b>		\$120,314
<p>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.</p>		
Capital Outlay	641,501	
Depreciation Expense	<u>(63,268)</u>	
		578,233
<p>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.</p>		
		(19,436)
<p>Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.</p>		
		(11,738)
<p>In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to reserved fund balance.</p>		
		1,261
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		37,508
<p>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.</p>		
		(2,915)
<p>Capital asset reassignments for the general government have not been reported in fund financial statements.</p>		
Capital asset transfers to the general government	79	
Capital asset transfers from the general government	<u>(15)</u>	
		64
<p>Long-term debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.</p>		
Bond proceeds	(305,000)	
Bond premium	(9,333)	
Repayment of bond principal	64,016	
Accrued interest	<u>8,673</u>	
		(241,644)
<p>Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.</p>		
Capital lease payments	4,598	
Compensated absences payments	(17,437)	
Claims and judgments	10,846	
Other debt payments	<u>(139)</u>	
		(2,132)
<b>Change in Net Assets of Governmental Activities</b>		<u><u>\$459,515</u></u>

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



## STATE OF ALABAMA

STATEMENT OF NET ASSETS  
Proprietary Funds

September 30, 2007

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 432,486	\$ 7,471	\$ 215,569	\$ 15,343	\$ 16,948
Investments, Short-term	-	6,857	147,777	-	-
Accounts Receivable	2,773	16,115	64,575	1,349	84
Interest and Dividends Receivable	5,461	363	-	-	-
Due from Other Funds	121	-	-	12	12
Due from Component Units	-	-	-	54	-
Due from Other Governments	14	2,727	-	-	-
Inventory	-	5,492	8,367	21,179	703
Securities Lending Collateral	30	-	-	903	119
Other Current Assets	-	1,834	-	-	300
<b>Total Current Assets</b>	<b>440,885</b>	<b>40,859</b>	<b>436,288</b>	<b>38,840</b>	<b>18,166</b>
<b>Noncurrent Assets</b>					
Investments, Long-term	-	91,294	30,802	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	9,092	12,105	90	-
Capital Assets, Net of Accumulated Depreciation	-	303,476	565,875	6,280	2,916
Capital Assets Not Depreciated	-	199,397	112,803	-	2,630
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>603,259</b>	<b>721,585</b>	<b>6,370</b>	<b>5,546</b>
<b>TOTAL ASSETS</b>	<b>440,885</b>	<b>644,118</b>	<b>1,157,873</b>	<b>45,210</b>	<b>23,712</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Warrants Payable	-	-	-	155	1
Accounts Payable	910	14,661	27,255	15,300	607
Salaries Payable	-	3,468	-	3,614	133
Due to Other Funds	121	-	-	37,192	415
Due to Component Units	-	-	-	5,055	355
Due to Other Governments	178	-	-	3,741	1
Unearned Revenue	-	-	58,199	75	427
Funds Held in Escrow	468	-	12,598	-	1
Compensated Absences	-	-	2,466	39	8
Claims Payable	-	301	-	-	4,382
Notes Payable	-	-	1,487	-	-
Revenue Bonds Payable	-	6,760	14,311	-	-
Capital Leases	-	-	1,292	-	-
Securities Lending Obligation	30	-	-	903	119
<b>Total Current Liabilities</b>	<b>1,707</b>	<b>25,190</b>	<b>117,608</b>	<b>66,074</b>	<b>6,449</b>
<b>Long-term Liabilities</b>					
Unearned Revenue, Noncurrent	-	2,224	-	-	-
Compensated Absences	-	-	17,030	6,141	237
Notes Payable	-	-	7,874	-	1,541
Revenue Bonds Payable	-	290,791	260,920	-	-
Capital Leases Payable	-	-	8,683	-	-
Claims Payable	-	988	-	-	-
Other Long-term Liabilities	-	1,886	86	-	-
<b>Total Long-term Liabilities</b>	<b>0</b>	<b>295,889</b>	<b>294,593</b>	<b>6,141</b>	<b>1,778</b>
<b>TOTAL LIABILITIES</b>	<b>1,707</b>	<b>321,079</b>	<b>412,201</b>	<b>72,215</b>	<b>8,227</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	-	262,336	447,291	6,280	4,004
Restricted for:					
Permanent - Expendable	-	-	43,377	-	-
Permanent - Non-expendable	-	-	6,627	-	-
Unemployment Compensation	439,178	-	-	-	-
Debt Service	-	24,481	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	-	36,222	248,377	(33,285)	11,481
<b>TOTAL NET ASSETS</b>	<b>\$ 439,178</b>	<b>\$ 323,039</b>	<b>\$ 745,672</b>	<b>\$ (27,005)</b>	<b>\$ 15,485</b>

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

Governmental Activities

	<u>Total Enterprise Funds</u>		<u>Internal Service Funds</u>
\$	687,817	\$	69,321
	154,634		1,007
	84,896		12,953
	5,824		781
	145		16,519
	54		550
	2,741		-
	35,741		5,094
	1,052		4,363
	2,134		9,369
	<b>975,038</b>		<b>119,957</b>
	122,096		79,611
	-		10,909
	-		35,985
	21,287		931
	878,547		40,884
	314,830		25,974
	<b>1,336,760</b>		<b>194,294</b>
	<b>2,311,798</b>		<b>314,251</b>
	156		561
	58,733		6,864
	7,215		2,544
	37,728		2,501
	5,410		57
	3,920		637
	58,701		9
	13,067		-
	2,513		32
	4,683		14,799
	1,487		-
	21,071		5,670
	1,292		217
	1,052		4,363
	<b>217,028</b>		<b>38,254</b>
	2,224		-
	23,408		4,541
	9,415		-
	551,711		86,237
	8,683		89
	988		29,728
	1,972		-
	<b>598,401</b>		<b>120,595</b>
	<b>815,429</b>		<b>158,849</b>
	719,911		364
	43,377		-
	6,627		-
	439,178		-
	24,481		-
	-		25,476
	262,795		129,562
<b>\$</b>	<b>1,496,369</b>	<b>\$</b>	<b>155,402</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>					
Charges for Goods and Services	\$ 0	\$ 109,734	\$ 152,558	\$ 213,943	\$ 25,850
Investment Earnings	-	-	452	-	52
Premiums and Contributions	218,944	-	-	-	17,627
Rents and Leases	-	-	-	-	487
Interest from Mortgages and Loans Receivable	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>218,944</b>	<b>109,734</b>	<b>153,010</b>	<b>213,943</b>	<b>44,016</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages, and Benefits	-	-	445,279	40,627	1,455
Utilities and Communications	-	-	23,439	2,237	278
Professional Services	-	-	-	1,309	491
Supplies, Materials, and Operating Expenses	-	1,377	162,349	172,099	18,769
Interest	-	-	-	-	-
Depreciation	-	16,600	24,735	2,187	337
Claims and Benefits	245,056	-	-	-	23,998
Operations and Maintenance	-	64,758	-	-	-
General and Administrative	-	10,713	-	-	-
Other	-	-	53,799	11,911	596
<b>Total Operating Expenses</b>	<b>245,056</b>	<b>93,448</b>	<b>709,601</b>	<b>230,370</b>	<b>45,924</b>
<b>Operating Income (Loss)</b>	<b>(26,112)</b>	<b>16,286</b>	<b>(556,591)</b>	<b>(16,427)</b>	<b>(1,908)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	-	-	-	9,788	5,174
Grants	15,488	-	255,238	126	45
Investment Income	20,415	4,998	13,951	-	337
Other Nonoperating Revenues	9,629	344	5,290	1,926	565
Interest Expense	-	(12,227)	(10,078)	-	(117)
Other Nonoperating Expenses	(3,393)	(1,086)	(25,442)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>42,139</b>	<b>(7,971)</b>	<b>238,959</b>	<b>11,840</b>	<b>6,004</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>16,027</b>	<b>8,315</b>	<b>(317,632)</b>	<b>(4,587)</b>	<b>4,096</b>
Capital Contributions	-	10,221	9,192	-	-
Contributions to Endowments	-	-	131	-	-
Transfers In	-	34,900	381,132	493	28
Transfers Out	(13,676)	(26)	-	(18,189)	(5,452)
<b>Increase (Decrease) in Net Assets</b>	<b>2,351</b>	<b>53,410</b>	<b>72,823</b>	<b>(22,283)</b>	<b>(1,328)</b>
Total Net Assets, October 1, 2006, as Restated	436,827	269,629	672,849	(4,722)	16,813
<b>Total Net Assets, September 30, 2007</b>	<b>\$ 439,178</b>	<b>\$ 323,039</b>	<b>\$ 745,672</b>	<b>\$ (27,005)</b>	<b>\$ 15,485</b>

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



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Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 502,085	\$ 76,597
504	7,857
236,571	40,054
487	16,285
-	1,340
<b>739,647</b>	<b>142,133</b>
487,361	30,217
25,954	20,280
1,800	15,949
354,594	49,367
-	3,555
43,859	8,008
269,054	19,080
64,758	-
10,713	-
66,306	10,356
<b>1,324,399</b>	<b>156,812</b>
<b>(584,752)</b>	<b>(14,679)</b>
14,962	-
270,897	381
39,701	1,577
17,754	2,028
(22,422)	(33)
(29,921)	(735)
<b>290,971</b>	<b>3,218</b>
<b>(293,781)</b>	<b>(11,461)</b>
19,413	-
131	-
416,553	8,745
(37,343)	(199)
<b>104,973</b>	<b>(2,915)</b>
<b>1,391,396</b>	<b>158,317</b>
<b>\$ 1,496,369</b>	<b>\$ 155,402</b>

## STATE OF ALABAMA

STATEMENT OF CASH FLOWS  
Proprietary Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customer & User Charges	\$ 227,043	\$ 100,870	\$ 119,246	\$ 231,791	\$ 49,185
Receipts from Interfund Services	-	-	-	5	44
Receipts from Operating Grants	12,107	6,506	238,756	-	-
Receipts from Interfund Reimbursements	4,438	-	-	-	-
Receipts from Other Operating Activities	2	-	22,417	14,848	320
Payments for Goods Held for Resale	-	-	-	(164,019)	(17,704)
Payments for Other Goods & Services	-	(49,507)	(167,786)	(18,610)	(27,721)
Payments for Employees Services	-	(30,569)	(444,419)	(39,652)	(1,486)
Payments for Taxes, Fines, Penalties, & Similar Fees	(9,482)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,394)	(166)
Payments for Other Operating Activities	-	-	(64,537)	(4,484)	(2)
Payments for Claims	(251,652)	-	-	-	-
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(17,544)</b>	<b>27,300</b>	<b>(296,323)</b>	<b>18,485</b>	<b>2,470</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Receipts from Noncapital Financing Grants & Donations	3,640	-	(2,851)	-	-
Transfers from Other Funds for Noncapital Financing	-	-	381,314	543	28
Receipts from Noncapital Financing Taxes	9,584	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(7,584)	-	(1,802)	-	-
Transfers to Other Funds for Noncapital Financing	(9,525)	-	131	(18,189)	(5,466)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>(3,885)</b>	<b>0</b>	<b>376,792</b>	<b>(17,646)</b>	<b>(5,438)</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>					
Proceeds from Revenue Bonds & Other Capital Debt	-	309,412	63,926	-	-
Receipts from Capital Grants & Contributions	-	12,157	8,689	-	-
Transfers from Other Funds for Capital Financing	-	34,900	-	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	5,061	102	76	287
Payments to Acquire, Construct, & Improve Capital Assets	-	(63,649)	(96,853)	(3,410)	162
Principal Paid on Revenue Bonds & Other Capital Debt	-	(197,969)	(150)	-	130
Lease Payments to Acquire and Improve Capital Assets	-	-	(14,576)	-	(93)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(11,549)	(9,648)	-	(117)
Bond Issuance Cost	-	-	(673)	-	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>0</b>	<b>88,363</b>	<b>(49,183)</b>	<b>(3,334)</b>	<b>369</b>
<b>Cash Flows From Investing Activities</b>					
Receipts from Sales & Maturities of Investments	-	2,078	29,324	-	-
Receipts from Interest & Dividends on Investments & Loans	20,198	5,572	14,345	-	389
Purchase of Investments	-	(120,018)	(50,925)	-	-
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>20,198</b>	<b>(112,368)</b>	<b>(7,256)</b>	<b>0</b>	<b>389</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(1,231)</b>	<b>3,295</b>	<b>24,030</b>	<b>(2,495)</b>	<b>(2,210)</b>
Cash Balance as Restated, October 1, 2006	433,717	4,176	191,539	17,683	19,157
<b>Cash Balance, September 30, 2007</b>	<b>432,486</b>	<b>7,471</b>	<b>215,569</b>	<b>15,188</b>	<b>16,947</b>
Add: Warrants Payable	-	-	-	155	1
<b>Cash and Cash Equivalents, as Reported on Balance Sheet</b>	<b>\$ 432,486</b>	<b>\$ 7,471</b>	<b>\$ 215,569</b>	<b>\$ 15,343</b>	<b>\$ 16,948</b>

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

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Governmental Activities

	Total Enterprise Funds		Internal Service Funds
\$	728,135	\$	45,003
	49		103,352
	257,369		-
	4,438		-
	37,587		7,648
	(181,723)		(23,151)
	(263,624)		(68,640)
	(516,126)		(29,487)
	(9,482)		(785)
	(1,560)		(8,521)
	(69,023)		(8,990)
	(251,652)		(31,162)
	<u>(265,612)</u>		<u>(14,733)</u>
	789		-
	381,885		9,904
	9,584		-
	(9,386)		-
	(33,049)		(96)
	<b>349,823</b>		<b>9,808</b>
	373,338		(4,335)
	20,846		-
	34,900		-
	5,526		179
	(163,750)		(11,524)
	(197,989)		(1,159)
	(14,669)		-
	(21,314)		(4,964)
	(673)		-
	<b>36,215</b>		<b>(21,803)</b>
	31,402		327,286
	40,504		7,479
	(170,943)		(317,922)
	<u>(99,037)</u>		<u>16,843</u>
	<b>21,389</b>		<b>(9,885)</b>
	666,272		78,645
	<b>687,661</b>		<b>68,760</b>
	156		561
<b>\$</b>	<b><u>687,817</u></b>	<b>\$</b>	<b><u>69,321</u></b>

Continued on next page...

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided (Used) by Operating Activities:</b>					
<b>Operating Income (Loss)</b>	<b>\$ (26,112)</b>	<b>\$ 16,286</b>	<b>\$ (556,591)</b>	<b>\$ (16,427)</b>	<b>\$ (1,908)</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	(159)	(2,358)	(14,035)	1,955	118
Due from Other Funds	-	-	-	5	(3)
Due from Component Units	-	-	-	-	-
Inventory	-	(524)	218	408	(161)
Other Assets	-	(66)	2,634	-	87
Capital Assets	-	-	-	-	-
Accounts Payable	(3,297)	(3,893)	(2,000)	(197)	(12)
Salaries Payable	-	-	-	456	12
Due to Other Funds	-	-	-	8,868	195
Due to Component Units	-	-	-	5,055	-
Due to Other Governments	-	-	-	759	-
Claims Payable	-	-	-	-	(1,551)
Amounts Held Pending Distribution	-	-	-	525	-
Unearned Revenue	-	-	3,994	-	(46)
Amounts Held in Custody for Others	2	-	4,256	(5)	-
Compensated Absences	-	-	(5)	536	(41)
Other Liabilities	-	(95)	406	-	-
Investment Income	-	-	(452)	-	(52)
Operating Interest Expense	-	-	-	-	-
Depreciation	-	16,600	24,735	2,187	337
Amortization Expense	-	273	-	-	-
Nonoperating Revenues	12,022	-	240,517	14,360	5,495
Nonoperating Expenses	-	1,077	-	-	-
Total Adjustments	8,568	11,014	260,268	34,912	4,378
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (17,544)</b>	<b>\$ 27,300</b>	<b>\$ (296,323)</b>	<b>\$ 18,485</b>	<b>\$ 2,470</b>

**Noncash Investing, Capital, and Financing Activities**

Increase (Decrease):

Transfers and Donations of Capital Assets	-	-	-	4,423	34
Capital Assets Acquired by Capital Lease, Mortgages, or Note	-	-	5,179	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(292)	(20,648)	(9,119)	(99)
Capital Assets Acquired on Account	-	-	-	-	-
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	-	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	-	328	-	-
Transfers In (Out)	-	-	-	-	-

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

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Governmental Activities

<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<b>\$ (584,752)</b>	<b>\$ (14,679)</b>
(14,479)	14,051
2	(228)
-	(540)
(59)	485
2,655	(3,017)
-	16
(9,399)	22
468	180
9,063	(4,590)
5,055	-
759	(739)
(1,551)	(12,007)
525	273
3,948	(2)
4,253	-
490	474
311	-
(504)	(7,857)
-	3,555
43,859	8,008
273	-
272,394	1,939
1,077	(77)
<u>319,140</u>	<u>(54)</u>
<b><u>\$ (265,612)</u></b>	<b><u>\$ (14,733)</u></b>

4,457	13,490
5,179	-
(30,158)	(12,472)
-	(33)
-	37
-	206
328	(1,794)
-	264

## STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS  
Fiduciary Funds

September 30, 2007

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 55,921	\$ 6,955	\$ 170,981
Investments			
Time Deposits	-	132	3,437
U.S. Treasury Securities	843,905	12,486	29,017
U.S. Agency Securities	1,406,072	19,533	-
State and Local Government Securities	-	-	5,540
Mortgage Backed Securities	81,756	120,313	8,323
Corporate Stocks	15,820,942	409,267	-
Corporate Bonds	6,442,730	32,494	6,400
Real Estate	2,204,039	840	-
Commercial Paper	1,155,442	-	-
International Stocks	5,431,412	179,199	-
International Bonds	-	18,655	-
Mutual and Money Market Funds	367,599	716,976	1,214
Other	6,008	-	-
Receivables			
Accounts Receivable	1,180	3,368	31
Due from Other Funds	1	27	530
Due from Primary Government	12	-	-
Due from Component Units	-	-	4
Employer Contributions Receivable	82,780	-	-
Member Contributions Receivable	40,220	-	-
Interest and Dividends Receivable	240,502	2,406	-
Securities Lending Collateral	4,440,022	76,825	2,496
Capital Assets, Net of Accumulated Depreciation	86,256	-	-
Capital Assets Not Depreciated	8,810	-	-
<b>TOTAL ASSETS</b>	<b>38,715,609</b>	<b>1,599,476</b>	<b>227,973</b>
<b>LIABILITIES</b>			
Warrants Payable	\$ 38,621	\$ 206	\$ 20,361
Accounts Payable	2,730	64,618	561
Salaries Payable	1,834	30	-
Due to Other Funds	1	32	-
Due to Primary Government	46	-	-
Due to Other Governments	-	16	2,629
Claims Payable	35,023	-	-
Securities Lending Obligation	4,440,022	76,825	2,496
Deferred Revenue	1,166	-	-
Amounts Held in Custody for Others	1	-	201,926
Compensated Absences	3,012	52	-
<b>TOTAL LIABILITIES</b>	<b>4,522,456</b>	<b>141,779</b>	<b>227,973</b>
<b>NET ASSETS</b>			
Held in Trust for Beneficiaries	-	1,457,697	-
Held in Trust for Pension and Other Employee Benefits	34,193,153	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 34,193,153</b>	<b>\$ 1,457,697</b>	<b>\$ 0</b>

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

## STATE OF ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
Fiduciary Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Plan members	\$ 682,654	\$ 255,795
Employer	1,539,977	-
Medicare Part D Retiree Drug Subsidy	25,827	-
Total Contributions	<u>2,248,458</u>	<u>255,795</u>
Investment Earnings		
Investment Interest and Dividends	1,136,589	58,359
Net Increase (Decrease) in Fair Value of Investments	3,914,499	131,094
Securities Lending Income	210,512	1,320
Total Investment Earnings	<u>5,261,600</u>	<u>190,773</u>
Less:		
Investment Expense	8,755	-
Securities Lending Interest and Fees	198,156	1,261
Net Investment Income	<u>5,054,689</u>	<u>189,512</u>
Other Additions		
Licenses and Fees	3,078	-
Miscellaneous	7,778	865
Total Other Additions	<u>10,856</u>	<u>865</u>
<b>Total Additions</b>	<b>7,314,003</b>	<b>446,172</b>
<b>DEDUCTIONS</b>		
Benefit Payments and Refunds	2,600,705	211,171
Administrative Expense	28,998	9,032
Transfers Out	1	-
<b>Total Deductions</b>	<u>2,629,704</u>	<u>220,203</u>
<b>Changes in Net Assets</b>	<b>4,684,299</b>	<b>225,969</b>
Net Assets Held in Trust for Beneficiaries, October 1, 2006, as Restated	<u>29,508,854</u>	<u>1,231,728</u>
<b>Net Assets Held in Trust for Beneficiaries, September 30, 2007</b>	<b><u>\$ 34,193,153</u></b>	<b><u>\$ 1,457,697</u></b>

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

## STATE OF ALABAMA

STATEMENT OF NET ASSETS  
Component Units

September 30, 2007

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 133,589	\$ 109,803	\$ 4,825	\$ 97,392	\$ 243,025
Investments	-	1	914,365	131,682	2,362,645
Accounts Receivable	23	24	-	483	442,230
Due from Primary Government	9	38,784	-	-	-
Due from Other Governments	-	5,698	-	514,025	-
Taxes Receivable	41,502	119,674	-	-	-
Interest and Dividends Receivable	-	-	11,807	3,180	230
Mortgages, Notes, and Loans Receivable	-	-	460,815	-	67,351
Securities Lending Collateral	7,340	5,784	-	78	-
Inventory	-	1,720	-	-	17,787
Other Assets	-	292	18,250	7,039	76,787
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	11,342	58,937	-	329	2,043,188
Capital Assets Not Depreciated	-	2,942	-	-	311,044
<b>TOTAL ASSETS</b>	<b>193,805</b>	<b>343,659</b>	<b>1,410,062</b>	<b>754,208</b>	<b>5,564,287</b>
<b>LIABILITIES</b>					
Warrants Payable	345	1,698	-	-	-
Accounts Payable	-	51,219	720	19	260,071
Salaries Payable	-	13,233	-	-	-
Interest Payable	18,363	248	18,790	2,730	-
Due to Primary Government	9	11,285	-	323	-
Due to Other Governments	-	6,280	-	44,604	25,805
Securities Lending Obligation	7,340	5,784	-	78	-
Unearned Revenue	5,586	-	12,788	658	178,880
Amounts Held in Custody for Others	-	1	190,238	115	12,711
Noncurrent Liabilities:					
Due Within One Year	91,215	5,687	59,183	29,045	34,194
Due In More Than One Year	1,272,884	33,298	907,199	404,345	1,247,265
<b>TOTAL LIABILITIES</b>	<b>1,395,742</b>	<b>128,733</b>	<b>1,188,918</b>	<b>481,917</b>	<b>1,758,926</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	11,342	43,948	-	329	1,277,275
Restricted for:					
Permanent - Expendable	-	-	-	-	619,106
Permanent - Non-expendable	-	-	-	-	563,759
Debt Service	-	-	172,579	271,962	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,213,279)	170,978	48,565	-	1,345,221
<b>TOTAL NET ASSETS</b>	<b>\$ (1,201,937)</b>	<b>\$ 214,926</b>	<b>\$ 221,144</b>	<b>\$ 272,291</b>	<b>\$ 3,805,361</b>

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
\$ 41,117	\$ 54,916	\$ 3,492	\$ 5,970	\$ 521,670	\$ 1,215,799
960,652	596,318	92,455	208,005	365,659	5,631,782
50,166	67,095	1,813	960	199,888	762,682
-	-	2	955	26	39,776
-	-	-	-	212,324	732,047
-	-	-	-	-	161,176
3,779	-	563	1,431	2,600	23,590
48,919	6,410	-	-	26,815	610,310
-	-	224	32,993	11,734	58,153
3,784	-	-	-	9,139	32,430
5,259	13,808	707	364	28,683	151,189
-	5,820	-	-	5,012	10,832
682,881	218,107	-	265	512,522	3,527,571
79,203	94,099	-	-	197,410	684,698
<b>1,875,760</b>	<b>1,056,573</b>	<b>99,256</b>	<b>250,943</b>	<b>2,093,482</b>	<b>13,642,035</b>
-	-	1,284	84	3,204	6,615
44,849	26,211	15	10,789	42,402	436,295
3,872	-	158	353	4,198	21,814
5,152	-	-	-	10,128	55,411
-	-	-	364	36,430	48,411
-	-	-	-	26,913	103,602
-	-	224	32,993	11,734	58,153
100,564	24,744	-	37,974	102,186	463,380
20,903	-	1	-	21,821	245,790
29,543	13,209	50,967	38,296	45,030	396,369
338,143	286,714	410	589	859,613	5,350,460
<b>543,026</b>	<b>350,878</b>	<b>53,059</b>	<b>121,442</b>	<b>1,163,659</b>	<b>7,186,300</b>
481,202	163,229	-	265	458,146	2,435,736
145,543	95,662	-	-	108,295	968,606
224,322	187,878	-	-	82,092	1,058,051
-	-	-	-	109,557	554,098
-	-	-	-	27,509	27,509
481,667	258,926	46,197	129,236	144,224	1,411,735
<b>\$ 1,332,734</b>	<b>\$ 705,695</b>	<b>\$ 46,197</b>	<b>\$ 129,501</b>	<b>\$ 929,823</b>	<b>\$ 6,455,735</b>

## STATE OF ALABAMA

## STATEMENT OF ACTIVITIES

## Component Units

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
<b>Expenses</b>	<b>\$ 122,787</b>	<b>\$ 793,452</b>	<b>\$ 81,907</b>	<b>\$ 32,221</b>	<b>\$ 2,861,780</b>
<b>Program Revenues</b>					
Charges for Services	-	10,561	47,940	20,978	1,581,182
Operating Grants and Contributions	46	62,642	-	16,538	711,455
Capital Grants and Contributions	-	-	-	-	69,379
<b>Total Program Revenues</b>	<b>46</b>	<b>73,203</b>	<b>47,940</b>	<b>37,516</b>	<b>2,362,016</b>
<b>Net (Expense) Revenue</b>	<b>(122,741)</b>	<b>(720,249)</b>	<b>(33,967)</b>	<b>5,295</b>	<b>(499,764)</b>
<b>General Revenues:</b>					
Taxes:					
Sales and Use Taxes	78,946	-	-	-	-
Utility Taxes	-	143,073	-	-	-
Insurance Premium Tax	-	4,525	-	-	-
Liquor Taxes	-	13,076	-	-	-
Tobacco and Cigarette Taxes	-	5,834	-	-	-
Investment Earnings	5,898	697	37,828	12,295	304,545
Miscellaneous	-	29,869	1,543	3,961	5,772
Contributions to Permanent Funds and Endowments	-	-	-	-	30,264
Payments from State of Alabama	82,185	569,627	-	1,320	532,803
<b>Total General Revenues, Special Items, and Transfers</b>	<b>167,029</b>	<b>766,701</b>	<b>39,371</b>	<b>17,576</b>	<b>873,384</b>
<b>Change in Net Assets</b>	<b>44,288</b>	<b>46,452</b>	<b>5,404</b>	<b>22,871</b>	<b>373,620</b>
Net Assets, October 1, 2006, as Restated	(1,246,225)	168,474	215,740	249,420	3,431,741
<b>Net Assets, September 30, 2007</b>	<b>\$ (1,201,937)</b>	<b>\$ 214,926</b>	<b>\$ 221,144</b>	<b>\$ 272,291</b>	<b>\$ 3,805,361</b>

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
<b>\$ 741,492</b>	<b>\$ 517,967</b>	<b>\$ 633,953</b>	<b>\$ 385,505</b>	<b>\$ 993,629</b>	<b>\$ 7,164,693</b>
325,485	357,121	416,753	418,999	535,530	3,714,549
234,182	39,759	2	3	209,511	1,274,138
19,041	19,897	-	-	19,919	128,236
<b>578,708</b>	<b>416,777</b>	<b>416,755</b>	<b>419,002</b>	<b>764,960</b>	<b>5,116,923</b>
<b>(162,784)</b>	<b>(101,190)</b>	<b>(217,198)</b>	<b>33,497</b>	<b>(228,669)</b>	<b>(2,047,770)</b>
-	-	-	-	-	78,946
-	-	-	-	1,220	144,293
-	-	-	-	-	4,525
-	-	-	-	-	13,076
-	-	-	-	3,600	9,434
87,147	53,232	16,856	11,404	48,803	578,705
-	26,474	-	241	31,313	99,173
212	3,843	-	-	-	34,319
288,020	120,388	-	-	333,688	1,928,031
<b>375,379</b>	<b>203,937</b>	<b>16,856</b>	<b>11,645</b>	<b>418,624</b>	<b>2,890,502</b>
<b>212,595</b>	<b>102,747</b>	<b>(200,342)</b>	<b>45,142</b>	<b>189,955</b>	<b>842,732</b>
1,120,139	602,948	246,539	84,359	739,868	5,613,003
<b>\$ 1,332,734</b>	<b>\$ 705,695</b>	<b>\$ 46,197</b>	<b>\$ 129,501</b>	<b>\$ 929,823</b>	<b>\$ 6,455,735</b>

STATE OF ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2007

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

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

#### **1. Primary Government**

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

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

#### **2. Blended Component Units**

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

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

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2007

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

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

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

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

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

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

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

### **3. Discretely Presented Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

The Public Education Employees' Health Insurance Board operates a health insurance plan for employees of public school systems, State junior colleges, colleges, universities, and related education administrative employees. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at 135 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 500, RSA Tower, 201 Monroe Street, Montgomery, AL 36104.

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy University. The University of Alabama board of trustees is not controlled by the State, but the University is subject to budgetary control by the State. The Alabama Shakespeare Festival, Inc., the Crimson Tide Foundation, the Southern Research Institute, UAB Research Foundation, and Triton Health Systems, L.L.C. are component units of the University of Alabama and are included in all amounts reported for the University. In addition to these component units there are other legally separate, tax exempt organizations that are component units of the universities that are mentioned below.

Certain legally separate, tax exempt organizations are 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 component units of the universities and are included in each of the universities' financial statements. These organizations are included in the amounts reported for each university. For the University of Alabama, the University's component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 Foundation, and The University of Alabama Law School Foundation, and The University of Alabama Huntsville Foundation. For Alabama State University, the Alabama State

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4. Fiduciary Component Units**

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

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2007

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

The Teachers' Retirement System (TRS) operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees. The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 135 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

### **5. Excluded Organizations**

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

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

### **6. Sources of Information**

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

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

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

#### **a. Primary Government**

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

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

**b. Discretely Presented Component Units**

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

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2007

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

### **B. Government-Wide and Fund Financial Statements**

#### **1. Government-Wide Financial Statements**

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

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

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

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

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

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

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## **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,

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

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

## 2. Financial Statement Presentation

### a. Major Funds

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

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

### b. Nonmajor Funds

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

#### Governmental Fund Types:

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

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

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

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

#### Proprietary Fund Types:

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

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

**Fiduciary Fund Types:**

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

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

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

**D. Fiscal Year**

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2007 ended on September 30 so there was no effect on the financial statements.

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

**1. Cash and Cash Equivalents**

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

**2. Receivables**

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

### **3. Interfund Activity and Balances**

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

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

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

### **4. Inventories**

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

### **5. Investments**

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



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## 6. Restricted Assets

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

## 7. Capital Assets

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

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

Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (e.g., roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (ALDOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The ALDOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. ALDOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The cost of infrastructure reported includes historical costs for all years from 1980 to the present as required by GASB 34 as well as historical costs preceding 1980.

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

## 8. Compensated Absences

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

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

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

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

The liability at September 30, 2007, was computed using salary rates effective at that date including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and non-vested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

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

**9. Long-Term Obligations**

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

**10. Net Assets and Fund Balances**

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

**F. Proprietary Fund Operating Revenues and Expenses**

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

**G. New Accounting Pronouncements**

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

GASB Statement No. 43: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

**NOTE 2 - FUND BALANCES/NET ASSETS**

**A. Restricted Net Assets**

The Government-wide Statement of Net Assets reports \$6.6 billion of restricted net assets for the primary government, of which \$297 million is restricted by enabling legislation.

## B. Restatements

Fund Balances and Net Assets as of October 1, 2006 have been restated for certain accounting changes necessary to conform to GAAP. Those changes are summarized in the following table:

(Amounts In Thousands)	Sept. 30, 2006 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2006 As Restated
<b><u>Primary Government</u></b>			
<b>Governmental Funds</b>			
General Fund	\$ 404,707	\$ 1,629	\$ 406,336
Education Trust Fund	1,029,545	(89,602)	939,943
Alabama Trust Fund	2,975,570	0	2,975,570
Medicaid Fund	131,603	0	131,603
Public Road & Bridge Fund	558,812	(25,806)	533,006
Public Welfare Trust Fund	25,941	2,803	28,744
Nonmajor Governmental Funds	1,348,580	18,499	1,367,079
<b>Total Governmental Funds</b>	<b>\$ 6,474,758</b>	<b>\$ (92,477)</b>	<b>\$ 6,382,281</b>
<b>Proprietary Funds</b>			
Unemployment Compensation	\$ 436,827	\$ -	\$ 436,827
State Port Authority	269,629	0	269,629
Alabama College System	660,440	12,409	672,849
Alcoholic Beverage Control Board	(4,722)	0	(4,722)
Nonmajor Enterprise Funds	16,812	1	16,813
Internal Service Funds	136,857	21,460	158,317
<b>Total Proprietary Funds</b>	<b>\$ 1,515,843</b>	<b>\$ 33,870</b>	<b>\$ 1,549,713</b>
<b>Governmental Activities</b>			
September 30, 2006, as Previously Reported	\$ 22,480,501		
Capital Asset Restatements	19,164		
Long-term Debt Restatements	(9,439)		
Governmental Fund Restatements	(92,477)		
Internal Service Fund Restatements	21,460		
Government-wide Restatements	3		
<b>Net Assets, October 1, 2006, as Restated</b>	<b>\$ 22,419,212</b>		

The Public Road and Bridge Fund had an adjustment of \$22,268,000 for the correction of prior year accruals of Due from Other Governments. The adjustments for the General Fund, Education Trust Fund, Public Road and Bridge Fund (adjustment of \$2,538,000), Public Welfare Trust Fund, most of the amount in Nonmajor Governmental Funds, as well as the amount in the component unit table below for the Public School and College Authority was from a correction in the allocation of the prior year's tax accruals. Because this was an error in allocation among the funds, there was no change in the taxes accrued for the State entity as a whole. \$12,368,000 of the adjustments to the Alabama College System was the result of incorrectly reporting the value of the real property of Marion Military Institute in 2006. Most of the adjustment to Internal Service Funds was because Risk Management did not record a receivable of \$18,849,000 for reinsurance recoveries in fiscal year 2006.

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(Amounts In Thousands)	Sept. 30, 2006 As Previously Reported	Prior Period Accounting Adjustments	Oct. 1, 2006 As Restated
<b><u>Component Units</u></b>			
Public School and College Authority	\$ (1,320,141)	\$ 73,916	\$ (1,246,225)
Mental Health	168,474	-	168,474
Housing Finance Authority	215,740	-	215,740
Water Pollution Control Authority	249,420	-	249,420
University of Alabama	3,423,889	7,852	3,431,741
Auburn University	1,119,834	305	1,120,139
University of South Alabama	602,948	-	602,948
Public Educ Employees Health Insurance	246,539	-	246,539
State Employees Health Insurance	84,359	-	84,359
Other Component Units	762,205	(22,337)	739,868
<b>Total Component Units</b>	<b>\$ 5,553,267</b>	<b>\$ 59,736</b>	<b>\$ 5,613,003</b>
<b><u>Fiduciary Funds</u></b>			
Pension and Other Employee Benefits Trust Funds	\$ 29,508,854	\$ -	\$ 29,508,854
Private Purpose Trust Funds	1,254,635	(22,907)	1,231,728
<b>Total Fiduciary Funds</b>	<b>\$ 30,763,489</b>	<b>\$ (22,907)</b>	<b>\$ 30,740,582</b>

The Public School and College Authority was restated by \$73,916,000 because of the tax allocation correction described in the paragraph above under the Primary Government table. The majority of the Other Component Units restatement came from Alabama A&M which overstated various asset accounts in the previous years by \$20 million while also understating liabilities by \$5 million.

The restatement for Private Purpose Trust Funds came from the Prepaid Affordable College Tuition (PACT) program. PACT did not accrue the fall 2006 tuition benefits payable.

**C. Fund Balance/Net Assets Deficits**

**1. Primary Government**

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$5,292,000, and a total deficit in fund balance of \$894,000. This was caused by the accrual of claims outstanding on September 30, 2007. The expense was recognized in 2007 along with a receivable for the federal share of the claim. The State matching money will not be available until 2008 when the claims will be paid.

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$33,285,000 at September 30, 2007, with a total net asset deficit of \$27,005,000. The deficits are largely due to the accrual of liabilities for compensated absences, salaries payable, and profits and taxes currently due to other funds. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its earnings.

The Building Renovation Finance Authority, an internal service fund, had a deficit in net assets of \$4,776,000. The Authority has a deficit balance of \$13,971,000 in net assets invested in capital assets, net of related debt and a deficit in unrestricted net assets of \$16,281,000. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them.

The Motor Sports Hall of Fame, a nonmajor enterprise fund, had a deficit in unrestricted net assets of \$252,000, with positive total net assets of \$2,643,000.

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## 2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,213,279,000 causing a deficit in total net assets of \$1,201,937,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues pledged by the primary government.

Alabama Agricultural & Mechanical University, a nonmajor component unit, has a deficit of \$12,605,000 in unrestricted net assets, but overall net assets are a positive \$53,804,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$5,026,000 and a positive overall net assets of \$32,761,000. 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 \$97,186,000 with an overall deficit in total net assets of \$87,780,000. 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.

The State Industrial Development Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$5,340,000. The Authority issues bonds to finance grants for projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$9,827,000. 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.

The U.S.S. Alabama Battleship Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$2,456,000, with positive total net assets of \$9,695,000. Eighty-nine percent of the Commission's assets are capital, while it has a debt balance of \$3,800,000.

The Historic Ironworks Commission, a nonmajor component unit, had a small deficit in unrestricted net assets of \$147,000, with positive total net assets of \$3,518,000.

The Marine Environmental Sciences Consortium, a nonmajor component unit, had a small deficit in unrestricted net assets of \$363,000 but a positive total net assets of \$7,865,000.

## NOTE 3 - ASSETS

### A. Cash Deposits

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

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975*, Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

## **B. Investments**

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

### **1. Primary Government**

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

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

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

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

### **2. Fiduciary Funds**

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

Alabama Housing Finance Authority (AHFA) - 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

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

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

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

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

STATE OF ALABAMA  
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For the Fiscal Year Ended September 30, 2007

The State's investments at September 30, 2007, are as follows:

<b>Investment Types and Fair Value</b>			
<b>September 30, 2007</b>			
<b>(Amounts in Thousands)</b>			
<b>Investment Types</b>	<b>Governmental and Business-Type Activities</b>	<b>Fiduciary Funds (including Fiduciary Component Units)</b>	<b>Discretely Presented Component Units</b>
U S Treasury Strips	\$ -	\$ 173	\$ 19,344
Other U S Government Guaranteed Securities	752,198	885,635	336,918
U S Agency Securities	770,714	1,426,447	582,287
State and Local Government Securities	509	5,540	1,314
Mortgage Backed Securities	910,331	175,187	911,073
TBA Mortgage Backed Securities	247,316	35,276	-
Commercial Paper	28,145	1,155,442	275,579
Corporate Bonds	452,152	2,200,686	167,665
Private Placements	2,593	4,279,695	36,682
Repurchase Agreements	1,700,964	5,385	155,123
International Bonds	27	18,655	88,003
LLC Debt Securities	49,210	-	-
Bond Mutual Funds	9,299	525,483	599,470
Domestic Equities	845,176	16,228,530	695,175
International Equities	283,574	5,610,609	3,088
Other Mutual Funds	125,076	565,933	1,505,270
Real Estate	7,977	2,204,879	74,572
Guaranteed Investment Contracts	-	-	220,100
	<u>\$ 6,185,261</u>	<u>\$ 35,323,555</u>	<u>\$ 5,671,663</u>

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

Investments Per Investment Note	\$ 6,185,261	\$ 35,323,555	\$ 5,671,663
Certificates of Deposit †	79,581	3,569	30,762
Other Cash Equivalents †	(294,315)	1,992	59,620
Repurchase Agreements ††	(1,677,154)	(5,385)	(39,222)
Investments Classified as Restricted Assets	(1,868)	-	(3,995)
Foundations and pooled investments §	-	-	(87,046)
<b>Investments per Statements</b>	<u>\$ 4,291,505</u>	<u>\$ 35,323,731</u>	<u>\$ 5,631,782</u>

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

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

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



## C. Investment Risks

### 1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The ratings of the State's investments as of September 30, 2007 are presented below.

<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Governmental and Business-Type Activities</u>	<u>RSA Fiduciary Component Units</u>	<u>Other Fiduciary Funds</u>	<u>Discretely Presented Component Units</u>
Aaa		\$ 3,212,260	\$ 1,220,142	\$ 478,193	\$ 1,151,394
	AAA	68,240	214	4,350	221,198
Aa1		13,197	33,240	8,900	1,123
	AA+	449	-	-	-
Aa2		19,892	71,018	18,080	2,894
	AA	350	-	-	47,613
Aa3		43,486	170,178	36,078	3,017
Aa		57	-	793	8,263
	AA-	213	-	-	-
A1		63,997	206,605	53,418	5,123
	A+	93	-	-	-
	A-1+	-	-	-	101,044
A2		32,728	132,813	25,174	2,774
	A	3,398	-	-	54,525
A3		33,244	188,887	29,360	3,111
	A-	25	-	171	-
A		70,685	-	766	7,195
P1		5,524	164,572	196,988	83,866
P2		9,204	985,378	164,819	149,986
Baa1		57,345	284,999	44,596	8,883
	BBB+	49	38,422	5,875	-
Baa2		102,363	337,788	69,244	8,744
	BBB	136	-	-	14,562
Baa3		43,091	231,915	50,088	2,389
	BBB-	77	-	-	-
Ba1		13,536	103,113	31,155	2,040
Ba2		7,169	76,426	2,116	164
	BB	4	-	-	309
Ba3		3,119	7,254	4,798	20
	BB-	-	-	37	-
B1		8,471	20,100	7,936	-
B2		2,273	225	1,274	-
	B	5,743	-	-	118
B3		616	547	198	-
Caa1		3,858	-	1,432	-
Caa2		-	-	260	-
Caa		-	1,553	9,564	-
P3		2,001	-	-	-
U S Govt Guaranteed Securities		974,442	724,433	206,881	325,934
Not Rated †		122,123	4,025,631	235,607	1,206,760
		<u>\$ 4,923,458</u>	<u>\$ 9,025,453</u>	<u>\$ 1,688,151</u>	<u>\$ 3,413,049</u>

† Primarily consists of private placements and bond mutual funds that are not rated.

STATE OF ALABAMA  
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For the Fiscal Year Ended September 30, 2007

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

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

**2. Interest Rate Risk**

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

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

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

As of September 30, 2007 the State had the following investments and maturities:

**Governmental and Business-Type Activities**  
(Amounts in Thousands)

<u>Investment Type</u>	<u>Maturity in Years at Fair Value</u>				<u>Total Fair Value</u>
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
<b><u>Debt Securities</u></b>					
Other U S Government Guaranteed Securities	\$ 331,865	\$ 285,556	\$ 83,161	\$ 51,616	\$ 752,198
U S Agency Securities	78,410	335,367	123,303	233,634	770,714
State and Local Government Securities	-	-	-	509	509
Mortgage Backed Securities	3,966	36,163	74,149	796,053	910,331
TBA Mortgage Backed Securities	-	-	-	247,316	247,316
Commercial Paper	28,145	-	-	-	28,145
Corporate Bonds	6,493	173,474	147,094	125,091	452,152
Private Placements	-	2,593	-	-	2,593
Repurchase Agreements	1,700,964	-	-	-	1,700,964
International Bonds	3	10	9	5	27
LLC Debt Securities	49,210	-	-	-	49,210
Bond Mutual Funds	8,967	48	48	236	9,299
<b>Total</b>	<b>\$ 2,208,023</b>	<b>\$ 833,211</b>	<b>\$ 427,764</b>	<b>\$ 1,454,460</b>	<b>\$ 4,923,458</b>

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

<u>Investment Type</u>	<u>Maturity in Years at Fair Value</u>				<u>Total Fair Value</u>
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
<b><u>Debt Securities</u></b>					
Other U S Government Guaranteed Securities	\$ 25,223	\$ 233,604	\$ 417,330	\$ -	\$ 676,157
U S Agency Securities	-	523,829	535,905	49,331	1,109,065
Mortgage Backed Securities	20	1,875	6,421	67,138	75,454
Commercial Paper	990,623	-	-	-	990,623
Corporate Bonds	50,367	656,420	695,408	407,218	1,809,413
Private Placements	18,399	215,533	3,833,647	131,897	4,199,476
Bond Mutual Funds	165,265	-	-	-	165,265
<b>Total</b>	<b>\$ 1,249,897</b>	<b>\$ 1,631,261</b>	<b>\$ 5,488,711</b>	<b>\$ 655,584</b>	<b>\$ 9,025,453</b>

STATE OF ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS

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**Other Fiduciary Funds**  
 (Amounts in Thousands)

<b>Investment Type</b>	<b>Maturity in Years at Fair Value</b>				<b>Total Fair Value</b>
	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>	
<b>Debt Securities</b>					
U S Treasury Strips	\$ -	\$ 173	\$ -	\$ -	\$ 173
Other U S Government Guaranteed Securities	13,004	90,901	96,874	8,699	209,478
U S Agency Securities	-	152,509	153,884	10,991	317,384
State and Local Government Securities	1,600	1,395	495	2,050	5,540
Mortgage Backed Securities	1,600	8,721	5,834	83,580	99,735
TBA Mortgage Backed Securities	-	-	101	35,174	35,275
Commercial Paper	164,819	-	-	-	164,819
Corporate Bonds	13,339	133,352	173,488	71,094	391,273
Private Placements	-	6,460	68,757	5,000	80,217
Repurchase Agreements	5,385	-	-	-	5,385
International Bonds	33	1,436	9,753	7,433	18,655
Bond Mutual Funds	196,988	61,489	12,507	89,233	360,217
<b>Total</b>	<b>\$ 396,768</b>	<b>\$ 456,436</b>	<b>\$ 521,693</b>	<b>\$ 313,254</b>	<b>\$ 1,688,151</b>

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

<b>Investment Type</b>	<b>Maturity in Years at Fair Value</b>				<b>Total Fair Value</b>
	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>	
<b>Debt Securities</b>					
U S Treasury Strips	\$ 2,534	\$ 6,951	\$ 9,769	\$ 89	\$ 19,343
Other U S Government Guaranteed Securities	85,080	64,084	52,533	7,856	209,553
U S Agency Securities	171,957	248,580	138,228	23,522	582,287
State and Local Government Securities	100	1,213	-	-	1,313
Mortgage Backed Securities	5,196	8,477	4,225	649,636	667,534
Commercial Paper	263,415	-	-	-	263,415
Corporate Bonds	6,526	24,431	28,144	6,618	65,719
Private Placements	-	1,149	-	-	1,149
Repurchase Agreements	45,443	-	73,806	35,874	155,123
International Bonds	395	-	-	-	395
Guaranteed Investment Contracts	217,419	2,681	-	-	220,100
Bond Mutual Funds	124,381	25,722	2,840	-	152,943
<b>Total</b>	<b>\$ 922,446</b>	<b>\$ 383,288</b>	<b>\$ 309,545</b>	<b>\$ 723,595</b>	<b>\$ 2,338,874</b>

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

**University of Alabama**  
**(Amounts in Thousands)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Endowment Fund:		
Other U S Government Guaranteed Securities	\$ 10,836	4.7
Mortgage Backed Securities	21,491	3.7
Corporate Bonds	8,872	5.4
Bond Mutual Funds	83,078	4.6
Prime Fund:		
Other U S Government Guaranteed Securities	9,338	4.8
Mortgage Backed Securities	17,165	3.2
Corporate Bonds	6,640	6.2
Bond Mutual Funds	123,808	5.3
Intermediate Fund:		
Other U S Government Guaranteed Securities	61,112	2.1
Mortgage Backed Securities	200,449	2.1
Corporate Bonds	86,154	2.0
Bond Mutual Funds	26,999	2.3
Total	<u>\$ 655,942</u>	

STATE OF ALABAMA  
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**3. Foreign Currency Risk**

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

In order for an international equity security to be eligible for purchase by the 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, 2007 was as follows:

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

	Governmental and Business-Type Activities			RSA (Fiduciary Component Units)	Other Fiduciary Funds		Discretely Presented Component Units
	Cash	International	International	International	International	International	International
		Equities	Bonds	Equities	Equities	Bonds	Equities
Australian Dollar	\$ 36	\$ 8,933	\$ -	\$ 340,547	\$ 11,350	\$ 554	\$ 117
Bermudian Dollar	-	-	-	-	-	26	-
Brazilian Real	-	-	-	-	-	201	133
British Pound Sterling	68	56,761	-	1,157,304	32,534	200	667
Canadian Dollar	22	12,751	-	-	925	569	71
Cayman Islands Dollar	-	-	-	-	-	10,054	-
Chinese Yuan	-	-	-	-	1,395	-	31
Colombian Peso	-	-	-	-	-	110	-
Danish Krone	-	7,659	-	46,271	151	-	59
Emerging Markets	-	-	-	192,470	-	-	46
Euro	195	102,652	27	1,811,165	64,395	4,664	828
Hong Kong Dollar	15	9,560	-	107,241	6,559	-	124
Hungarian Forint	-	178	-	-	-	-	-
Iceland Krona	-	-	-	-	-	1,297	-
Indian Rupee	-	-	-	-	503	131	56
Indonesian Rupiah	6	307	-	-	-	-	9
Israeli Shekel	-	-	-	-	150	-	15
Japanese Yen	31	45,268	-	1,052,738	33,588	33	439
Mexican Peso	-	1,635	-	-	632	377	37
Neth Antilles Guilder	-	4	-	-	-	-	-
New Zealand Dollar	-	330	-	4,754	73	-	-
Norwegian Krone	-	1,655	-	58,192	645	-	-
Pakistani Rupee	-	-	-	-	251	-	-
Panama Balboa	-	-	-	-	-	68	-
Renminbi Yuan	-	2,423	-	-	-	-	-
Russian Rouble	-	-	-	-	4,743	231	19
Singapore Dollar	5	1,134	-	52,072	2,841	140	-
South African Rand	-	1,496	-	-	-	-	-
South Korean Won	-	-	-	-	-	-	71
Swedish Krona	12	4,569	-	131,104	6,083	-	111
Swiss Franc	8	25,760	-	339,126	10,710	-	222
Taiwan New Dollar	-	-	-	-	889	-	34
Thai Baht	4	241	-	-	783	-	-
	<u>\$ 402</u>	<u>\$ 283,316</u>	<u>\$ 27</u>	<u>\$ 5,292,984</u>	<u>\$ 179,200</u>	<u>\$ 18,655</u>	<u>\$ 3,089</u>

#### 4. Custodial Credit Risk

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

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

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

Retirement Systems of Alabama - 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 domestic and emerging markets equity-linked notes.

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

	<u>Governmental and Business-Type Activities</u>	<u>RSA Fiduciary Component Units</u>	<u>Other Fiduciary Funds</u>	<u>Discretely Presented Component Units</u>
U S Treasury Strips	\$ -		\$ 173	\$ 19,124
Other U S Government Guaranteed Securities	2,892		23,840	69,654
U S Agency Securities	146,943		-	29,152
State and Local Government Securities	-		5,540	-
Mortgage Backed Securities	5,505		8,323	24
Corporate Bonds	1,230		6,400	4,075
Bond Mutual Funds	-		-	867
Repurchase Agreements	1,670,442		5,385	148,901
Domestic Equities	3,545	848,442	-	-
International Equities	-	385,056	-	-
	<u>\$ 1,830,557</u>	<u>\$ 1,233,498</u>	<u>\$ 49,661</u>	<u>\$ 271,797</u>

#### 5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed one percent of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than fifteen percent is invested in one industry, and no more than five percent of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2007, there were no investments that exceeded the five percent of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, alternative investments, and short-term investments are limited to 50%, 10%, 65%, 25%, 10%, and 20%, respectively, of each System's aggregate portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. The suggested limit for real estate is 15% of the book value of each System's aggregate portfolio. As of September 30, 2007, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.7% and 9.2%,

STATE OF ALABAMA  
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For the Fiscal Year Ended September 30, 2007

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respectively, of the TRS and ERS investments. As of September 30, 2007, the ERS owned debt and equity securities in Community News, which represented 5% of ERS investments.

**D. Securities Lending**

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

Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2007, the average term of the loans was 4, 4, 5, and 4 days, respectively for the TRS, ERS, JRF, and ATF. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's fund guidelines. The QDF's average effective duration is restricted to 120 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be five years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 30 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

The Bank of New York administers a portion of the securities lending program for the Alabama Trust Fund. Also, the Prepaid Affordable College Tuition Program's (PACT) investment policy approved by the Board of Trustees permits the Program to enter into securities lending transactions defined as loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made for PACT. The PACT Program's custodian, Bank of New York, administers the program and acts as an agent for the PACT Program. Certain securities of the ATF and PACT Program are loaned to borrowers approved by the ATF Board of Trustees and the PACT Program. Approved borrowers of securities provide acceptable cash collateral in the form of federal funds or New York Clearing House funds as applicable for a particular loan. The Bank of New York has provided loss indemnification to the Program in the event that the borrower does not return the market value of the securities loaned. All security loans are open loans and can be terminated on demand by the lender, borrower, or the Bank of New York. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102 percent of the fair value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105 percent of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, Bank of New York shall, in accordance with Bank of New York's reasonable and customary practices, mark loaned securities to their fair value each business day based upon the fair value of the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the amount of cash collateral at no less than 100 percent of the fair value of the loaned securities. As of September 30,



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2007, the average term of the loans was 32 and 37 days, respectively for the ATF and PACT Program. Cash collateral investments are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. All approved investments shall be for the account and risk of ATF or the PACT Program. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, the lender agrees to pay the Bank of New York on demand cash in an amount equal to such deficiency.

The following describes the manner in which the Bank of New York is authorized to invest and reinvest cash collateral.

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

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

The fair value of the securities on loan and the fair value of the collateral pledged by the borrowers are demonstrated in the securities lending table. Since the amounts owed by the State and its component units exceeded the amounts the borrowers owed, there was no credit risk exposure as of September 30, 2007. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

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

<u>Type of Investment Lent</u>	<u>Governmental and Business- Type Activities</u>	<u>RSA Fiduciary Component Units</u>	<u>Other Fiduciary Funds</u>	<u>Discretely Presented Component Units</u>
<b>For Cash Collateral</b>				
Domestic Fixed Maturities	\$ 338,413	\$ 1,071,954	\$ 287,626	\$ 53,367
Domestic Equity	203,852	1,611,005	138,575	3,702
International Equity	4,410	1,276,964	-	-
<b>Total Lent for Cash Collateral</b>	<b>546,675</b>	<b>3,959,923</b>	<b>426,201</b>	<b>57,069</b>
<b>For Non-cash Collateral</b>				
Domestic Equity	16,654	115,106	11,908	-
International Equity	-	290,289	-	-
<b>Total Lent for Non-Cash Collateral</b>	<b>16,654</b>	<b>405,395</b>	<b>11,908</b>	<b>-</b>
<b>Total Securities Lent</b>	<b>\$ 563,329</b>	<b>\$ 4,365,318</b>	<b>\$ 438,109</b>	<b>\$ 57,069</b>
<b>Type of Collateral Received</b>				
<b>Cash Collateral</b>				
Cash Collateral - Invested in				
State Street Quality D Fund	\$ 406,534	\$ 4,083,566	\$ 364,518	\$ 58,153
BNY Investments	152,903	-	71,259	-
<b>Total Cash Collateral</b>	<b>559,437</b>	<b>4,083,566</b>	<b>435,777</b>	<b>58,153</b>
<b>Non-Cash Collateral</b>				
For Lent Domestic Equity Securities				
International Sovereign Debt	285	9,323	275	-
Letters of Credit	1,627	50,096	11,878	-
US Government & Agency Securities	15,229	58,499	-	-
For Lent International Equity Securities				
Letters of Credit	-	2,485	-	-
International Sovereign Debt	-	301,578	-	-
Domestic Fixed Maturities	-	947	-	-
<b>Total Non-Cash Collateral</b>	<b>17,141</b>	<b>422,928</b>	<b>12,153</b>	<b>-</b>
<b>Total Collateral Received</b>	<b>\$ 576,578</b>	<b>\$ 4,506,494</b>	<b>\$ 447,930</b>	<b>\$ 58,153</b>

**E. Mortgage-Backed Securities**

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

The ATF and the PACT Program invest in TBA (to be announced) purchase commitments, pursuant to which the ATF and PACT Program agree to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2007, the Alabama Trust Fund and the PACT Program had investments in TBA mortgage-backed securities in the amounts of

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\$247,316,000 and \$35,276,000 respectively. Included in accounts payable on the Statement of Net Assets is a corresponding liability for the cost of the TBAs. Generally, these securities are closed with a gain or loss prior to settlement. However, the Alabama Trust Fund or the PACT Program would be obligated for those amounts should the securities be delivered.

## **F. Derivatives**

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

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

The agreement had a negative fair market value at September 30, 2007 of \$1,877,758. This fair market value came from mark to market valuations provided by the swap providers. The following are the risks associated with the swap agreement:

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

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

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

Termination risk: The swap agreements contain provisions (including events of default and termination events) that could cause the swap agreements to be terminated prior to their scheduled termination, which could result in a potentially significant unscheduled payment to become due and payable from the State to the swap providers. The swap agreements provide asymmetrical credit downgrade termination events, which protect the State from an early termination as long as it maintains a rating at or above BBB/Baa2, even though the State may terminate the swap agreements if the swap providers fall below the single A rating category. The annual termination option provided by the State to the swap providers beginning April 1, 2007, if exercised, would not constitute an early termination event requiring payment by either the State or the swap providers.

## **G. Capital Assets**

Historical costs for infrastructure assets are included in this year's Comprehensive Annual Financial Report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a

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project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2007, the capital assets for the Primary Government and the Component Units are presented in the following tables:

(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL-TYPE ACTIVITIES</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 158,577	\$ 20,831	\$ 178	\$ 179,230
Historical Exhibits	2,658	-	-	2,658
Construction in progress	96,733	17,992	4,449	110,276
Construction in progress - Infrastructure	4,121,676	496,757	218,905	4,399,528
Infrastructure	11,713,468	218,905	-	11,932,373
<b>Total</b>	<b>16,093,112</b>	<b>754,485</b>	<b>223,532</b>	<b>16,624,065</b>
<b>Capital assets being depreciated:</b>				
Buildings	1,035,118	37,718	4,913	1,067,923
Equipment	541,578	84,723	40,833	585,468
<b>Total</b>	<b>1,576,696</b>	<b>122,441</b>	<b>45,746</b>	<b>1,653,391</b>
<b>Less accumulated depreciation:</b>				
Buildings	501,412	22,305	2,987	520,730
Equipment	325,978	48,972	24,713	350,237
<b>Total</b>	<b>827,390</b>	<b>71,277</b>	<b>23,326</b>	<b>870,967</b>
<b>Total capital assets being depreciated, net</b>	<b>749,306</b>	<b>51,164</b>	<b>18,046</b>	<b>782,424</b>
<b>Governmental-type activities capital assets, net</b>	<b>\$ 16,842,418</b>	<b>\$ 805,649</b>	<b>\$ 241,578</b>	<b>\$ 17,406,489</b>
<b>Depreciation Expense for the current year is charged as follows:</b>				
Economic Development and Regulation	\$ 2,183			
Social Services	3,722			
Education and Cultural Resources	3,110			
Natural Resources and Recreation	4,176			
Health - Physical & Mental	4,876			
General Government	10,063			
Protection of Person & Property	21,075			
Transportation	22,072			
<b>Total Depreciation Expense</b>	<b>\$ 71,277</b>			

(Amounts in Thousands)	<u>Beginning Balance as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 52,281	\$ 10,576	\$ 94	\$ 62,763
Historical Exhibits	2,350	-	-	2,350
Construction in progress	188,586	61,317	186	249,717
<b>Total capital assets not being depreciated</b>	<b><u>243,217</u></b>	<b><u>71,893</u></b>	<b><u>280</u></b>	<b><u>314,830</u></b>
<b>Capital assets being depreciated:</b>				
Buildings	1,023,754	74,442	-	1,098,196
Equipment	371,914	51,320	12,058	411,176
<b>Total capital assets being depreciated</b>	<b><u>1,395,668</u></b>	<b><u>125,762</u></b>	<b><u>12,058</u></b>	<b><u>1,509,372</u></b>
<b>Less accumulated depreciation</b>				
Buildings	400,717	16,862	8,644	408,935
Equipment	201,780	26,997	6,887	221,890
<b>Total accumulated depreciation</b>	<b><u>602,497</u></b>	<b><u>43,859</u></b>	<b><u>15,531</u></b>	<b><u>630,825</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>793,171</u></b>	<b><u>81,903</u></b>	<b><u>(3,473)</u></b>	<b><u>878,547</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 1,036,388</u></b>	<b><u>\$ 153,796</u></b>	<b><u>\$ (3,193)</u></b>	<b><u>\$ 1,193,377</u></b>
<b>Depreciation Expense for the current year is charged as follows:</b>				
State Port Authority	\$ 16,600			
Alabama College System	24,736			
Alcoholic Beverage Control Board	2,187			
Other Nonmajor Enterprise Funds	336			
<b>Total Depreciation Expense</b>	<b><u>\$ 43,859</u></b>			

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(Amounts in Thousands)	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<b>COMPONENT UNITS</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 164,596	\$ 22,380	\$ 948	\$ 186,028
Historical Exhibits	78,177	459	1,322	77,314
Construction in progress	301,745	387,708	268,097	421,356
<b>Total capital assets not being depreciated</b>	<b>544,518</b>	<b>410,547</b>	<b>270,367</b>	<b>684,698</b>
<b>Capital assets being depreciated:</b>				
Buildings	4,635,948	319,926	48,792	4,907,082
Equipment	1,685,665	142,819	75,163	1,753,321
<b>Total capital assets being depreciated</b>	<b>6,321,613</b>	<b>462,745</b>	<b>123,955</b>	<b>6,660,403</b>
<b>Less accumulated depreciation</b>				
Buildings	1,782,082	123,782	14,317	1,891,547
Equipment	1,162,921	127,172	48,808	1,241,285
<b>Total accumulated depreciation</b>	<b>2,945,003</b>	<b>250,954</b>	<b>63,125</b>	<b>3,132,832</b>
<b>Total capital assets being depreciated, net</b>	<b>3,376,610</b>	<b>211,791</b>	<b>60,830</b>	<b>3,527,571</b>
<b>Component Units capital assets, net</b>	<b>\$ 3,921,128</b>	<b>\$ 622,338</b>	<b>\$ 331,197</b>	<b>\$ 4,212,269</b>
<b>Depreciation Expense for the current year is charged as follows:</b>				
Alabama Public School and College Authority	\$ 311			
Mental Health	2,543			
Water Pollution Control Authority	99			
University of Alabama	156,570			
Auburn University	37,464			
University of South Alabama	21,589			
Other Nonmajor Component Units	32,378			
<b>Total Depreciation Expense</b>	<b>\$ 250,954</b>			

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## **NOTE 4 - LIABILITIES**

### **A. Commitments**

#### **1. Construction Projects**

##### **a. Primary Government**

At September 30, 2007, the Department of Transportation had construction and maintenance contracts of \$2,565,286,706. The amount already performed was \$2,247,656,989, leaving an outstanding balance of \$317,629,717. The funding sources for this amount are 73 percent Federal funds, 24 percent state and local funds, and 3 percent bonds.

The Public Health Care Authority had total contracts for construction and repair of certain county health department buildings of \$7,260,265 at September 30, 2007.

##### **b. Component Units**

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2007 of approximately \$233,745,000, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

The University of Alabama at Tuscaloosa had construction and renovation contracts remaining at September 30, 2007, of \$15,000,000. These costs are expected to be financed from gifts, grants, bond proceeds, and University funds.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$346,000,000. At September 30, 2007, the estimated remaining cost to complete the projects was approximately \$73,000,000 payable from University funds and bond proceeds.

At September 30, 2007, Jacksonville State University had commitments on construction projects which included \$5,016,302 for the Little River Canyon Field Center. Over \$4,000,000 is expected to be funded by NASA.

The University of Alabama at Huntsville had a construction contract for the Applied Sciences Building remaining at September 30, 2007 of \$5,500,000. The costs are expected to be paid from federal and state sources.

The Alabama Space Science Exhibit Commission had total contracts awarded at September 30, 2007 of \$14,476,000 to build an Intermodal/Saturn V viewing facility. The total facility cost is estimated to be \$15,177,000 of which \$10,377,000 will be funded by a grant from the Federal Transit Authority and \$2,762,000 will be funded by a grant from NASA.

#### **2. Operating Leases**

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

#### **3. Economic Development**

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

##### **a. Primary Government**

The State has committed to economic development grants totaling \$346,413,000 as of September 30, 2007. It is expected that in fiscal year 2008, \$27,948,000 of commitments will be paid from appropriations, and \$228,465,000 will be paid from existing general obligation bond proceeds. The remaining \$90,000,000 is expected to be paid in fiscal year 2009 or later from existing general obligation bond proceeds.

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**b. Component Units**

The Twenty-first Century Authority, a component unit, has committed to economic development grants of \$2,322,000 for fiscal year 2008. The Alabama Public School and College Authority, a component unit, has committed \$9,000,000 from fiscal year 2008 and \$11,000,000 from fiscal year 2009 and beyond.

**c. State Entity**

The State as a whole has an additional \$277,533,070 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. \$90,076,667 of these grant commitments will be paid in 2008 and \$187,456,403 in 2009 or later.

**4. Other Commitments**

The Alabama Housing Finance Authority, a component unit, has designated \$47,841,000 of its net assets for fiscal year September 30, 2007 for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

**B. Claims and Judgments**

A judgment was entered against the State in favor of Alabama State University and Alabama A&M University. The State must pay each University \$1,000,000 for the next three years. The amount outstanding is \$6,000,000. The Education Trust Fund is being used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay BellSouth \$4,767,438 for the next four years in the form of actual payments and tax credits. The amount outstanding is \$19,069,752. The General Fund is being used to liquidate this debt.

**C. Long-term Debt**

**1. Debt Limitations and Methods of Bond Issuance**

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

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

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



## 2. General Obligation Bonds – Governmental Activities

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

### GENERAL OBLIGATION BONDS Debt Service Requirements to Maturity

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 45,087,800	\$ 40,991,071	\$ 86,078,871
2009	32,925,000	32,952,687	65,877,687
2010	34,315,000	31,471,950	65,786,950
2011	33,780,000	29,952,652	63,732,652
2012	35,155,000	28,474,939	63,629,939
2013-2017	199,710,000	116,449,260	316,159,260
2018-2022	228,000,000	63,233,295	291,233,295
2023-2027	141,595,000	17,081,431	158,676,431
<b>Total</b>	750,567,800 †	<b>\$ 360,607,285 †</b>	<b>\$ 1,111,175,085</b>
Unamort Prem	16,548,939		
	<b>\$ 767,116,739</b>		

† The liability reported on the balance sheet includes \$6,136,200 for the accretion of interest on capital appreciation bonds. The above table shows interest in the year it is paid, not the year it is accrued.

### GENERAL OBLIGATION BONDS PAYABLE

<u>General Obligation Issue</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Bonds Payable Sept. 30, 2007</u>
Series 1999				
Series A Refunding Bonds	07/13/99	10/01/07	4.6% to 5.5%	\$ 19,514,000 †
Series B Refunding Bonds	07/13/99	10/01/09	3.8% to 5.0%	5,065,000
Series 2001				
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	45,075,000
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	13,880,000
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	83,025,000
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	4,790,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	77,935,000
Series 2002				
Series A	09/01/02	09/01/22	3.0% to 5.0%	44,800,000
Series 2005				
Series A	02/01/05	08/01/25	3.0% to 5.0%	96,470,000
Series 2006	02/01/06	02/01/26	3.5% to 5.0%	61,150,000
Series 2007	08/01/07	08/01/27	3.5% to 5.0%	305,000,000
Sub-total General Obligation Bonds				756,704,000
‡ Plus: Unamortized Premiums				16,548,939
<b>Total General Obligation Bonds</b>				<b>\$ 773,252,939</b>

† The amount outstanding includes \$6,136,200 accretion of interest.

‡ Unamortized premiums were \$695,088 for Series 2001-E, \$772,507 for Series 2002-A, \$4,717,476 for Series 2005-A, \$1,031,168 for Series 2006 and \$9,332,700 for Series 2007-A.

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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### 3. Revenue Bonds

#### a. Primary Government – Governmental Activities

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

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

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

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

**The Alabama Judicial Building Authority** issues bonds for the purpose of funding the acquisition and construction of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease, proceeds of insurance in the event of damage or destruction of the facilities, amounts, if any, received in the event of condemnation of the facilities, amounts payable by AMBAC under the Municipal Bond Insurance Policy, 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. Revenues received from lease agreements with the Department of Public Health, income from investments, equipment, cash, securities, and a Municipal Bond Insurance Policy are pledged for the payment of principal and interest on the bonds.

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

#### b. Primary Government – Business-Type Activities

**The Alabama State Port Authority (ASPA)** 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 ASPA derived from charges made by ASPA for all services provided. At September 30, 2007, the outstanding principal balance of the 2006C bonds was \$60,295,000. The Series 2006C bonds will bear interest at the applicable Periodic Auction Reset Securities (PARS) rate. The rate at 9/30/07 was 4.15%.

**The Alabama College System** has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. The total principal amount outstanding on these bonds is \$261,935,833 for the Alabama College System and \$13,295,000 for Athens State.

<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>	<b>Date</b>	<b>Final</b>	<b>Interest</b>		<b>Bonds</b>
<b>Revenue Bonds</b>	<b>Issued</b>	<b>Maturity</b>	<b>Rates</b>		<b>Payable</b>
		<b>Date</b>			<b>Sept. 30, 2007</b>
Alabama Corrections Institution Finance Authority					
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	\$	10,350,000
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%		31,055,000
Alabama Building Renovation Finance Authority					
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%		18,235,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%		11,985,000
Series 2006	08/01/06	09/01/31	4.00% to 5.00%		30,000,000
Alabama Judicial Building Authority					
Series 1996 Capital Appreciation Bonds	12/01/96	01/01/14	5.15% to 5.75%		22,797,589 †
Alabama Public Health Care Authority					
Series 2005	09/28/05	09/01/35	4.00% to 4.50%		55,885,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		147,740,000
Sub-total Revenue Bonds Payable					332,047,589
‡ Less: Unamortized Discounts					(548,668)
§ Plus: Unamortized Premiums					4,551,425
†† Less: Unamortized Loss					(2,611,995)
<b>Net Primary Government</b>					<u>333,438,351</u>
<b>Revenue Bonds Payable, Governmental Activities</b>				<b>\$</b>	<b><u>333,438,351</u></b>

† Balance includes the accretion of interest on capital appreciation bonds in the amount of \$9,989,659 for the Judicial Building Authority 1996 Capital Appreciation Bonds

‡ Unamortized Discount \$35,761 for Alabama Building Renovation Finance Authority and \$512,907 for Public Health Care Authority.

§ Unamortized premium is \$2,023,480 for Federal Aid Highway Finance Authority, \$1,893,053 for Montgomery Downtown Redevelopment Authority, \$350,225 for Alabama Corrections Institution Finance Authority and \$284,667 for Building Renovation Finance Authority.

†† Unamortized accounting losses were \$394,017 for the Alabama Building Renovation Finance Authority, \$1,115,953 for Montgomery Downtown Redevelopment Authority, \$150,621 for Alabama Corrections Institution Finance Authority and \$951,404 for Public Health Care Authority.

STATE OF ALABAMA  
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<b>PRIMARY GOVERNMENT</b>			<b>Final</b>		
<b>Business-Type Activities</b>	<b>Date</b>	<b>Maturity</b>	<b>Interest</b>	<b>Bonds Payable</b>	
<b>Revenue Bonds, Proprietary Funds</b>	<b>Issued</b>	<b>Date</b>	<b>Rates</b>	<b>Sept. 30, 2007</b>	
State Port Authority †					
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	\$ 154,220,000	
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	66,385,000	
Series 2006-C	11/01/06	10/01/21	Variable	60,295,000	
Series 2006-D	12/07/06	10/01/30	4.35% to 4.35%	21,600,000	
Alabama College System	Various	Various	1.40% to 8.00%	275,230,833	
Sub-total Revenue Bonds Payable, Proprietary Funds				577,730,833	
§ Less: Unamortized Premium				5,138,735	
†† Less: Unamortized Loss				(10,087,405)	
<b>Net Primary Government Revenue Bonds Payable, Proprietary Funds</b>				<b>\$ 572,782,163</b>	

§ Unamortized premium \$5,138,735 for Alabama State Port Authority.

†† Unamortized accounting losses were \$10,087,405 for Alabama State Port Authority.

† 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.

<b>Revenue Bonds</b>					
<b>Debt Service Requirements to Maturity</b>					
<b>Governmental Activities</b>			<b>Business-type Activities</b>		
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2008	\$ 22,516,923	\$ 16,452,907	\$ 21,070,833	\$ 26,058,445	
2009	24,073,474	15,614,368	21,140,000	25,906,722	
2010	24,934,834	14,677,132	23,935,000	25,947,960	
2011	25,871,163	13,712,621	25,380,000	24,641,614	
2012	26,858,993	12,639,400	33,780,000	23,719,109	
2013-2017	117,552,543	38,259,159	110,640,000	96,999,962	
2018-2022	25,715,000	16,432,282	135,950,000	69,731,702	
2023-2027	23,780,000	9,919,382	84,855,000	42,177,681	
2028-2032	21,090,000	4,923,450	65,170,000	21,479,198	
2033-2036	9,665,000	883,125	55,810,000	6,219,553	
<b>Total</b>	<b>322,057,930</b>	<b>\$ 143,513,826</b>	<b>577,730,833</b>	<b>\$ 362,881,946</b>	
Unamort Prem	4,551,425		5,138,735		
Unamort Loss	(2,611,995)		(10,087,405)		
Unamort Disc	(548,668)		0		
	<b>\$ 323,448,692</b> †		<b>\$ 572,782,163</b>		

† The liability reported on the balance sheet includes \$9,989,659 for the accretion of interest on Alabama Judicial Building capital appreciation bonds. The above table shows interest in the year it will be paid, not the year it is accrued.

**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. At September 30, 2007, the outstanding principal balance of the 1999C

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bonds was \$11,925,000. The interest rates for the Series 1999C bonds are variable and conditional. The 1999C bonds bear interest at the Weekly Rate, Term Rate or Bank Rate. The rate at September 30, 2007, was 5.13%.

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

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

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

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

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

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

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

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

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

**The Alabama Space Science Exhibit Finance Authority** issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2007, the outstanding principal balance of the 2005-A bonds was \$4,400,000. The interest rate for the 2005-A bond is variable and adjusted weekly based on current market rates. The interest rate was 3.94% as of September 30, 2007.

**The Alabama Higher Education Loan Corporation** issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, as amended, which established the Federal Family Education Loan Program. The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guaranteed payments on defaulted loans, proceeds from any sale of loans and issuance of refunding bonds. The interest rate for the 2006A-1 and 2006A-2 bonds is an auction rate based on an auction period of 35 days. At September 30, 2007, the rate for the 2006A-1 was 3.68% and the rate for the 2006A-2 was 4.5%.

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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.

<b>COMPONENT UNITS Revenue Bonds</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Interest Rates</b>	<b>Bonds Payable Sept. 30, 2007</b>
Alabama Incentives Finance Authority				
Series 1999-A	10/01/99	10/01/29	6.00% to 6.00%	23,970,000
Series 1999-B	10/01/99	10/01/29	6.25% to 7.88%	60,640,000
Series 1999-C	10/01/99	10/01/29	Variable	11,925,000
Alabama Public School and College Authority				
Series 1996	01/15/96	11/01/07	4.50% to 5.25%	31,130,000
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	300,000,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
Series 1999-B	09/01/99	09/01/09	7.10% to 7.15%	70,640,000
Series 1999-C	10/01/99	07/01/19	5.50% to 5.75%	250,000,000
Series 1999-D	11/01/99	08/01/19	5.00% to 6.00%	172,680,000
Series 2001A	05/15/01	02/01/21	4.50% to 5.63%	73,620,000
Series 2001-B	12/15/01	05/01/08	5.00% to 5.63%	5,620,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	83,870,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	88,035,000
Series 2002-B	12/01/02	12/01/28	4.00% to 5.00%	27,705,000
Series 2003	12/01/03	02/01/23	2.00% to 5.00%	102,455,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	79,220,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	51,870,000
State Industrial Development Authority				
Special Tax Bonds, Series 1998	02/01/98	02/01/08	4.00% to 4.30%	2,815,000
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	1,900,000
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	4,250,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	17,685,000
Tennessee Valley Exhibit Commission				
Term Refunding Bonds, Series 2003	05/01/03	06/01/10	1.25% to 2.90%	760,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	40,020,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	91,640,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	9,760,000
Sub-Total Revenue Bonds, Component Units				\$ 1,620,570,000

*Continued on next page*

<b>COMPONENT UNITS, Continued</b>	<b>Date</b>	<b>Final Maturity</b>	<b>Interest</b>	<b>Bonds Payable</b>
<b>Revenue Bonds</b>	<b>Issued</b>	<b>Date</b>	<b>Rates</b>	<b>Sept. 30, 2007</b>
<b>Sub-Total from previous page</b>				<b>\$ 1,620,570,000</b>
Alabama Housing Finance Authority				
Single family Bond Programs	1994-2006	2007-2036	Various	731,381,000
Multi-family Bond Programs	1989-2005	2009-2045	Various	230,622,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 1996-A	01/15/96	08/15/18	5.00% to 5.25%	27,690,000
Revolving Fund Loan Bonds, Series 1996-B	11/01/96	08/15/20	5.25% to 5.50%	30,180,000
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	19,825,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	44,255,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	45,610,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	47,425,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	50,505,000
Revolving Fund Loan Bonds, Series 2002A	01/15/02	08/15/24	3.00% to 5.10%	27,790,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	37,245,000
Revolving Fund Loan Bonds, Series 2003A	01/01/03	08/15/26	3.00% to 5.00%	30,890,000
Revolving Fund Loan Bonds, Series 2003B	01/01/03	02/15/16	3.00% to 4.38%	39,990,000
Revolving Fund Loan Bonds, Series 2003C	08/01/03	08/15/15	2.50% to 4.25%	8,130,000
Revolving Fund Loan Bonds, Series 2004A	04/01/04	08/15/16	2.00% to 4.00%	28,135,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	25,480,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	6,580,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	4,355,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	21,220,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	29,560,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	37,615,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,880,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	42,580,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-A	05/01/05	Apr 2026	Variable	4,400,000
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	12,105,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006A-1	11/27/06	03/01/33	Variable	25,000,000
Student Loan Revenue Bonds, Series 2006A-2	11/27/06	11/01/41	Variable	75,000,000
Sub-total Revenue Bonds Payable, Component Units				<b>\$ 3,329,018,000</b>

*Continued on next page*

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<b>COMPONENT UNITS, Continued</b>	<b>Date</b>	<b>Final Maturity</b>	<b>Interest</b>	<b>Bonds Payable</b>
<b>Revenue Bonds</b>	<b>Issued</b>	<b>Date</b>	<b>Rates</b>	<b>Sept. 30, 2007</b>
<b>Sub-Total from previous page</b>				\$ 3,329,018,000
Higher Education				
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	366,860,000
University of Alabama - Birmingham	1993	2027	2.00% to 5.25%	740,770,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	56,671,000
Alabama A&M University	1998	06/01/26	4.45% to 5.38%	67,680,000
Alabama State University	1965	2036	1.90% to 8.50%	100,334,000
Auburn University	1978	2037	1.40% to 6.00%	321,446,526
Jacksonville State University	1993	2023	2.25% to 5.00%	21,350,000
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	2,761,925
University of Montevallo	1983	2023	1.45% to 6.50%	11,307,000
University of North Alabama	1999	2035	3.65% to 5.40%	23,685,000
University of South Alabama	1996	2036	2.00% to 5.25%	190,876,000
Troy University	1998	2028	2.75% to 4.70%	59,830,000
Total Revenue Bonds Payable				5,292,589,451
Less: Unamortized Discounts				(14,101,492) †
Less: Unamortized Loss				(15,995,863) ‡
Plus: Unamortized Premium				30,784,816 §
<b>Net Revenue Bonds Payable, Component Units</b>				<b>\$ 5,293,276,912</b>

† Unamortized discounts were \$11,157,300 for the University of Alabama - Birmingham, \$75,000 for the University of South Alabama, \$133,420 for the University of Montevallo, \$965,935 for the Drinking Water Authority, \$1,127,098 for Auburn University, \$30,000 for State Industrial Development Authority, \$24,141 for Tennessee Valley Exhibit Commission, \$302,569 for the University of North Alabama and \$286,029 for Alabama A & M University.

‡ Unamortized accounting loss was \$4,279,917 for Alabama State University, \$710,845 for the Alabama Space and Science Commission, \$6,150,900 for the Water Pollution Control Authority, \$19,038 for the Tennessee Valley Commission, \$2,415,241 for the University of Alabama - Tuscaloosa, \$807,149 for Auburn University, \$400,773 for the Mental Health Finance Authority and \$1,212,000 for the University of South Alabama.

§ Unamortized premiums were \$1,198,259 for the University of Alabama - Tuscaloosa, \$5,806,399 for Auburn University, \$1,403,107 for the Alabama Twenty-first Century Authority, \$8,894,310 for Alabama Public School and College Authority, \$8,566,000 for the University of South Alabama, \$816,383 for the Water Pollution Control Authority, \$646,434 for the Mental Health Finance Authority, \$638,885 for Alabama State University and \$2,815,039 for Alabama A & M University.



**COMPONENT UNITS**  
**Debt Service Requirements to Maturity**

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 260,020,440	\$ 250,406,775	\$ 510,427,215
2009	348,840,294	241,232,384	590,072,678
2010	226,223,020	226,473,169	452,696,189
2011	227,166,610	217,043,891	444,210,501
2012	228,173,833	206,307,891	434,481,724
2013-2017	1,143,442,468	864,074,389	2,007,516,857
2018-2022	991,133,786	585,593,590	1,576,727,376
2023-2027	626,455,000	379,578,455	1,006,033,455
2028-2032	482,025,000	247,378,834	729,403,834
2033-2037	556,314,000	117,319,531	673,633,531
2038-2042	200,835,000	29,522,750	230,357,750
2043-2047	1,705,000	271,000	1,976,000
2048-2052	255,000	9,000	264,000
<b>Total</b>	<u>5,292,589,451 †</u>	<u>\$ 3,365,211,659</u>	<u>\$ 8,657,801,110</u>
Unamort Disc	(14,101,492)		
Unamort Loss	(15,995,863)		
Unamort Prem	30,784,816		
	<u>\$ 5,293,276,912</u>		

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

#### 4. Refunded and Redeemed Bonds

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

During the year ended September 30, 2007, the Alabama Housing Finance Authority called approximately \$259,450,000 (net of unamortized discounts) of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds is \$552,000 and is primarily comprised of the premium paid to retire the bonds.

In November 2006, the Alabama State Port Authority issued \$157,645,000 Series 2006A Docks Facilities Revenue Bonds which bear interest at 4.5% to 5%. A portion of the proceeds were used to advance refund \$34,665,000 of the Series 1997 Revenue Bonds and \$17,855,000 of the Series 2001 Revenue Bonds. The Authority also issued \$70,050,000 Series 2006B Docks Facilities Revenue Bonds which bear interest at 4.5% to 5%. The proceeds were used to advance refund \$62,210,000 of the Series 1998 Revenue Bonds. The Authority also issued \$60,455,000 Series 2006C Docks Facilities Revenue Bonds which bear interest at a variable rate. The proceeds were used to refund \$58,000,000 of the Series 1996 Revenue Bonds. The Authority had economic gain related to the refunding of \$68,803 and a difference between the cash flows required to service the old debt and the cash flows to service the new debt of an additional \$10,087,405.

During the year ended September 30, 2007, the University of South Alabama issued \$100,000,000 Series 2006 Tuition Revenue Refunding and Capital Improvement Bonds which bear interest at 5%. A portion of the proceeds were used to refund \$24,825,000

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of the Series 1996 Revenue Bonds. The refunding resulted in a negative net cash flow differential of approximately \$19,762,000. The University had economic gain of \$1,328,000.

On November 27, 2006, the Alabama Higher Education Loan Corporation issued \$100,000,000 Series 2006A-1 and Series 2006A-2 Student Loan Revenue Bonds which bear interest at a variable rate. A portion of the proceeds were used to refund \$2,755,000 Series 1994C, \$6,530,000 Series 1994D and \$25,000,000 Series 1998A Revenue Bonds. The difference between the cash flows required to service the old debt and the cash flows to service the new debt are approximately a negative \$18,029,000.

In November 2006, the Alabama Incentives Financing Authority called \$10,900,000 of its 1999-C bonds prior to their scheduled maturity.

During the year ended September 30, 2007, the Water Pollution Control Authority called \$6,250,000 of the Series 1997 Docks Facilities Revenue Bonds prior to their scheduled maturity.

During November 2006, the University of Montevallo issued \$7,895,000 Series 2006 Revenue Bonds which bear interest at 4%. A portion of the proceeds were used to refund \$7,820,000 of the Series 2002 Revenue bonds. The refunding resulted in a deferred accounting loss of \$430,307. The defeasance resulted in a reduction of future principal and interest payments of approximately \$250,000.

Defeased Bonds:

<b>Component Units</b>	<b>Amount</b>
University of Alabama in Tuscaloosa	\$ 46,800,000
University of South Alabama	9,040,000
University of Alabama in Birmingham	196,775,000
University of Montevallo	7,820,000
<b>Primary Government</b>	<b>Amount</b>
State Port Authority	\$ 80,065,000

**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, 2007, were as follows:

<b>Component Units</b>	<b>Amount</b>
Water Pollution Control Authority	\$ 1,054,363
Alabama Higher Education Loan Corp.	4,363,121
Housing Finance Authority	4,379,000
<b>Primary Government</b>	<b>Amount</b>
Public Health Care Authority	\$ 85,940

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

## 6. Bonds Authorized But Not Issued

### Bonds Authorized But Not Issued (Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds			
State of Alabama	\$ 750,000	\$ 610,025	\$ 139,975
Federal Aid Highway Finance Authority	Unlimited (based on amount received in federal fun		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	94,695	3,305
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Alabama Judicial Building Authority	10,000	-	10,000
<b>Total Primary Government</b>	<b>\$ 1,016,000</b>	<b>\$ 711,720</b>	<b>\$ 304,280</b>
<u>Component Units</u>			
State Industrial Development Authority †	\$ 100,000	\$ 38,390	\$ 61,610
Mental Health Finance Authority	100,000	84,265	15,735
Alabama Public School and College Authority	Based on amounts available in Public School		
	Fund for debt service payments		
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	175,000	165,220	9,780
<b>Total Component Units</b>	<b>399,000</b>	<b>287,875</b>	<b>111,125</b>
<b>Total Reporting Entity</b>	<b>\$ 1,415,000</b>	<b>\$ 999,595</b>	<b>\$ 415,405</b>

† 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 9/30/07, \$8,965,000 was outstanding.

## 7. Interest Swap Agreement

On March 13, 2002, JPMorgan Chase Bank entered into an interest rate swap agreement with the Public School and College Authority (PSCA) with respect to the Authority's Capital Improvement Bonds, Series 1998, Tax-Exempt Special Obligations Bonds, Series 1999-A, Capital Improvement Bonds, Series 1999-C, and Capital Improvement Pool Bonds, Series 1999-D (collectively, the "Bonds"). The Authority received a lump sum payment from JPMorgan Chase Bank in return for an option to swap transactions on the Bonds, whereby the Authority will make a fixed rate payment to JPMorgan equal to the fixed rate payments on the Bonds and JPMorgan Chase will make corresponding variable rate payments to the Authority determined by the nationally recognized index, LIBOR. The swap agreement is based on a notional amount of \$710,215,000 and expires on September 1, 2029. The agreement was amended on January 16, 2003 to change the variable rate payments to the Authority from 70% to 67% of the nationally recognized index, LIBOR rate. The option is exercisable in the years 2008 through 2011. As of September 30, 2007, the swap had a negative fair value of approximately \$47,261,125. This valuation was calculated by using proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

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In calculations of the present value of all future cash flows, estimates about future market conditions were performed using reasonable estimates. The Authority received lump sum payments of \$12,587,000.

In December 2002, the Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority's callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. In consideration for writing the option, the Authority received a premium payment of \$5,025,000. The Authority recognized the premium payment as an adjustment to interest expense using the effective interest method over the life of the option. The counterparty exercised its option on July 18, 2006 (the Authority's 1996 Series bonds' first call date). Since the option was exercised, the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). The swap agreement is based on a notional amount of \$60,455,000 and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority intended to issue variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. The Series 2006C variable rate revenue bonds were issued in November, 2006. As of September 30, 2007, the swap had a negative fair value of approximately \$10,327,420. The swap value is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swap.

On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into two derivative transactions with Wachovia Bank, N.A. The first transaction was an interest rate cap entered into in connection with a construction loan. The second transaction was a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that will come into effect upon conversion of the construction loan into a promissory note on May 1, 2008. The Corporation utilizes the interest rate cap to limit its variable rate exposure on the construction loan and the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. The construction loan and the associated interest rate cap were entered into on July 17, 2007 and February 27, 2007, respectively. The interest rate cap will terminate on May 1, 2008, when the loan will be converted into a promissory note. The interest rate cap's notional amount is equal to the construction loan balance and is limited to a maximum of \$18,000,000. The construction loan bears variable rate interest equal to the one-month LIBOR plus 0.85%. When the variable rate exceeds 6.1%, the cap operates to cause the counterparty, Wachovia Bank, N.A., to pay the Corporation the difference between the variable rate and 6.1%. For the year ended September 30, 2007, the Corporation received \$4,410 under the interest rate cap agreement, which is reflected as a reduction of interest expense. The promissory note will come 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 will become effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty, Wachovia Bank, N.A., a fixed payment of 6.1% and receives a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the loan bears interest at the one-month LIBOR rate plus 0.85%. The fair value of the interest rate swap at September 30, 2007 was a negative \$96,000. The fair value of the interest rate cap at September 30, 2007 was \$18,000.

*Credit Risk.* As of September 30, 2007, the Corporation was not exposed to credit risk on the derivative because they had a net negative fair value. However, if interest rates change and the fair value of the derivative becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated A+/A-1 by Standard & Poor's Ratings Services as of September 30, 2007.

*Termination Risk.* The derivative 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, 2007, no events of default or termination had occurred. If the derivatives are terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the derivatives have a net negative fair value, the Corporation would be liable to the counterparty for a payment equal to the derivatives' fair value.

## 8. Notes, Mortgages, and Capital Leases

### Debt Principal Requirements to Maturity

Maturity	Governmental Activities Principal	Business-Type Activities Principal	Component Units Principal
2008	\$ 4,627,701	\$ 2,778,579	\$ 19,698,331
2009	4,199,019	2,914,373	8,039,666
2010	3,754,048	2,769,372	5,761,693
2011	3,320,063	4,765,288	5,557,775
2012	3,585,013	1,460,216	5,024,559
2013-2017	8,286,126	4,192,006	36,861,966
2018-2022	5,846,158	1,901,481	11,210,481
2023-2027	4,760,730	60,000	12,146,185
2028-2032	1,739,182	35,822	3,722,922
2033-2037	1,923,762	-	-
2038-2042	412,128	-	-
Total	42,453,930	20,877,137	108,023,578
Interest	(101,637)	-	(461,295)
<b>Net</b>	<b>\$ 42,352,293</b>	<b>\$ 20,877,137</b>	<b>\$ 107,562,283</b>

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9. Changes in Noncurrent Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 516,973	\$ 305,000	\$ (48,720)	\$ 773,253	\$ 45,088
Revenue Bonds	355,714	-	(22,276)	333,438	22,517
Capital Leases/Notes/Mortgages	35,068	11,738	(4,454)	42,352	4,628
Arbitrage	-	86	-	86	-
Claims & Judgments	106,898	-	(22,888)	84,010	24,341
Compensated Absences †	258,789	18,918	(376)	277,331	2,317
<b>Total Governmental Activities</b>	<b>1,273,442</b>	<b>335,742</b>	<b>(98,714)</b>	<b>1,510,470</b>	<b>98,891</b>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue Bonds	394,044	376,090	(197,352)	572,782	21,071
Capital Leases/Notes/Mortgages	39,228	5,179	(23,530)	20,877	2,779
Claims & Judgments	7,302	-	(1,631)	5,670	4,682
Compensated Absences †	23,564	8,287	(5,929)	25,922	2,514
Other Long-Term Liabilities ‡	1,877	181	(86)	1,972	-
<b>Total Business-Type Activities</b>	<b>466,015</b>	<b>389,737</b>	<b>(228,528)</b>	<b>627,223</b>	<b>31,046</b>
<b>Total Primary Government</b>	<b>\$ 1,739,457</b>	<b>\$ 725,479</b>	<b>\$ (327,242)</b>	<b>\$ 2,137,693</b>	<b>\$ 129,937</b>
<b>Component Units:</b>					
Revenue Bonds	\$ 5,025,524	\$ 850,343	\$ (582,590)	\$ 5,293,277	\$ 260,020
Arbitrage	13,715	-	(3,919)	9,796	-
Capital Leases/Notes/Mortgages	78,449	158,514	(129,401)	107,562	19,698
Compensated Absences †	108,755	51,142	(24,471)	135,426	25,424
Claims & Judgments	126,369	33,629	(65,819)	94,179	91,227
Other Long-Term Liabilities §	78,781	35,448	(7,640)	106,589	-
<b>Total Component Units</b>	<b>\$ 5,431,593</b>	<b>\$ 1,129,076</b>	<b>\$ (813,840)</b>	<b>\$ 5,746,829</b>	<b>\$ 396,369</b>

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

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$1,886,000, and Alabama College System, \$86,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$21,973,000, Auburn University, \$22,351,000, University of Alabama at Huntsville, \$463,000, University of South Alabama, \$60,557,000, University of North Alabama, \$370,000, University of Alabama at Birmingham, \$847,000, and Music Hall of Fame, \$28,000.

## NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

### A. Interfund Balances

Interfund balances as of September 30, 2007 consisted of (amounts in thousands):

DUE TO	DUE FROM											Total
	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Unemployment Compensation	Alcoholic Beverage Control Board	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	Fiduciary Funds	
General Fund	\$ 0	\$ 112	\$ 7	\$ -	\$ 41	\$ 0	\$ 28,832	\$ 1,997	\$ 54	\$ 3	\$ 0	\$ 31,046
Education Trust	-	-	-	-	-	-	486	443	-	-	-	929
Medicaid	-	92	-	-	3,407	-	-	37,292	-	-	-	40,791
Public Road & Bridge Fund	23	-	-	-	-	-	-	4,465	149	2	-	4,639
Public Welfare Trust Fund	12	-	10,557	-	-	-	7,065	1,238	3	-	-	18,875
Unemployment Compensation	-	-	-	-	-	-	-	121	-	-	-	121
Alcoholic Beverage Control Board	-	-	-	-	-	-	-	12	-	-	-	12
Nonmajor Governmental	3,163	5,875	18,752	2,276	1,388	121	318	16,674	972	384	-	49,923
Internal Service Funds	1,994	412	481	970	8,170	-	217	13,830	1,323	25	6	27,428
Nonmajor Enterprise	6	-	-	5	-	-	-	-	-	1	-	12
Fiduciary Funds	-	251	-	-	3	-	274	3	-	-	27	558
<b>Totals</b>	<b>\$ 5,198</b>	<b>\$ 6,742</b>	<b>\$ 29,797</b>	<b>\$ 3,251</b>	<b>\$ 13,009</b>	<b>\$ 121</b>	<b>\$ 37,192</b>	<b>\$ 76,075</b>	<b>\$ 2,501</b>	<b>\$ 415</b>	<b>\$ 33</b>	<b>\$ 174,334</b>

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

The Nonmajor Governmental Funds have the most interfund payables, \$76,075,000 in total. Of that amount, \$37,292,000 is owed to Medicaid, \$16,674,000 is owed to other Nonmajor Governmental Funds, and \$13,830,000 is owed to Internal Service Funds. The Alcoholic Beverage Control Board (ABC) has the second most interfund payables, totaling \$37,192,000. ABC owed \$28,832,000 to the General Fund and \$7,065,000 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 Medicaid Fund has the third most interfund payables, \$29,797,000. A large portion of that amount, \$18,752,000, is owed to Nonmajor Governmental Funds. Of that amount, \$11,032,000 is due to Public Health, \$5,534,000 is due to Senior Services, \$1,211,000 is due to Rehabilitation Services, \$71,000 is due to the Attorney General, and \$904,000 is due to Youth Services.

The Medicaid Fund holds \$40,791,000 in interfund receivables. These funds were owed by a Medicaid department trust fund to supplement the operations of the Medicaid Fund. The Internal Service Funds rank second in receivables, at \$27,428,000. These amounts generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year.

All of the interfund balances are expected to be repaid within one year.

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**B. Balances with Component Units**

Balances owed by state funds to component units at September 30, 2007, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO						Total
	Mental Health	Public School & College Authority	Public Education Employees' Health Insur	State Employees' Health Insurance	Employees' Retirement System	Nonmajor Component Units	
General Fund	\$ 111	\$ -	\$ -	\$ 277	\$ 7	\$ 1	\$ 396
Education Trust Fund	-	-	2	60	-	2	64
Medicaid	32,910	-	-	1	-	-	32,911
Public Road and Bridge Fund	-	-	-	20	-	15	35
Public Welfare Trust Fund	156	-	-	114	-	-	270
Nonmajor Governmental	500	9	-	123	5	8	645
Alcoholic Beverage Control Board	5,055	-	-	-	-	-	5,055
Nonmajor Enterprise	-	-	-	355	-	-	355
Internal Service Funds	52	-	-	5	-	-	57
<b>Totals</b>	<b>\$ 38,784</b>	<b>\$ 9</b>	<b>\$ 2</b>	<b>\$ 955</b>	<b>\$ 12</b>	<b>\$ 26</b>	<b>\$ 39,788</b>

The largest payable was \$32,910,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. The second largest amount is \$5,055,000 owed by Alcoholic Beverage Control Board (ABC) to Mental Health. ABC is required by law to distribute profits and certain taxes collected to other state 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.

Balances owed to state funds by component units at September 30, 2007 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM							Total
	Public School & College Authority	Water Pollution Control Authority	Mental Health	State Employees' Health Insurance	Employees' Retirement System	Teachers' Retirement System	Nonmajor Component Units	
General Fund	\$ -	\$ -	\$ -	\$ 76	\$ -	\$ -	\$ -	\$ 76
Education Trust Fund	-	-	-	2	-	-	-	2
Medicaid	-	-	10,688	1	-	-	-	10,689
Public Road and Bridge Fund	-	-	46	17	-	-	-	63
Public Welfare Trust Fund	-	-	-	14	-	-	-	14
Nonmajor Governmental	9	323	26	231	-	1	430	1,020
Alcoholic Beverage Control Board	-	-	50	4	-	-	-	54
Internal Service Funds	-	-	474	16	24	21	36,000	36,535
Fiduciary Funds	-	-	1	3	-	-	-	4
<b>Totals</b>	<b>\$ 9</b>	<b>\$ 323</b>	<b>\$11,285</b>	<b>\$ 364</b>	<b>\$ 24</b>	<b>\$ 22</b>	<b>\$ 36,430</b>	<b>\$48,457</b>

The component units of the State owe \$48,457,000 to various funds of the State. The largest portion, \$36,000,000, is owed by Nonmajor Component Units to the Risk Management Internal Service Fund. Of that amount, \$35,985,000 is owed by the Alabama Incentives Finance Authority for a long term loan. The second largest, \$10,688,000 is owed to Medicaid by Mental Health to match federal dollars.



### C. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2007 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN													Total
	General Fund	Edu- cation Trust Fund	Ala Trust Fund	Medicaid	Public Road & Bridge Fund	Public Welfare Trust Fund	Alabama College System	Alcoholic Beverage Control Board	Internal Service Funds	Non- major Enter- prise	Non- major Govern- mental	State Port Auth		
General Fund	\$ 0	\$ 0	\$ 0	\$ 20,239	\$ 60	\$ 103,008	\$ 0	\$ 0	\$ 2,000	\$ 0	\$ 97,250	\$ 0	\$ 222,557	
Education														
Trust Fund	-	-	71,993	1,128	-	15,489	381,132	-	1,400	-	204,559	-	675,701	
Alabama Trust	115,970	-	-	-	-	-	-	-	-	-	176,544	-	292,514	
Medicaid	-	-	-	-	-	80,733	-	-	-	-	162,303	-	243,036	
Public Road & Bridge Fund	-	-	-	-	-	-	-	-	-	-	54,930	-	54,930	
Public Welfare Trust Fund	-	-	-	34,080	196	-	-	-	-	-	34,780	-	69,056	
Alcoholic Beverage Control Board	17,108	-	-	-	-	939	-	-	-	-	142	-	18,189	
Unemployment Compensation	-	-	-	-	-	-	-	-	-	-	13,676	-	13,676	
Nonmajor Governmental	76,417	12	924	58,527	46,699	1,827	-	493	5,305	28	124,982	34,900	350,114	
Nonmajor Enterprise	-	-	-	-	-	-	-	-	-	-	5,452	-	5,452	
Internal Service Funds	-	-	-	-	-	-	-	-	25	-	95	-	120	
State Port Auth	-	-	-	-	-	-	-	-	-	-	26	-	26	
Fiduciary Funds	-	-	-	-	-	-	-	-	-	-	1	-	1	
<b>Totals</b>	<b>\$ 209,495</b>	<b>\$ 12</b>	<b>\$ 72,917</b>	<b>\$ 113,974</b>	<b>\$ 46,955</b>	<b>\$ 201,996</b>	<b>\$ 381,132</b>	<b>\$ 493</b>	<b>\$ 8,730</b>	<b>\$ 28</b>	<b>\$ 874,740</b>	<b>\$ 34,900</b>	<b>\$ 1,945,372</b>	

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 \$222,557,000 transferred to other funds by the General Fund, \$193,791,000 was transferred in compliance with the appropriation acts. Of that amount, \$103,008,000 was transferred to the Public Welfare Trust Fund, \$65,120,000 was transferred to various Nonmajor Governmental Funds and \$18,700,000 was transferred to the Department of Public Health. The remainder of the General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$675,701,000 transferred out of the Education Trust Fund, the appropriation acts required the transfer of \$604,318,000 to other funds. Of that amount, \$344,845,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive \$1,400,000 to fund telephone and computer services, the Public Welfare Trust Fund received \$15,489,000, the Alabama Trust Fund received \$71,993,000 to partially replenish the Education Rainy Day Account, and \$165,888,000 was transferred to the Education Trust Proration Prevention Fund, a Nonmajor Governmental Fund. The remainder of the Education Trust Fund transfers were made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred \$17,108,000 to the General Fund and \$939,000 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 \$115,970,000, the Forever Wild Land Trust Fund, a Nonmajor Governmental Fund, received \$15,000,000, the County Government Capital Improvement Fund, a Nonmajor Governmental Fund, received \$16,127,000, the Municipal Government Capital Improvement Fund, a Nonmajor Governmental Fund, received

STATE OF ALABAMA  
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\$16,128,000, the Alabama Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$103,431,000, and the County and Municipal Capital Improvement Trust Fund, a Nonmajor Governmental Fund, received \$25,858,000.

The financial statements show \$79,000 more transfers out for Internal Service Funds because transfers of capital assets were made from several Internal Service Funds to general governmental capital assets. The financial statements show \$15,000 more transfers in for Internal Service Funds because transfers of capital assets were made from general governmental capital assets to Internal Service Funds.

**NOTE 6 - RISK MANAGEMENT**

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

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

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

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## A. The State Insurance Fund

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

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named storm wind, and a \$10,000,000 specific loss deductible for named storm wind. Excess insurance covers claims exceeding \$10,000,000 with a \$750,000,000 limit. Payments received in fiscal years 2007 and 2006 for settlements in excess of deductibles totaled \$13,230,941 and \$13,446,272, respectively.

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

(Amounts in Thousands)

	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 16,532	\$ 15,274
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	9,174	17,889
Increase (Decrease) in provision for insured events of prior years	13,226	(1,101)
Total incurred claims and adjustment expenses	22,400	16,788
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(7,281)	(6,245)
Claims and adjustment expenses attributable to insured events of prior years	(20,057)	(9,285)
Total payments	(27,338)	(15,530)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 11,594	\$ 16,532

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

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**B. General Liability Trust Fund**

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The GLTF had a \$3,300,000 deductible on claims. Excess insurance was not renewed in April 2002 so GLTF is currently without excess coverage. No payments were received in fiscal years 2007 and 2006 for settlements in excess of deductibles.

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

(Amounts in Thousands)	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 31,177	\$ 32,277
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	(1,018)	3,602
Increase (Decrease) in provision for insured events of prior years	4,555	4,537
Total incurred claims and adjustment expenses	3,537	8,139
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(787)	(767)
Claims and adjustment expenses attributable to insured events of prior years	(7,213)	(8,472)
Total payments	(8,000)	(9,239)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 26,714	\$ 31,177

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### C. State Employee Injury Compensation Trust Fund

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of 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 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. Reinsurance was not renewed in 2004 due to high market insurance premiums and retentions as compared with payout probabilities. No payments were received in fiscal years 2007 and 2006 in excess of deductibles.

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

(Amounts in Thousands)

	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	<u>\$ 29,698</u>	<u>\$ 28,450</u>
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	3,909	6,826
Increase (Decrease) in provision for insured events of prior years	<u>(5,710)</u>	<u>995</u>
Total incurred claims and adjustment expenses	<u>(1,801)</u>	<u>7,821</u>
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,597)	(1,812)
Claims and adjustment expenses attributable to insured events of prior years	<u>(3,993)</u>	<u>(4,761)</u>
Total payments	<u>(5,590)</u>	<u>(6,573)</u>
Reported claims payable and estimated claims incurred but not reported at end of year	<u><u>\$ 22,307</u></u>	<u><u>\$ 29,698</u></u>

This table includes the changes in claims liabilities for six major state agencies, as well as Risk Management. The claims incurred but not reported at the beginning of the year for these six agencies totaled \$20,873,558, and total claims payments were \$4,733,577 in 2007. These six agencies had \$16,089,329 in claims liabilities at the end of the year.

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**D. State Employees' Insurance Plan**

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

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (approximately 70% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)

	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 49,851	\$ 49,766
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	376,459	424,541
Adjustment to estimated claims incurred but not reported at end of year	(1,277)	3,357
Total incurred claims and adjustment expenses	<u>375,182</u>	<u>427,898</u>
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(355,917)	(398,959)
Claims and adjustment expenses attributable to insured claims of prior years	(30,820)	(28,854)
Total payments	<u>(386,737)</u>	<u>(427,813)</u>
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 38,296</u>	<u>\$ 49,851</u>

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

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## E. Public Education Employees' Health Insurance

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

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. That rate was \$717 per participant for 2007 and \$668 per participant for 2006. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs ultimately incurred may vary from the estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The following table presents the changes in claims liabilities during 2007 and 2006:

(Amounts in Thousands)

	September 30,	
	2007	2006
Unpaid claims and claim adjustment expense at beginning of year	\$ 70,199	\$ 77,904
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	636,854	858,906
Increase (Decrease) in provision for insured events of prior years	<u>(4,584)</u>	<u>(13,685)</u>
Total incurred claims and adjustment expenses	632,270	845,221
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(585,303)	(788,707)
Claims and adjustment expenses attributable to insured events of prior years	<u>(66,198)</u>	<u>(64,219)</u>
Total payments	(651,501)	(852,926)
Total unpaid claims and adjustment expenses at end of year	<u>\$ 50,968</u>	<u>\$ 70,199</u>

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

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**F. Alabama Health Insurance Plan**

The Alabama Health Insurance Plan (AHIP) was established to provide health insurance coverage to eligible individuals as an alternative to federal oversight required in the Health Insurance Portability and Accountability Act of 1996. AHIP was established in 1997 under Regulation 115 pursuant to Act 97-713, codified as Section 27-52-1 in the *Code of Alabama 1975*, and is governed by a nine member Board of Directors. The plan provides major medical benefits limited to \$1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$5,174,411 and \$6,886,738 in 2007 and 2006, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the years ended September 30, 2007 and 2006:

(Amounts in Thousands)	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 5,934	\$ 4,185
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	24,897	27,615
Increase (Decrease) in provision for insured events of prior years	(899)	810
Total incurred claims and adjustment expenses	23,998	28,425
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(23,140)	(24,338)
Claims and adjustment expenses attributable to insured events of prior years	(2,410)	(2,338)
Total payments	(25,550)	(26,676)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 4,382	\$ 5,934

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

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



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## G. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Claims are self-insured to the extent of claims less than \$500,000 with no aggregate limit with respect to the number of such claims. Additionally, any individual claims in excess of \$5,000,000 are self-insured. An accrual for uninsured claims is included in other accrued liabilities in the Statement of Net Assets. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2007 and 2006:

(Amounts in Thousands)	September 30,	
	2007	2006
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 1,368	\$ 1,084
Provision for claims	105	703
Total payments	<u>(184)</u>	<u>(419)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$ 1,289</u>	<u>\$ 1,368</u>

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

## NOTE 7 - RETIREMENT PLANS

### A. Retirement Systems of Alabama

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

#### 1. Plan Descriptions

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

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

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

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

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

JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge shall be eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65 (5) completed 10 years of credited service and has attained age 70, (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for a member other than a probate judge is equal to 75 percent of the state-paid salary prescribed by law for the position from which the member retires. If a probate judge is paid on a fee basis, the service retirement benefit is equal to 90% of the benefit payable to a circuit judge on the date such judge retires. If a probate judge is paid on a salary basis, the benefit is equal to 75% of the salary upon which such judge contributes immediately prior to retirement.

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

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

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

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2007. Copies may be obtained by writing to:

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

Title 36, Chapter 27 of the Alabama State Law established the contribution requirements and must be amended by state statute. The law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds.

At September 30, 2007, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	277
Counties	-	64
Other Public Entities	-	502
Universities	13	-
Post-Secondary Institutions	31	-
City & County Boards of Education	131	-
State Agencies & Other	31	1
<b>Total</b>	<b><u>206</u></b>	<b><u>844</u></b>

## 2. Summary of Significant Accounting Policies

### a. Basis of Accounting

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

### b. Investments

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

As of September 30, 2007, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.7 percent and 9.2 percent, respectively, of the TRS and ERS investments. As of September 30, 2007, the ERS owned debt and equity securities in Community News, which represented 5% of ERS investments.

## 3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2006 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

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

**STATE OF ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2007

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, 2006 actuarial valuations for the TRS and the ERS. The remaining amortization period is 20 years for the TRS, ERS-state employees, and ERS-state policemen.

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

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

For fiscal year 2008, the required contribution rate of the employer for ERS (state employees) is 10.26 percent and the rate for TRS is 11.75 percent. The employer contribution rate for ERS state policemen and JRF is 30.42 percent and 23.23 percent, respectively.

**a. TRS and JRF**

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

	<b>Fiscal Year Ended</b>	<b>Annual Required Contribution *</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2005	\$ 347,862	100
	2006	434,195	100
	2007	540,847	100
<b>JRF</b>	2005	8,943	100
	2006	8,916	100
	2007	9,307	100

\* Amounts in Thousands

**b. State Employer Segment of ERS**

Contributions in 2007 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2004.

**Actuarial Methods for ERS**

Valuation Date: September 30, 2004  
 Actuarial Cost Method: Entry Age  
 Asset Valuation Method: 5 Yr Smoothed Market  
 Amortization Method: Level Percent Open  
 Remaining Amort Period: State Employees 20 years, State Policemen 20 years  
 Period Closed/Open: Open

**Actuarial Assumptions for ERS**

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

\*Includes inflation at 4.5%

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**Three-Year Trend Information:**

<b><u>Year Ended</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
2005	\$ 68,739,801	100	0
2006	96,954,490	100	0
2007	118,889,541	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, 2007, net assets of the plan totaled \$1,081,348,460.

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

**NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS**

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

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

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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**A. Plan Descriptions**

The Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 174 participating employers.

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

The Public Education Employees' Health Insurance Board issues a stand-alone plan financial report for the Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2007. A copy may be obtained by writing to:

The Public Education Employees' Health Insurance Board  
P.O. Box 302150  
135 S. Union St.  
Montgomery, AL 36130-2150

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2007. A copy may be obtained by writing to:

State Employees' Insurance Board  
RSA Tower  
201 Monroe Street, Suite 500  
Montgomery, AL 36104

**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. 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. 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. OPEB Expenditures/Expenses**

The cost of teachers' retiree health care benefits is recognized as expenditures to PEEHIP as claims are paid. The cost of the benefits is paid from the regular appropriations made to individual education entities. Total members including active and retirees were approximately 199,492. Retired members and surviving spouse members were 46,855 in fiscal year 2007. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$221,064,000 was on behalf of retired members of PEEHIP for fiscal year 2007. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$90.00 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. Total premiums paid to PEEHIP by retirees for Hospital/Medical coverage was \$56,782,000 for the year to cover themselves and their dependents. Also, the State

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may make additional contributions. Additional funds were contributed in the amount of \$417,000,000 as authorized by the PEEHIP board. The Medicare Part D retiree drug subsidy for fiscal year 2007 was \$23,368,000.

The State provides health care benefits for retired state employees through SEHIP. The cost of benefits is recognized as an expense in the month in which it is incurred plus an estimate of claims incurred but not reported is added. 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. Average enrollment in 2007 was 10,974 for retirees over 65 and 5,229 for retirees under 65. 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 State contribution for retirees was \$72,660,460 for fiscal year 2007. The Medicare Part D retiree drug subsidy for fiscal year 2007 was \$2,459,470.

#### **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 \$125,000 and \$100,000 to the Authority for fiscal year 2007 and fiscal year 2006, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	<u>2007</u>	<u>2006</u>
Fund Balance	\$ 187	\$ 196
Revenues	195	306
Expenditures	228	279

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 \$348,857 in revenues in 2007.

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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**NOTE 12 - RELATED PARTY TRANSACTIONS**

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

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

The University of Alabama Birmingham Educational Foundation made contributions to the University of Alabama at Birmingham of \$7,012,000 during the 2007 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,709,000 for 2007.

An affiliation agreement documents the relationship between HSF and the University of Alabama at Birmingham (UAB). UAB's operating revenues include approximately \$34,910,000 of funding from HSF in 2007, which is used to support the educational and research activities of UAB.

The University of Alabama at Birmingham (UAB) and HSF have entered into an agreement which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$4,745,000 during 2007 to the UAB Health System Board.

The South Alabama Medical Science Foundation (SAMSF) exists for the purpose of promoting education and research at the University of South Alabama. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$1,326,000 for 2007.

**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.



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## **B. Tobacco Settlement**

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$99.0 million in fiscal year 2007, \$94.6 million in fiscal year 2006, \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various state programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

## **C. Litigation**

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

Eugene Crum, Jr., et al. v. State of Alabama, et al., is an employment discrimination case filed in 1994 against various state agencies and the State Personnel Department. The Crum case alleges discrimination in all aspects of employment. The potential cost of the Crum case is currently undeterminable. In March 2006, the State filed a request to the Court for a ruling on the class certification issue citing, in part, the continuing financial burden that expert updates and responses has placed on the State. Though granting the State's "Motion for a Ruling" in May 2006, the Court has not yet issued any order resolving the class certification issue or set a hearing for the certification. The Court has granted intervention motions of approximately 30 intervenors and ordered those cases to proceed as separate lawsuits.

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

The State of Alabama has been involved in several lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for refunds totaling \$123,000,000. The State Legislature enacted laws to remedy the significant loss of revenue.

The State of Alabama Department of Revenue has received petitions from Exxon-Mobil Corporation for refund of gas severance taxes exceeding \$90,000,000. At issue is the method of calculation of the value of the gas severed. The outcome of this case could affect other taxpayers. On September 13, 2007, the Administrative Law Judge of the Department of Revenue issued two orders in favor of Exxon-Mobil, setting aside approximately \$50,000,000 in assessments and ordering the Department to refund in excess of \$41,000,000 to Exxon-Mobil. The Department of Revenue and the Attorney General have filed a notice of appeal of the Administrative Law Judge's decision in the circuit court of Mobile County. The final outcome of this case could affect other taxpayers and result in additional potential refunds of \$55,000,000 to be paid out of the state General Fund.

The State of Alabama Department of Revenue is also involved in additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. These cases have a combined potential refund liability or reduction of assessments of approximately \$78,000,000. Adverse rulings in these cases could also reduce future revenues.

The Department of Mental Health and Mental Retardation, the Department of Corrections, the Department of Human Resources, the Department of Transportation, the Alcoholic Beverage Control Board, and the Department of Public Safety have been involved in litigation that occurred in the normal course of the operations and activities of those agencies. The combined potential liability of all of the cases involving these agencies is approximately \$41,000,000.

STATE OF ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS

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For the Fiscal Year Ended September 30, 2007

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**NOTE 14 - DONOR-RESTRICTED ENDOWMENTS**

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net assets restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5% of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6%. The net endowment appreciation of the four-year colleges at September 30, 2007 was \$95,545,000.

**NOTE 15 - SUBSEQUENT EVENTS**

On November 1, 2007, Auburn University issued \$162,530,000 of Series 2007-A General Fee Revenue Bonds and \$14,465,000 Series 2007-B (Taxable) General Fee Revenue Bonds. The interest rates on the 2007-A bonds range from 3.6% to 5% and the maturity date of the bonds is June 1, 2038. The interest rates on 2007-B (Taxable) bonds range from 4.625% to 5.125% with a maturity date of June 1, 2014.

From October 1, 2007 through January 14, 2008, the Alabama Housing Finance Authority called approximately \$111,130,000 of bonds prior to their scheduled maturities in the single family bond program and \$2,290,000 of bonds in the multi-family bond program. The Authority issued approximately \$239,500,000 of bonds in the single-family bond program and \$11,965,000 of bonds in the multi-family bond program during the same time period.

On October 1, 2007, the Alabama Judicial Building Authority issued \$32,660,000 Series 2007 Revenue Bonds. The interest rates on the 2007 bonds range from 3.5% to 5% and the maturity date of the bonds is May 1, 2018.

On December 5, 2007, the Alabama Public School and College Authority issued \$1,070,585,000 Series 2007 Capital Improvement Bonds. The interest rates on the bonds range from 2.5% to 5% and the maturity date of the bonds is December 1, 2027.

On February 5, 2008, the Alabama Public School and College Authority issued \$49,485,000 Series 2008-A Capital Improvement Bonds. The interest rates on the bonds range from 3.25% to 4.25% and the maturity date of the bonds is February 1, 2028.

On February 1, 2008, the Water Pollution Control Authority issued \$44,680,000 Series 2008-A Revolving Fund Loan Refunding Bonds. The interest rates on the bonds range from 3% to 4% and the maturity date of the bonds is August 15, 2019.

In January 2008, Bank of America, N.A., Bear Stearns Capital Markets, Inc. and Goldman Sachs Mitsui Marine Derivative Products, L.P. exercised its early termination rights to cancel the interest rate swap agreements effective April 1, 2008. See Note 3F for details on the interest rate swap agreement.

On November 5, 2007, the Alabama Incentives Financing Authority called \$11,290,000 of its 1999-C bonds prior to their scheduled maturity.

On March 24, 2008, the Alabama Housing Finance Authority issued \$13,350,000 Series 2008-A Taxable Bonds. The interest rate on the bonds is 2.8% and the maturity date of the bonds is March, 2013.

On February 14, 2008, the State received a settlement from the *Exxon Mobil Corp. v. Alabama Department of Conservation and Natural Resources* litigation. The State received a total of \$121,511,231 as compensatory damages for the underpayment of oil and gas royalties.



## STATE OF ALABAMA

## REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule

## All Budgeted Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,104,397	\$ 1,126,340	\$ 1,098,895	\$ (27,445)
Licenses, Permits and Fees	150,934	153,933	150,182	(3,751)
Fines, Forfeits, and Court Settlements	24,157	24,637	24,037	(600)
Investment Income	137,107	139,831	136,424	(3,407)
Federal Grants and Reimbursements	68	69	67	(2)
Other Revenues	10,923	11,140	10,869	(271)
<b>Total Revenues</b>	<b>1,427,586</b>	<b>1,455,950</b>	<b>1,420,474</b>	<b>(35,476)</b>
<b>EXPENDITURES</b>				
Administrative Office of Courts	146,112	147,823	147,819	4
Agriculture and Industries	13,429	15,244	15,228	16
Attorney General	11,537	12,237	12,237	-
Auditor	734	790	790	-
Commission on Higher Education	-	-	-	-
Corrections	326,298	333,482	332,733	749
Economic and Community Affairs	15,532	16,426	16,175	251
Education	-	-	-	-
Emergency Management	11,324	11,904	11,903	1
Examiners of Public Accounts	12,369	12,369	12,369	-
Finance	11,391	10,454	9,641	813
Governor	5,093	5,239	4,374	865
Human Resources	-	-	-	-
Industrial Relations	1,137	2,348	2,184	164
Legislature	27,838	28,303	20,623	7,680
Medicaid	399,949	399,949	399,947	2
Mental Health and Retardation	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	52,042	58,953	58,946	7
Public Safety	62,228	62,228	61,976	252
Public Service Commission	-	-	-	-
Rehabilitation Services	35	35	35	-
Revenue	116	116	85	31
Secretary of State	2,622	2,647	2,313	334
Transportation	-	-	-	-
Treasurer	2,348	2,348	2,126	222
Youth Services	17,204	17,204	17,204	-
Colleges and Universities	-	100	100	-
Other	199,191	196,589	192,771	3,818
<b>Total Expenditures</b>	<b>1,318,529</b>	<b>1,336,788</b>	<b>1,321,579</b>	<b>15,209</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>109,057</b>	<b>119,162</b>	<b>98,895</b>	<b>(20,267)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	211,704	215,910	210,649	(5,261)
Transfers Out	(320,761)	(335,078)	(335,078)	-
Bonds Issued	-	-	-	-
Debt Issuance Premiums	-	-	-	-
Insurance Recovery Proceeds	-	6	6	-
<b>Total Other Financing Sources (Uses)</b>	<b>(109,057)</b>	<b>(119,162)</b>	<b>(124,423)</b>	<b>(5,261)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>(25,528)</b>	<b>\$ (25,528)</b>

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 6,010,504	\$ 6,240,193	\$ 5,820,967	\$ (419,226)	\$ 993,995	\$ 1,080,142	\$ 968,679	\$ (111,463)
622	646	603	(43)	390,124	423,935	380,188	(43,747)
43	45	42	(3)	17,672	19,204	17,222	(1,982)
-	-	-	-	35,139	38,184	34,244	(3,940)
-	-	-	-	6,624,904	7,199,069	6,456,178	(742,891)
445	461	430	(31)	1,012,116	1,099,834	986,340	(113,494)
<b>6,011,614</b>	<b>6,241,345</b>	<b>5,822,042</b>	<b>(419,303)</b>	<b>9,073,950</b>	<b>9,860,368</b>	<b>8,842,851</b>	<b>(1,017,517)</b>
-	-	-	-	23,239	29,787	26,122	3,665
-	-	-	-	21,841	25,606	21,508	4,098
-	-	-	-	6,294	6,294	5,156	1,138
-	-	-	-	-	-	-	-
17,057	17,557	17,119	438	3,157	13,270	5,232	8,038
-	-	-	-	73,953	76,988	65,697	11,291
-	-	-	-	215,681	230,331	184,824	45,507
3,953,121	3,967,366	3,965,831	1,535	1,140,299	1,141,474	945,309	196,165
-	-	-	-	132,748	129,842	75,965	53,877
6,553	6,553	6,553	-	1,746	1,746	1,085	661
-	-	-	-	116,662	116,781	90,403	26,378
-	-	-	-	-	12,143	5,662	6,481
-	-	-	-	1,327,727	1,400,889	1,330,912	69,977
-	-	-	-	81,747	87,204	74,693	12,511
-	-	-	-	-	-	-	-
-	-	-	-	4,030,154	4,180,154	4,121,287	58,867
-	-	-	-	704,791	841,215	783,102	58,113
413,234	413,234	413,029	205	16,548	16,786	11,555	5,231
15,499	15,499	15,334	165	512,451	581,359	544,949	36,410
-	-	-	-	96,276	100,705	69,459	31,246
-	-	-	-	18,389	18,407	14,251	4,156
37,719	37,719	37,717	2	107,870	107,933	102,130	5,803
-	-	-	-	113,143	120,468	118,897	1,571
-	-	-	-	30,896	31,010	7,213	23,797
-	-	-	-	1,290,064	1,969,257	1,368,776	600,481
-	-	-	-	3,152	3,152	2,656	496
53,404	65,904	65,865	39	23,431	23,431	18,429	5,002
1,235,542	1,236,409	1,236,409	-	-	40	40	-
132,121	179,393	177,848	1,545	886,267	980,709	853,091	127,618
<b>5,864,250</b>	<b>5,939,634</b>	<b>5,935,705</b>	<b>3,929</b>	<b>10,978,526</b>	<b>12,246,981</b>	<b>10,848,403</b>	<b>1,398,578</b>
<b>147,364</b>	<b>301,711</b>	<b>(113,663)</b>	<b>(415,374)</b>	<b>(1,904,576)</b>	<b>(2,386,613)</b>	<b>(2,005,552)</b>	<b>381,061</b>
12	13	12	(1)	1,904,576	2,069,641	1,856,069	(213,572)
(147,376)	(301,724)	(301,724)	-	-	-	-	-
-	-	-	-	-	314,089	314,089	-
-	-	-	-	-	244	244	-
-	-	-	-	-	2,639	2,639	-
<b>(147,364)</b>	<b>(301,711)</b>	<b>(301,712)</b>	<b>(1)</b>	<b>1,904,576</b>	<b>2,386,613</b>	<b>2,173,041</b>	<b>(213,572)</b>
<b>\$ 0</b>	<b>\$ 0</b>	<b>(415,375)</b>	<b>\$ (415,375)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>167,489</b>	<b>\$ 167,489</b>

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	<b>BUDGETARY FUNDS</b>			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
<b>Net Change in Fund Balance</b>	<b>\$ (25,528)</b>	<b>\$ (415,375)</b>	<b>\$ 167,489</b>	
Reconciliation to GAAP Basis:				
<i><b>Perspective Differences:</b></i>				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(167,489)	\$ 1,421
<i><b>Basis Differences:</b></i>				
Accruals of revenues and other revenue adjustments	30,316	4,581		2
Accruals of expenditures, expenses and other non-budgeted items	(11,455)	(1,049)		-
To remove asset purchases treated as budgetary expenditures	3,480			-
To remove encumbrances recognized as expenditures	3,060	1,729		59
To recognize prior budget year expenditures/expenses	(4,772)	(1,335)		(51)
To remove budget expenditures/expenses not accrued as liabilities	2,809	(103)		-
<i><b>Entity Differences:</b></i>				
Add net operating results for funds not budgeted				325,653
<b>Net Change in Fund Balances/Net Assets - GAAP Basis</b>	<b>(2,090)</b>	<b>(411,552)</b>	<b>0</b>	<b>327,084</b>
<b>Fund Balances/Net Assets, October 1, 2006, as Restated</b>	<b>406,336</b>	<b>939,943</b>		<b>2,975,570</b>
Increase (Decrease) in Inventory	535	-		-
<b>Fund Balances/Net Assets, September 30, 2007</b>	<b>\$ 404,781</b>	<b>\$ 528,391</b>		<b>\$ 3,302,654</b>

**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
\$ (6,142)	\$ (39,791)	\$ (13,466)	\$ 276,181	\$ (54,174)	\$ (26,388)	\$ (9,780)	\$ (741)	\$ 40,369
(98,633)	(18,173)	11,027	127,466	(9)	15,691	(651)	(3)	34,239
(27,130)	(1,049)	11,634	(71,772)	48,761	(11,212)	8,634	616	(11,706)
-	-	-	524	3,286	15,312	1,200	-	2,718
4,398	22,690	5,390	29,690	3,973	4,466	256	20	4,514
(4,397)	(12,556)	(990)	(191,994)	(511)	(3,628)	(3)	-	(54,307)
(313)	(764)	(666)	27,582	5	(57)	(19)	-	9,186
(280)	(6,460)	(5,418)	190,284	103,642	2,901	4,684,662	226,077	817,719
<b>(132,497)</b>	<b>(56,103)</b>	<b>7,511</b>	<b>387,961</b>	<b>104,973</b>	<b>(2,915)</b>	<b>4,684,299</b>	<b>225,969</b>	<b>842,732</b>
<b>131,603</b>	<b>533,006</b>	<b>28,744</b>	<b>1,367,079</b>	<b>1,391,396</b>	<b>158,317</b>	<b>29,508,854</b>	<b>1,231,728</b>	<b>5,613,003</b>
-	613	-	113	-	-	-	-	-
<b>\$ (894)</b>	<b>\$ 477,516</b>	<b>\$ 36,255</b>	<b>\$ 1,755,153</b>	<b>\$ 1,496,369</b>	<b>\$ 155,402</b>	<b>\$ 34,193,153</b>	<b>\$ 1,457,697</b>	<b>\$ 6,455,735</b>

**A. Budgetary Process**

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

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are included in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins. During 2007, approximately \$4 million of supplemental appropriations and \$36 million of conditional and other appropriations were distributed to various agencies from the General Fund. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill. The Department of Corrections received \$10 million of conditional appropriations for the fiscal year 2007 annual budget. The Department of Public Health and the Department of Mental Health and Mental Retardation received conditional appropriations of \$7 million and \$3.5 million, respectively. Approximately \$195 million of supplemental appropriations and \$21 million of conditional appropriations were distributed from the Education Trust Fund. \$150 million was transferred to the ETF Proration Prevention Account from the conditional appropriations and the local boards of education received \$17 million of supplemental appropriations. An additional \$47 million was distributed from the Education Trust Fund from the settlement agreement funds for the court case Knight v. State of Alabama.

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

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes Federal funds which are included in the Earmarked Funds. Most of the \$1.3 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.



**B. Budgetary Control**

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

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

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

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2007.

**C. 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 more strict, as purchase orders plus any other obligations or accounts payable incurred against fiscal year appropriations may not exceed allotment balances.

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

**D. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2007

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**E. Budgetary Basis of Accounting and Fund Structure**

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

# STATE OF ALABAMA

## REQUIRED SUPPLEMENTARY INFORMATION

### Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2007

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

	Fiscal and Accident Year Ended									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Premiums and investment revenue:										
Earned	\$ 14,449,311	\$ 15,084,840	\$ 15,467,934	\$ 13,870,802	\$ 11,784,626	\$ 20,107,746	\$ 26,051,353	\$ 28,011,985	\$ 28,681,631	\$ 31,624,921
Ceded	3,945,428	4,057,885	3,720,562	4,625,350	6,818,750	9,220,295	9,354,929	8,866,003	11,097,719	15,066,930
Net Earned	10,503,883	11,026,955	11,747,372	9,245,452	4,965,876	10,887,451	16,696,424	19,145,982	17,583,912	16,557,991
2. Unallocated Expenses	5,198,350	1,335,404	1,386,108	1,491,719	1,629,983	1,321,010	1,225,875	1,434,721	2,012,079	2,011,812
3. Estimated losses and expenses, end of accident year:										
Incurred	6,086,375	10,060,535	7,452,983	10,467,010	9,032,692	20,571,474	19,112,695	15,806,047	17,978,395	33,146,633
Ceded	-	2,716,695	-	579,828	1,042,092	6,950,182	5,857,254	990,374	89,424	23,972,792
Net incurred	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971	9,173,841
4. Net paid (cumulative) as of:										
End of Accident Year	2,287,443	3,175,039	2,257,460	4,085,891	1,637,570	6,723,799	2,956,081	2,229,160	6,244,752	7,280,429
One Year Later	6,294,100	5,810,797	5,534,435	8,731,518	6,962,172	12,336,940	8,431,874	10,067,705	12,391,469	
Two Years Later	6,381,310	5,902,929	7,133,858	9,763,421	7,407,580	11,635,926	9,549,266	12,021,218		
Three Years Later	6,452,228	5,997,692	7,138,275	9,781,362	7,423,623	11,983,268	10,301,094			
Four Years Later	6,515,796	6,014,366	7,098,275	9,796,428	7,423,567	11,066,387				
Five Years Later	6,613,105	6,014,367	7,098,275	9,796,428	7,453,499					
Six Years Later	6,613,105	5,997,692	7,095,843	9,796,428						
Seven Years Later	6,508,613	5,980,936	7,098,276							
Eight Years Later	6,508,613	5,997,238								
Nine Years Later	6,508,613									
5. Reestimated ceded losses and expenses	1,121,243	2,979,975	-	536,714	2,220,905	6,172,890	27,747,812	16,623,295	568,890	23,972,792
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	6,086,375	7,343,840	7,452,983	9,887,182	7,990,600	13,621,292	13,255,441	14,815,673	17,888,971	9,173,841
One Year Later	7,265,373	6,357,538	7,315,000	9,726,118	7,716,161	13,057,529	10,602,396	13,800,922	16,170,317	
Two Years Later	6,767,178	6,209,767	7,383,997	10,102,843	7,686,755	12,054,404	10,662,436	13,247,344		
Three Years Later	6,496,750	6,138,940	7,350,254	10,021,277	7,470,885	11,999,278	10,622,839			
Four Years Later	6,630,949	6,148,547	7,240,524	9,846,077	7,448,569	11,112,841				
Five Years Later	6,656,915	6,041,804	7,098,275	9,796,428	7,513,241					
Six Years Later	6,635,445	5,997,692	7,095,843	9,796,428						
Seven Years Later	6,508,614	5,980,936	7,098,276							
Eight Years Later	6,508,613	5,997,238								
Nine Years Later	6,508,613									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	422,238	(1,346,602)	(354,707)	(90,754)	(477,359)	(2,508,451)	(2,632,602)	(1,568,329)	(1,718,654)	-

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION  
 Schedule of Funding Progress for Employees' Retirement System  
 For the Fiscal Year Ended September 30, 2007

**State Employees and State Policemen**  
 (Amounts In Thousands)

<u>Actuarial Valuation Date</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarial Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>((B-A)/C) UAAL as a % of Covered Payroll</u>
9/30/2001	4,800,280	4,687,351	(112,929)	102.4	1,091,775	(10.3)
9/30/2002	4,787,994	4,923,618	135,624	97.2	1,163,845	11.7
9/30/2003	4,844,339	5,207,555	363,216	93.0	1,217,974	29.8
9/30/2004	4,922,875	5,464,579	541,704	90.1	1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Fiscal Year Ended September 30, 2007

**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
9/30/2006	\$ 0	\$ 3,103,872	\$ 3,103,872	0.0%	\$ 1,372,085	226.2

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2007

**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 2007 include approximately 10,840 miles of state maintained highways and 5,338 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.

**A. Roads**

**Measurement Scale**

The Alabama Department of Transportation (ALDOT) 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:

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2007

**Established Condition Level**

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

**Assessed Conditions**

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

Category	As of September 30,					
	2007		2006		2005	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National Highway System	7,151	87.12	7,159	77.77	7,165	83.92
Non-Interstate National Highway System	2,783	73.80	2,782	71.61	2,778	73.05
Interstate System	906	73.19	905	77.01	906	77.01
<b>Summary Total and Weighted Average Rating</b>	<b>10,840</b>	82.54	<b>10,846</b>	76.13	<b>10,849</b>	76.48

**B. Bridges**

**Measurement Scale**

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

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

**Established Condition Level**

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

**Assessed Conditions**

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

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2007

Category	As of September 30,					
	2007		2006		2005	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National						
Highway System	2,590	6.76	2,587	6.75	2,582	6.74
Non-Interstate National						
Highway System	1,600	6.91	1,592	6.90	1,580	6.89
Interstate System	1,148	6.12	1,149	6.14	1,159	6.18
<b>Summary Total and</b>						
<b>Weighted Average Rating</b>	<b>5,338</b>	6.67	<b>5,328</b>	6.66	<b>5,321</b>	6.66

**C. Estimated and Actual Costs**

In fiscal years 2007, 2006, 2005, 2004, and 2003, the State estimated it would need to spend \$277.7, \$247.1, \$247.1, \$205.0, and \$205.0, 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 2007, the State spent \$293,253,000 for roadway preservation and \$2,821,000 for bridge preservation. In fiscal year 2006, the State spent \$249,823,000 for roadway preservation and \$2,188,000 for bridge preservation. In fiscal years 2005, 2004, and 2003, the State spent \$179,902,767, \$162,823,215, and \$124,388,121, respectively, for maintenance and preservation of roadway and bridge assets combined. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$320,025,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the “Established Condition Levels”.





## STATE OF ALABAMA

## COMBINING BALANCE SHEET

## Nonmajor Governmental Funds by Fund Type

September 30, 2007

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,364,453	\$ 4,642	\$ 155,221	\$ 8,883	\$ 1,533,199
Investments	182,668	807	290,523	42,592	516,590
Accounts Receivable	6,209	-	318	-	6,527
Due from Other Funds	49,810	-	113	-	49,923
Due from Component Units	1,020	-	-	-	1,020
Due from Other Governments	107,773	-	-	-	107,773
Taxes Receivable	154,677	-	-	-	154,677
Interest and Dividends Receivable	1,536	-	801	158	2,495
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	51,312	268	9,092	9,985	70,657
Inventory	1,352	-	-	-	1,352
Restricted Assets	1,868	-	-	-	1,868
<b>TOTAL ASSETS</b>	<b>\$ 1,922,678</b>	<b>\$ 5,717</b>	<b>\$ 456,068</b>	<b>\$ 61,657</b>	<b>\$ 2,446,120</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ 15,742	\$ 0	\$ 829	\$ 0	\$ 16,571
Accounts Payable	123,756	-	1,390	2	125,148
Salaries Payable	54,701	-	-	-	54,701
Due to Other Funds	73,755	-	2,300	20	76,075
Due to Component Units	645	-	-	-	645
Due to Other Governments	171,759	-	-	-	171,759
Securities Lending Obligation	51,312	268	9,092	9,985	70,657
Deferred Revenue	117,029	-	-	-	117,029
Amounts Held in Custody for Others	57,747	-	-	-	57,747
Compensated Absences	635	-	-	-	635
<b>Total Liabilities</b>	<b>667,081</b>	<b>268</b>	<b>13,611</b>	<b>10,007</b>	<b>690,967</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	31,601	-	1,898	-	33,499
Inventory	1,352	-	-	-	1,352
Court Settlements	7,876	-	-	-	7,876
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	-	-	-	30,991	30,991
Unreserved, Designated for Capital Projects	-	-	440,559	-	440,559
Unreserved, Designated for Debt Service	-	5,449	-	-	5,449
Unreserved, Undesignated	1,214,735	-	-	20,659	1,235,394
<b>Total Fund Balances</b>	<b>1,255,597</b>	<b>5,449</b>	<b>442,457</b>	<b>51,650</b>	<b>1,755,153</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,922,678</b>	<b>\$ 5,717</b>	<b>\$ 456,068</b>	<b>\$ 61,657</b>	<b>\$ 2,446,120</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 765,706	\$ 0	\$ 0	\$ 0	\$ 765,706
Licenses, Permits, and Fees	342,416	-	-	2,405	344,821
Fines, Forfeits, and Court Settlements	18,179	-	-	-	18,179
Investment Income	39,977	532	12,316	1,872	54,697
Federal Grants and Reimbursements	1,726,015	-	-	-	1,726,015
Other Revenues	356,963	3,660	-	1,492	362,115
<b>Total Revenues</b>	<b>3,249,256</b>	<b>4,192</b>	<b>12,316</b>	<b>5,769</b>	<b>3,271,533</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	69,072	-	-	-	69,072
Education and Cultural Resources	972,837	-	-	19	972,856
Natural Resources and Recreation	128,491	-	-	193	128,684
Health - Physical and Mental	719,965	-	-	-	719,965
Social Services	337,009	-	-	-	337,009
Protection of Persons and Property	411,902	-	-	-	411,902
Transportation	243,210	-	-	-	243,210
General Government	592,068	-	-	-	592,068
Capital Outlay	21,562	-	146,840	-	168,402
Debt Service - Principal Retirement	12,935	33,607	-	-	46,542
Debt Service - Interest and Other Charges	6,534	32,728	132	-	39,394
<b>Total Expenditures</b>	<b>3,515,585</b>	<b>66,335</b>	<b>146,972</b>	<b>212</b>	<b>3,729,104</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>(266,329)</b>	<b>(62,143)</b>	<b>(134,656)</b>	<b>5,557</b>	<b>(457,571)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	797,343	62,482	13,738	1,177	874,740
Transfers Out	(322,090)	-	(27,631)	(393)	(350,114)
Bonds Issued	-	-	305,000	-	305,000
Capital Leases	5,186	-	-	-	5,186
Debt Issuance Premiums	-	244	9,089	-	9,333
Insurance Recovery Proceeds	1,387	-	-	-	1,387
<b>Total Other Financing Sources (Uses)</b>	<b>481,826</b>	<b>62,726</b>	<b>300,196</b>	<b>784</b>	<b>845,532</b>
<b>Net Change in Fund Balances</b>	<b>215,497</b>	<b>583</b>	<b>165,540</b>	<b>6,341</b>	<b>387,961</b>
Fund Balances, October 1, 2006, as Restated	1,039,987	4,866	276,917	45,309	1,367,079
Increase (Decrease) in Inventory	113	-	-	-	113
<b>Fund Balances, September 30, 2007</b>	<b>\$ 1,255,597</b>	<b>\$ 5,449</b>	<b>\$ 442,457</b>	<b>\$ 51,650</b>	<b>\$ 1,755,153</b>



# 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 Local Governments**

Account for revenues from gasoline taxes, motor vehicle licenses, TVA payments, and other revenue sources which are shared with local governments.

## **Other Medicaid Funds**

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

## **Rehabilitation Services**

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

## **Public School Fund**

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

## **Children First Trust**

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

## **Revenue Administrative**

Administers the collection of most state taxes and licenses.

## **Industrial Relations**

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

## **Conservation and Natural Resources**

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

## **Other Nonmajor Special Revenue Funds**

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

## STATE OF ALABAMA

COMBINING BALANCE SHEET  
Nonmajor Special Revenue Funds

September 30, 2007

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 59,261	\$ 35,833	\$ 31,204	\$ 86,049	\$ 34,980
Investments	-	-	-	-	-
Accounts Receivable	9	87	340	2,929	-
Due from Other Funds	17,018	4,005	1,100	924	-
Due from Component Units	230	1	1	-	-
Due from Other Governments	16,123	67,687	11,801	-	-
Taxes Receivable	-	30	-	12,984	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	2,979	2,294	508	5,496	2,239
Inventory	-	-	639	-	-
Restricted Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 95,620</b>	<b>\$ 109,937</b>	<b>\$ 45,593</b>	<b>\$ 108,382</b>	<b>\$ 37,219</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ 2,402	\$ 1,892	\$ 344	\$ 411	\$ 0
Accounts Payable	30,066	22,335	9,814	-	-
Salaries Payable	15,912	3,560	1,100	-	-
Due to Other Funds	9,829	707	290	6,297	31,841
Due to Component Units	50	7	3	-	-
Due to Other Governments	362	61,088	3,326	96,100	-
Securities Lending Obligation	2,979	2,294	508	5,496	2,239
Deferred Revenue	-	-	187	11	-
Amounts Held in Custody for Others	54	-	-	67	-
Compensated Absences	108	133	-	-	-
<b>Total Liabilities</b>	<b>61,762</b>	<b>92,016</b>	<b>15,572</b>	<b>108,382</b>	<b>34,080</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	7,148	6,691	147	-	-
Inventory	-	-	639	-	-
Court Settlements	-	-	7,876	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	26,710	11,230	21,359	-	3,139
<b>Total Fund Balances</b>	<b>33,858</b>	<b>17,921</b>	<b>30,021</b>	<b>0</b>	<b>3,139</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 95,620</b>	<b>\$ 109,937</b>	<b>\$ 45,593</b>	<b>\$ 108,382</b>	<b>\$ 37,219</b>

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 14,619	\$ 22,110	\$ 15,205	\$ 4,045	\$ 16,870	\$ 53,115	\$ 991,162	\$ 1,364,453
-	-	-	-	-	14	182,654	182,668
10	-	-	266	1	683	1,884	6,209
3,047	-	1,092	6	539	1,503	20,576	49,810
5	9	-	4	2	-	768	1,020
-	-	-	-	-	-	12,162	107,773
-	120,615	-	15,350	-	291	5,407	154,677
-	-	-	-	-	8	1,528	1,536
919	1,415	973	259	961	3,370	29,899	51,312
120	-	-	-	-	468	125	1,352
-	-	-	-	-	-	1,868	1,868
<b>\$ 18,720</b>	<b>\$ 144,149</b>	<b>\$ 17,270</b>	<b>\$ 19,930</b>	<b>\$ 18,373</b>	<b>\$ 59,452</b>	<b>\$ 1,248,033</b>	<b>\$ 1,922,678</b>
\$ 687	\$ 179	\$ 86	\$ 69	\$ 61	\$ 534	\$ 9,077	\$ 15,742
7,220	-	1,303	2,778	703	3,309	46,228	123,756
2,452	-	-	6,775	4,584	4,615	15,703	54,701
550	-	1,319	1,302	603	543	20,474	73,755
471	9	-	11	-	-	94	645
287	-	188	46	21	251	10,090	171,759
919	1,415	973	259	961	3,370	29,899	51,312
-	106,161	-	-	-	25	10,645	117,029
-	-	-	87	-	195	57,344	57,747
5	-	-	102	32	55	200	635
<b>12,591</b>	<b>107,764</b>	<b>3,869</b>	<b>11,429</b>	<b>6,965</b>	<b>12,897</b>	<b>199,754</b>	<b>667,081</b>
816	-	-	849	1,945	2,396	11,609	31,601
120	-	-	-	-	468	125	1,352
-	-	-	-	-	-	-	7,876
-	-	-	-	-	-	33	33
5,193	36,385	13,401	7,652	9,463	43,691	1,036,512	1,214,735
<b>6,129</b>	<b>36,385</b>	<b>13,401</b>	<b>8,501</b>	<b>11,408</b>	<b>46,555</b>	<b>1,048,279</b>	<b>1,255,597</b>
<b>\$ 18,720</b>	<b>\$ 144,149</b>	<b>\$ 17,270</b>	<b>\$ 19,930</b>	<b>\$ 18,373</b>	<b>\$ 59,452</b>	<b>\$ 1,248,033</b>	<b>\$ 1,922,678</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
<b>REVENUES</b>					
Taxes	\$ 2,596	\$ 3,119	\$ 0	\$ 397,810	\$ 57,605
Licenses, Permits, and Fees	44,468	1,560	20	30,634	-
Fines, Forfeits, and Court Settlements	-	1	1,770	1	-
Investment Income	-	-	669	-	-
Federal Grants and Reimbursements	314,211	807,870	174,442	2,356	-
Other Revenues	89,955	11,650	5,997	-	32,966
<b>Total Revenues</b>	<b>451,230</b>	<b>824,200</b>	<b>182,898</b>	<b>430,801</b>	<b>90,571</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	786,894	-	3,864	-
Natural Resources and Recreation	-	-	-	2,310	-
Health - Physical and Mental	558,636	-	-	410	58,372
Social Services	-	36,317	43,504	-	-
Protection of Persons and Property	-	-	21,940	-	-
Transportation	-	-	-	217,641	-
General Government	-	-	106,283	244,606	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	371	39	-	-	-
Debt Service - Interest and Other Charges	580	4	-	-	-
<b>Total Expenditures</b>	<b>559,587</b>	<b>823,254</b>	<b>171,727</b>	<b>468,831</b>	<b>58,372</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>(108,357)</b>	<b>946</b>	<b>11,171</b>	<b>(38,030)</b>	<b>32,199</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	127,095	3,217	8,677	38,030	-
Transfers Out	(33,490)	(2,453)	(15,325)	-	(31,841)
Capital Leases	4,705	-	-	-	-
Insurance Recovery Proceeds	-	2	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>98,310</b>	<b>766</b>	<b>(6,648)</b>	<b>38,030</b>	<b>(31,841)</b>
<b>Net Change in Fund Balances</b>	<b>(10,047)</b>	<b>1,712</b>	<b>4,523</b>	<b>0</b>	<b>358</b>
Fund Balances, October 1, 2006, as Restated	43,905	16,209	25,442	-	2,781
Increase (Decrease) in Inventory	-	-	56	-	-
<b>Fund Balances, September 30, 2007</b>	<b>\$ 33,858</b>	<b>\$ 17,921</b>	<b>\$ 30,021</b>	<b>\$ 0</b>	<b>\$ 3,139</b>



Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 143,249	\$ 0	\$ 101,174	\$ 4,452	\$ 10,963	\$ 44,738	\$ 765,706
-	-	-	2,308	243	21,398	241,785	342,416
1,383	-	-	20	34	912	14,058	18,179
-	-	-	-	299	804	38,205	39,977
74,546	-	6	1,829	51,798	27,005	271,952	1,726,015
2,111	428	50,039	4,296	1,510	32,269	125,742	356,963
<b>78,040</b>	<b>143,677</b>	<b>50,045</b>	<b>109,627</b>	<b>58,336</b>	<b>93,351</b>	<b>736,480</b>	<b>3,249,256</b>
-	-	-	-	-	-	69,072	69,072
7,170	130,009	-	-	-	-	44,900	972,837
-	-	-	-	-	106,850	19,331	128,491
-	-	5,013	-	-	-	97,534	719,965
87,838	-	17,847	-	62,014	-	89,489	337,009
-	-	8,079	-	10,460	-	371,423	411,902
-	-	-	-	-	-	25,569	243,210
-	-	5,244	116,082	-	-	119,853	592,068
-	-	-	-	-	-	21,562	21,562
-	-	-	116	-	92	12,317	12,935
-	533	-	13	-	2	5,402	6,534
<b>95,008</b>	<b>130,542</b>	<b>36,183</b>	<b>116,211</b>	<b>72,474</b>	<b>106,944</b>	<b>876,452</b>	<b>3,515,585</b>
<b>(16,968)</b>	<b>13,135</b>	<b>13,862</b>	<b>(6,584)</b>	<b>(14,138)</b>	<b>(13,593)</b>	<b>(139,972)</b>	<b>(266,329)</b>
24,072	533	-	6,599	15,990	11,936	561,194	797,343
(4,383)	-	(12,826)	(3,336)	(204)	(9,151)	(209,081)	(322,090)
-	-	-	-	-	-	481	5,186
4	-	-	-	-	1,134	247	1,387
<b>19,693</b>	<b>533</b>	<b>(12,826)</b>	<b>3,263</b>	<b>15,786</b>	<b>3,919</b>	<b>352,841</b>	<b>481,826</b>
<b>2,725</b>	<b>13,668</b>	<b>1,036</b>	<b>(3,321)</b>	<b>1,648</b>	<b>(9,674)</b>	<b>212,869</b>	<b>215,497</b>
3,429	22,717	12,365	11,822	9,760	56,131	835,426	1,039,987
(25)	-	-	-	-	98	(16)	113
<b>\$ 6,129</b>	<b>\$ 36,385</b>	<b>\$ 13,401</b>	<b>\$ 8,501</b>	<b>\$ 11,408</b>	<b>\$ 46,555</b>	<b>\$ 1,048,279</b>	<b>\$ 1,255,597</b>

## STATE OF ALABAMA

COMBINING BALANCE SHEET  
Other Nonmajor Special Revenue Funds

September 30, 2007

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 9,986	\$ 27,615	\$ 1,278	\$ 46,877	\$ 3,327
Investments	218	5,324	-	8,444	-
Accounts Receivable	11	-	-	205	-
Due from Other Funds	2,964	1,926	6,138	18	917
Due from Component Units	1	747	-	-	-
Due from Other Governments	-	-	1,248	-	4,195
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	557	814	82	1,981	212
Inventory	-	-	-	-	-
Restricted Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 13,737</b>	<b>\$ 36,426</b>	<b>\$ 8,746</b>	<b>\$ 57,525</b>	<b>\$ 8,651</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Warrants Payable	\$ 6	\$ 1,327	\$ 10	\$ 139	\$ 856
Accounts Payable	2,443	7,612	-	1,536	1,222
Salaries Payable	137	3,365	161	1,257	352
Due to Other Funds	3	11,388	1,639	239	113
Due to Component Units	-	8	-	1	-
Due to Other Governments	-	243	5,407	1	51
Securities Lending Obligation	557	814	82	1,981	212
Deferred Revenue	-	-	-	8,545	45
Amounts Held in Custody for Others	1	6	-	870	-
Compensated Absences	17	12	1	-	2
<b>Total Liabilities</b>	<b>3,164</b>	<b>24,775</b>	<b>7,300</b>	<b>14,569</b>	<b>2,853</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	2,875	936	-	591	263
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Unreserved, Undesignated	7,698	10,715	1,446	42,365	5,535
<b>Total Fund Balances</b>	<b>10,573</b>	<b>11,651</b>	<b>1,446</b>	<b>42,956</b>	<b>5,798</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,737</b>	<b>\$ 36,426</b>	<b>\$ 8,746</b>	<b>\$ 57,525</b>	<b>\$ 8,651</b>

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 947	\$ 6,994	\$ 43,345	\$ 6,300	\$ 45,304	\$ 428,632	\$ 370,557	\$ 991,162
4,507	217	-	-	-	-	163,944	182,654
696	-	-	-	-	-	972	1,884
-	-	-	-	-	-	8,613	20,576
-	-	-	-	-	-	20	768
-	9	-	-	-	-	6,710	12,162
-	-	-	-	-	-	5,407	5,407
-	48	35	-	-	-	1,445	1,528
-	-	2,775	403	2,900	-	20,175	29,899
-	-	-	-	-	-	125	125
1,868	-	-	-	-	-	-	1,868
<b>\$ 8,018</b>	<b>\$ 7,268</b>	<b>\$ 46,155</b>	<b>\$ 6,703</b>	<b>\$ 48,204</b>	<b>\$ 428,632</b>	<b>\$ 577,968</b>	<b>\$ 1,248,033</b>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,755	\$ 0	\$ 4,984	\$ 9,077
1,534	710	48	-	-	-	31,123	46,228
-	-	-	-	-	-	10,431	15,703
85	-	56	-	3,975	-	2,976	20,474
-	-	-	-	-	-	85	94
-	645	-	-	-	-	3,743	10,090
-	-	2,775	403	2,900	-	20,175	29,899
373	-	-	-	-	-	1,682	10,645
-	-	-	-	-	-	56,467	57,344
-	-	-	-	-	-	168	200
<b>1,992</b>	<b>1,355</b>	<b>2,879</b>	<b>403</b>	<b>8,630</b>	<b>0</b>	<b>131,834</b>	<b>199,754</b>
-	-	-	-	-	-	6,944	11,609
-	-	-	-	-	-	125	125
-	-	-	-	-	-	33	33
6,026	5,913	43,276	6,300	39,574	428,632	439,032	1,036,512
<b>6,026</b>	<b>5,913</b>	<b>43,276</b>	<b>6,300</b>	<b>39,574</b>	<b>428,632</b>	<b>446,134</b>	<b>1,048,279</b>
<b>\$ 8,018</b>	<b>\$ 7,268</b>	<b>\$ 46,155</b>	<b>\$ 6,703</b>	<b>\$ 48,204</b>	<b>\$ 428,632</b>	<b>\$ 577,968</b>	<b>\$ 1,248,033</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Professional and Occupational Boards	Emergency Management
<b>REVENUES</b>					
Taxes	\$ 0	\$ 111	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	1,324	62,293	-	37,867	-
Fines, Forfeits, and Court Settlements	1,904	1,535	-	4,047	-
Investment Income	17	1,244	-	1,447	-
Federal Grants and Reimbursements	62	15,251	22,272	255	73,694
Other Revenues	19,255	1,377	178	1,456	2,103
<b>Total Revenues</b>	<b>22,562</b>	<b>81,811</b>	<b>22,450</b>	<b>45,072</b>	<b>75,797</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	-	-	-	2,059	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	-	91,216	-	-	-
Social Services	-	-	56,220	-	-
Protection of Persons and Property	45,563	-	-	37,249	74,946
Transportation	-	-	-	-	-
General Government	-	-	-	25	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	648	160	-	-	-
Debt Service - Interest and Other Charges	202	811	-	-	-
<b>Total Expenditures</b>	<b>46,413</b>	<b>92,187</b>	<b>56,220</b>	<b>39,333</b>	<b>74,946</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>(23,851)</b>	<b>(10,376)</b>	<b>(33,770)</b>	<b>5,739</b>	<b>851</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	11,807	8,775	43,213	714	4,526
Transfers Out	-	(3,816)	(10,371)	(1,644)	(2,397)
Capital Leases	-	-	-	-	-
Insurance Recovery Proceeds	69	-	-	4	-
<b>Total Other Financing Sources (Uses)</b>	<b>11,876</b>	<b>4,959</b>	<b>32,842</b>	<b>(926)</b>	<b>2,129</b>
<b>Net Change in Fund Balances</b>	<b>(11,975)</b>	<b>(5,417)</b>	<b>(928)</b>	<b>4,813</b>	<b>2,980</b>
Fund Balances, October 1, 2006, as Restated	22,548	17,068	2,374	38,143	2,818
Increase (Decrease) in Inventory	-	-	-	-	-
<b>Fund Balances, September 30, 2007</b>	<b>\$ 10,573</b>	<b>\$ 11,651</b>	<b>\$ 1,446</b>	<b>\$ 42,956</b>	<b>\$ 5,798</b>

Educational Television Foundation Authority	Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	Education Trust Proration Prevention Account	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,627	\$ 44,738
-	-	279	-	-	-	140,022	241,785
-	-	-	-	-	-	6,572	14,058
641	580	1,953	320	-	19,015	12,988	38,205
-	-	810	-	-	-	159,608	271,952
10,175	-	11	-	-	-	91,187	125,742
<b>10,816</b>	<b>580</b>	<b>3,053</b>	<b>320</b>	<b>0</b>	<b>19,015</b>	<b>455,004</b>	<b>736,480</b>
-	-	-	-	-	-	67,013	69,072
11,153	-	-	-	-	-	33,747	44,900
-	-	6,308	-	-	-	13,023	19,331
-	5,163	-	-	-	-	1,155	97,534
-	-	-	-	-	-	33,269	89,489
-	-	-	-	-	-	213,665	371,423
-	-	-	-	-	-	25,569	25,569
-	-	-	-	-	-	119,828	119,853
-	-	-	-	6,137	-	15,425	21,562
-	-	-	-	11,365	-	144	12,317
-	15	-	-	4,350	-	24	5,402
<b>11,153</b>	<b>5,178</b>	<b>6,308</b>	<b>0</b>	<b>21,852</b>	<b>0</b>	<b>522,862</b>	<b>876,452</b>
(337)	(4,598)	(3,255)	320	(21,852)	19,015	(67,858)	(139,972)
20	5,018	15,000	-	103,431	165,888	202,802	561,194
(138)	(7,738)	(1,299)	-	(92,400)	-	(89,278)	(209,081)
-	-	-	-	-	-	481	481
-	-	-	-	-	-	174	247
<b>(118)</b>	<b>(2,720)</b>	<b>13,701</b>	<b>0</b>	<b>11,031</b>	<b>165,888</b>	<b>114,179</b>	<b>352,841</b>
<b>(455)</b>	<b>(7,318)</b>	<b>10,446</b>	<b>320</b>	<b>(10,821)</b>	<b>184,903</b>	<b>46,321</b>	<b>212,869</b>
6,481	13,231	32,830	5,980	50,395	243,729	399,829	835,426
-	-	-	-	-	-	(16)	(16)
<b>\$ 6,026</b>	<b>\$ 5,913</b>	<b>\$ 43,276</b>	<b>\$ 6,300</b>	<b>\$ 39,574</b>	<b>\$ 428,632</b>	<b>\$ 446,134</b>	<b>\$ 1,048,279</b>



# Nonmajor Debt Service Funds

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

## **Corrections Institution Finance Authority**

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

## **Judicial Building Authority**

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

## **Public Health Care Authority**

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

## **General Obligation Bonds**

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

## **Federal Aid Highway Finance Authority**

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

## STATE OF ALABAMA

COMBINING BALANCE SHEET  
Nonmajor Debt Service Funds

September 30, 2007

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 461	\$ 4,181	\$ 0	\$ 0
Investments	-	-	563	244
Securities Lending Collateral	-	268	-	-
<b>TOTAL ASSETS</b>	<b>\$ 461</b>	<b>\$ 4,449</b>	<b>\$ 563</b>	<b>\$ 244</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Securities Lending Obligation	\$ 0	\$ 268	\$ 0	\$ 0
<b>Total Liabilities</b>	<b>0</b>	<b>268</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>				
Unreserved, Designated for Debt Service	461	4,181	563	244
<b>Total Fund Balances</b>	<b>461</b>	<b>4,181</b>	<b>563</b>	<b>244</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 461</b>	<b>\$ 4,449</b>	<b>\$ 563</b>	<b>\$ 244</b>



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Federal Aid Highway Finance Authority		Totals	
\$	0	\$	4,642
	-		807
	-		268
<b>\$</b>	<b>0</b>	<b>\$</b>	<b>5,717</b>

\$	0	\$	268
	<b>0</b>		<b>268</b>

	-		5,449
	<b>0</b>		<b>5,449</b>

<b>\$</b>	<b>0</b>	<b>\$</b>	<b>5,717</b>
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## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
<b>REVENUES</b>				
Investment Income	\$ 0	\$ 482	\$ 50	\$ 0
Other Revenues	-	3,643	17	-
<b>Total Revenues</b>	<b>0</b>	<b>4,125</b>	<b>67</b>	<b>0</b>
<b>EXPENDITURES</b>				
Debt Service - Principal Retirement	1,525	2,387	1,090	17,190
Debt Service - Interest and Other Charges	621	1,588	2,467	20,214
<b>Total Expenditures</b>	<b>2,146</b>	<b>3,975</b>	<b>3,557</b>	<b>37,404</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,146)</b>	<b>150</b>	<b>(3,490)</b>	<b>(37,404)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,146	-	3,679	37,404
Debt Issuance Premiums	-	-	-	244
<b>Total Other Financing Sources (Uses)</b>	<b>2,146</b>	<b>0</b>	<b>3,679</b>	<b>37,648</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>150</b>	<b>189</b>	<b>244</b>
Fund Balances, October 1, 2006, as Restated	461	4,031	374	-
<b>Fund Balances, September 30, 2007</b>	<b>\$ 461</b>	<b>\$ 4,181</b>	<b>\$ 563</b>	<b>\$ 244</b>

Federal Aid Highway Finance Authority		Totals	
\$	0	\$	532
	-		3,660
	<b>0</b>		<b>4,192</b>
	11,415		33,607
	7,838		32,728
	<b>19,253</b>		<b>66,335</b>
	<b>(19,253)</b>		<b>(62,143)</b>
	19,253		62,482
	-		244
	<b>19,253</b>		<b>62,726</b>
	<b>0</b>		<b>583</b>
	-		4,866
<b>\$</b>	<b>0</b>	<b>\$</b>	<b>5,449</b>



# Nonmajor Capital Projects Funds

*Nonmajor Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets.*

## **General Obligation Bond Projects**

Accounts for the proceeds of general obligation debt issued by the State for a wide variety of construction projects involving waterways, parks, roads, prisons, mental hospitals, research labs, and other buildings.

## **State Parks Improvement Corporation**

Accounts for the proceeds of debt issued by the State for the purpose of financing renovations to the State Parks System.

## **Federal Aid Highway Finance Authority**

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

## **Other Capital Project Funds**

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

## STATE OF ALABAMA

COMBINING BALANCE SHEET  
Nonmajor Capital Projects Funds

September 30, 2007

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 76,244	\$ 54,020	\$ 8,212	\$ 16,745	\$ 155,221
Investments	267,539	-	-	22,984	290,523
Accounts Receivable	318	-	-	-	318
Due from Other Funds	-	-	-	113	113
Interest and Dividends Receivable	784	-	-	17	801
Securities Lending Collateral	4,881	3,458	526	227	9,092
<b>TOTAL ASSETS</b>	<b>\$ 349,766</b>	<b>\$ 57,478</b>	<b>\$ 8,738</b>	<b>\$ 40,086</b>	<b>\$ 456,068</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ 715	\$ 1	\$ 0	\$ 113	\$ 829
Accounts Payable	-	415	-	975	1,390
Due to Other Funds	-	1,000	-	1,300	2,300
Securities Lending Obligation	4,881	3,458	526	227	9,092
<b>Total Liabilities</b>	<b>5,596</b>	<b>4,874</b>	<b>526</b>	<b>2,615</b>	<b>13,611</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	149	1,749	-	-	1,898
Unreserved, Designated for Capital Projects	344,021	50,855	8,212	37,471	440,559
<b>Total Fund Balances</b>	<b>344,170</b>	<b>52,604</b>	<b>8,212</b>	<b>37,471</b>	<b>442,457</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 349,766</b>	<b>\$ 57,478</b>	<b>\$ 8,738</b>	<b>\$ 40,086</b>	<b>\$ 456,068</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Other Capital Project Funds	Totals
<b>REVENUES</b>					
Investment Income	\$ 6,463	\$ 2,953	\$ 1,373	\$ 1,527	\$ 12,316
<b>Total Revenues</b>	<b>6,463</b>	<b>2,953</b>	<b>1,373</b>	<b>1,527</b>	<b>12,316</b>
<b>EXPENDITURES</b>					
Capital Outlay	128,800	7,230	-	10,810	146,840
Debt Service - Interest and Other Charges	129	-	-	3	132
<b>Total Expenditures</b>	<b>128,929</b>	<b>7,230</b>	<b>0</b>	<b>10,813</b>	<b>146,972</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>(122,466)</b>	<b>(4,277)</b>	<b>1,373</b>	<b>(9,286)</b>	<b>(134,656)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	13,738	13,738
Transfers Out	-	-	(27,631)	-	(27,631)
Bonds Issued	305,000	-	-	-	305,000
Debt Issuance Premiums	9,089	-	-	-	9,089
<b>Total Other Financing Sources (Uses)</b>	<b>314,089</b>	<b>0</b>	<b>(27,631)</b>	<b>13,738</b>	<b>300,196</b>
<b>Net Change in Fund Balances</b>	<b>191,623</b>	<b>(4,277)</b>	<b>(26,258)</b>	<b>4,452</b>	<b>165,540</b>
Fund Balances, October 1, 2006, as Restated	152,547	56,881	34,470	33,019	276,917
<b>Fund Balances, September 30, 2007</b>	<b>\$ 344,170</b>	<b>\$ 52,604</b>	<b>\$ 8,212</b>	<b>\$ 37,471</b>	<b>\$ 442,457</b>





# Nonmajor Permanent Funds

*Nonmajor Permanent Funds report resources that are legally restricted so that only earnings, not principal, may be used for purposes that support the State's governmental programs.*

## **Marine, Game and Fish Endowment**

Invests the proceeds of lifetime hunting and fishing licenses and uses the investment income to preserve, protect, propagate, and develop wildlife within the State.

## **Alabama Research Institute**

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

## **Senior Services Trust**

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

## **Other Permanent Funds**

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

## STATE OF ALABAMA

COMBINING BALANCE SHEET  
Nonmajor Permanent Funds

September 30, 2007

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 305	\$ 1	\$ 0	\$ 8,577	\$ 8,883
Investments	14,554	14,140	13,787	111	42,592
Interest and Dividends Receivable	-	8	150	-	158
Mortgages, Notes, and Loans Receivable	-	-	-	39	39
Securities Lending Collateral	4,821	-	4,615	549	9,985
<b>TOTAL ASSETS</b>	<b>\$ 19,680</b>	<b>\$ 14,149</b>	<b>\$ 18,552</b>	<b>\$ 9,276</b>	<b>\$ 61,657</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 2	\$ 0	\$ 0	\$ 0	\$ 2
Due to Other Funds	20	-	-	-	20
Securities Lending Obligation	4,821	-	4,615	549	9,985
<b>Total Liabilities</b>	<b>4,843</b>	<b>0</b>	<b>4,615</b>	<b>549</b>	<b>10,007</b>
<b>Fund Balances</b>					
Reserved for:					
Permanent Trust Principal	14,837	11,500	2,340	2,314	30,991
Unreserved, Undesignated	-	2,649	11,597	6,413	20,659
<b>Total Fund Balances</b>	<b>14,837</b>	<b>14,149</b>	<b>13,937</b>	<b>8,727</b>	<b>51,650</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,680</b>	<b>\$ 14,149</b>	<b>\$ 18,552</b>	<b>\$ 9,276</b>	<b>\$ 61,657</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
<b>REVENUES</b>					
Licenses, Permits, and Fees	\$ 2,057	\$ 0	\$ 0	\$ 348	\$ 2,405
Investment Income	(17)	761	718	410	1,872
Other Revenues	1	-	1,485	6	1,492
<b>Total Revenues</b>	<b>2,041</b>	<b>761</b>	<b>2,203</b>	<b>764</b>	<b>5,769</b>
<b>EXPENDITURES</b>					
Current:					
Education and Cultural Resources	-	19	-	-	19
Natural Resources and Recreation	193	-	-	-	193
<b>Total Expenditures</b>	<b>193</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>212</b>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over (Under) Expenditures</b>	<b>1,848</b>	<b>742</b>	<b>2,203</b>	<b>764</b>	<b>5,557</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	1,177	1,177
Transfers Out	-	-	(393)	-	(393)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(393)</b>	<b>1,177</b>	<b>784</b>
<b>Net Change in Fund Balances</b>	<b>1,848</b>	<b>742</b>	<b>1,810</b>	<b>1,941</b>	<b>6,341</b>
Fund Balances, October 1, 2006, as Restated	12,989	13,407	12,127	6,786	45,309
<b>Fund Balances, September 30, 2007</b>	<b>\$ 14,837</b>	<b>\$ 14,149</b>	<b>\$ 13,937</b>	<b>\$ 8,727</b>	<b>\$ 51,650</b>



# **Governmental Funds Supplementary Information**

*Governmental Funds Supplementary Information includes non-GAAP basis schedules demonstrating compliance with the legally adopted budget and summaries of governmental fund revenues in the State Treasury.*

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES  
 All Agencies and Appropriations, *Non-GAAP, Budget Basis*

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>EXPENDITURES:</b>			
<b><u>Administrative Office of Courts</u></b>			
Administrative Services	4,767	4,766	1
Alabama Sentencing Commission	510	510	-
Court Operations	127,708	127,706	2
Juvenile Probation Officer Services	14,838	14,837	1
<b>TOTAL Administrative Office of Courts</b>	<b>147,823</b>	<b>147,819</b>	<b>4</b>
<b><u>Agriculture and Industries</u></b>			
Administrative Services	2,916	2,916	-
Agricultural Development Services	2,986	2,970	16
Agricultural Inspection Services	6,149	6,149	-
Lab Analysis and Disease Control	3,193	3,193	-
<b>TOTAL Agriculture and Industries</b>	<b>15,244</b>	<b>15,228</b>	<b>16</b>
<b><u>Attorney General</u></b>			
Fair Marketing Practices: Consumer Protection	649	649	-
Legal Advice and Legal Service: Attorney General - Operations	11,320	11,320	-
Legal Advice and Legal Service: Consumer Utility Fund	268	268	-
<b>TOTAL Attorney General</b>	<b>12,237</b>	<b>12,237</b>	<b>-</b>
<b><u>Auditor</u></b>			
Fiscal Management	790	790	-
<b>TOTAL Auditor</b>	<b>790</b>	<b>790</b>	<b>-</b>
<b><u>Commission on Higher Education</u></b>			
Alabama Guaranteed Student Loan	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
<b>TOTAL Commission on Higher Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Corrections</u></b>			
Administration Service and Logistical Supply	16,553	16,531	22
Correctional Industries	-	-	-
Institutional Service Corrections	316,929	316,202	727
<b>TOTAL Corrections</b>	<b>333,482</b>	<b>332,733</b>	<b>749</b>
<b><u>Economic and Community Affairs</u></b>			
Administrative Support Service	212	211	1
Energy Management	540	533	7
Law Enforcement Planning and Development	719	719	-
Planning	8,732	8,692	40
Skills Enhancement/Employment Opportunities	2,221	2,221	-
Surplus Property	540	540	-
Water Resources	3,462	3,259	203
<b>TOTAL Economic and Community Affairs</b>	<b>16,426</b>	<b>16,175</b>	<b>251</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	491	341	150	5,258	5,107	151
-	-	-	-	-	-	510	510	-
-	-	-	23,498	20,542	2,956	151,206	148,248	2,958
-	-	-	5,798	5,239	559	20,636	20,076	560
-	-	-	<b>29,787</b>	<b>26,122</b>	<b>3,665</b>	<b>177,610</b>	<b>173,941</b>	<b>3,669</b>
-	-	-	3,862	3,564	298	6,778	6,480	298
-	-	-	2,201	1,826	375	5,187	4,796	391
-	-	-	12,335	10,144	2,191	18,484	16,293	2,191
-	-	-	7,208	5,974	1,234	10,401	9,167	1,234
-	-	-	<b>25,606</b>	<b>21,508</b>	<b>4,098</b>	<b>40,850</b>	<b>36,736</b>	<b>4,114</b>
-	-	-	-	-	-	649	649	-
-	-	-	6,294	5,156	1,138	17,614	16,476	1,138
-	-	-	-	-	-	268	268	-
-	-	-	<b>6,294</b>	<b>5,156</b>	<b>1,138</b>	<b>18,531</b>	<b>17,393</b>	<b>1,138</b>
-	-	-	-	-	-	790	790	-
-	-	-	-	-	-	<b>790</b>	<b>790</b>	-
-	-	-	537	15	522	537	15	522
2,734	2,428	306	-	-	-	2,734	2,428	306
5,335	5,203	132	10,865	3,926	6,939	16,200	9,129	7,071
2,988	2,988	-	1,691	1,226	465	4,679	4,214	465
6,500	6,500	-	177	65	112	6,677	6,565	112
<b>17,557</b>	<b>17,119</b>	<b>438</b>	<b>13,270</b>	<b>5,232</b>	<b>8,038</b>	<b>30,827</b>	<b>22,351</b>	<b>8,476</b>
-	-	-	-	-	-	16,553	16,531	22
-	-	-	25,772	22,320	3,452	25,772	22,320	3,452
-	-	-	51,216	43,377	7,839	368,145	359,579	8,566
-	-	-	<b>76,988</b>	<b>65,697</b>	<b>11,291</b>	<b>410,470</b>	<b>398,430</b>	<b>12,040</b>
-	-	-	9,391	8,605	786	9,603	8,816	787
-	-	-	32,000	26,402	5,598	32,540	26,935	5,605
-	-	-	55,742	30,555	25,187	56,461	31,274	25,187
-	-	-	77,176	67,414	9,762	85,908	76,106	9,802
-	-	-	50,801	46,677	4,124	53,022	48,898	4,124
-	-	-	1,513	1,465	48	2,053	2,005	48
-	-	-	3,708	3,706	2	7,170	6,965	205
-	-	-	<b>230,331</b>	<b>184,824</b>	<b>45,507</b>	<b>246,757</b>	<b>200,999</b>	<b>45,758</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Education</u></b>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Information Technology Services	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
<b>TOTAL Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Emergency Management Agency</u></b>			
Readiness and Recovery	11,904	11,903	1
<b>TOTAL Emergency Management Agency</b>	<b>11,904</b>	<b>11,903</b>	<b>1</b>
<b><u>Examiners of Public Accounts</u></b>			
Legislative Support - Audit Service	12,369	12,369	-
<b>TOTAL Examiners of Public Accounts</b>	<b>12,369</b>	<b>12,369</b>	<b>-</b>
<b><u>Finance</u></b>			
Administrative Support Service	-	-	-
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,378	1,212	166
Fiscal Management: Comptroller's Office	4,481	4,416	65
Fiscal Management: Director's Office	618	504	114
Fiscal Management: Purchasing	1,515	1,462	53
Fiscal Management: SMART Planning	698	553	145
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex M and R	-	-	-
General Services: Capitol	925	760	165
General Services: Service Division	839	734	105
General Services: Space Management	-	-	-
Information Services	-	-	-
Risk Management	-	-	-
<b>TOTAL Finance</b>	<b>10,454</b>	<b>9,641</b>	<b>813</b>



<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
150,424	149,782	642	97,610	48,242	49,368	248,034	198,024	50,010
-	-	-	3,390	1,847	1,543	3,390	1,847	1,543
30,828	30,257	571	-	-	-	30,828	30,257	571
563	441	122	-	-	-	563	441	122
-	-	-	69,087	36,402	32,685	69,087	36,402	32,685
-	-	-	533	533	-	533	533	-
24,778	24,578	200	840,854	728,285	112,569	865,632	752,863	112,769
3,391,869	3,391,869	-	130,000	130,000	-	3,521,869	3,521,869	-
4,711	4,711	-	-	-	-	4,711	4,711	-
20,858	20,858	-	-	-	-	20,858	20,858	-
26,638	26,638	-	-	-	-	26,638	26,638	-
316,697	316,697	-	-	-	-	316,697	316,697	-
<b>3,967,366</b>	<b>3,965,831</b>	<b>1,535</b>	<b>1,141,474</b>	<b>945,309</b>	<b>196,165</b>	<b>5,108,840</b>	<b>4,911,140</b>	<b>197,700</b>
-	-	-	129,842	75,965	53,877	141,746	87,868	53,878
-	-	-	<b>129,842</b>	<b>75,965</b>	<b>53,877</b>	<b>141,746</b>	<b>87,868</b>	<b>53,878</b>
6,553	6,553	-	1,746	1,085	661	20,668	20,007	661
<b>6,553</b>	<b>6,553</b>	-	<b>1,746</b>	<b>1,085</b>	<b>661</b>	<b>20,668</b>	<b>20,007</b>	<b>661</b>
-	-	-	2,792	2,495	297	2,792	2,495	297
-	-	-	3,380	1,039	2,341	3,380	1,039	2,341
-	-	-	-	-	-	1,378	1,212	166
-	-	-	-	-	-	4,481	4,416	65
-	-	-	-	-	-	618	504	114
-	-	-	-	-	-	1,515	1,462	53
-	-	-	-	-	-	698	553	145
-	-	-	13,099	11,581	1,518	13,099	11,581	1,518
-	-	-	10,500	6,814	3,686	10,500	6,814	3,686
-	-	-	10,525	8,662	1,863	10,525	8,662	1,863
-	-	-	-	-	-	925	760	165
-	-	-	-	-	-	839	734	105
-	-	-	-	-	-	-	-	-
-	-	-	71,127	55,936	15,191	71,127	55,936	15,191
-	-	-	5,358	3,876	1,482	5,358	3,876	1,482
-	-	-	<b>116,781</b>	<b>90,403</b>	<b>26,378</b>	<b>127,235</b>	<b>100,044</b>	<b>27,191</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b><u>Governor</u></b>			
Criminal Investigation: Law Enforcement Fund	40	-	40
Executive Direction	-	-	-
Executive Direction: Governor's Contingency Fund	1,161	1,120	41
Executive Direction: Governor's Mansion	338	334	4
Executive Direction: Governor's Office	2,508	2,337	171
Executive Direction: Governor's Proclamation Expense	1,000	401	599
Executive Direction: National Governors' Conference	192	182	10
<b>TOTAL Governor</b>	<b>5,239</b>	<b>4,374</b>	<b>865</b>
<b><u>Human Resources</u></b>			
Human Services	-	-	-
<b>TOTAL Human Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Industrial Relations</u></b>			
Administrative Services	70	47	23
Employment Security	-	-	-
Industrial Safety and Accident Prevention	2,278	2,137	141
Regulation Workers Compensation	-	-	-
<b>TOTAL Industrial Relations</b>	<b>2,348</b>	<b>2,184</b>	<b>164</b>
<b><u>Legislature</u></b>			
Legislative Operations and Support	28,303	20,623	7,680
<b>TOTAL Legislature</b>	<b>28,303</b>	<b>20,623</b>	<b>7,680</b>
<b><u>Medicaid Agency</u></b>			
Medical Assistance Through Medicaid	399,949	399,947	2
<b>TOTAL Medicaid Agency</b>	<b>399,949</b>	<b>399,947</b>	<b>2</b>
<b><u>Mental Health and Retardation</u></b>			
Administrative Services	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Institutional Treatment and Care of Mentally Retarded	-	-	-
Substance Abuse Program	-	-	-
<b>TOTAL Mental Health and Retardation</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	-	-	-	40	-	40
-	-	-	12,143	5,662	6,481	12,143	5,662	6,481
-	-	-	-	-	-	1,161	1,120	41
-	-	-	-	-	-	338	334	4
-	-	-	-	-	-	2,508	2,337	171
-	-	-	-	-	-	1,000	401	599
-	-	-	-	-	-	192	182	10
-	-	-	<b>12,143</b>	<b>5,662</b>	<b>6,481</b>	<b>17,382</b>	<b>10,036</b>	<b>7,346</b>
-	-	-	1,400,889	1,330,912	69,977	1,400,889	1,330,912	69,977
-	-	-	<b>1,400,889</b>	<b>1,330,912</b>	<b>69,977</b>	<b>1,400,889</b>	<b>1,330,912</b>	<b>69,977</b>
-	-	-	19,155	13,008	6,147	19,225	13,055	6,170
-	-	-	55,688	51,002	4,686	55,688	51,002	4,686
-	-	-	6,417	5,892	525	8,695	8,029	666
-	-	-	5,944	4,791	1,153	5,944	4,791	1,153
-	-	-	<b>87,204</b>	<b>74,693</b>	<b>12,511</b>	<b>89,552</b>	<b>76,877</b>	<b>12,675</b>
-	-	-	-	-	-	28,303	20,623	7,680
-	-	-	-	-	-	<b>28,303</b>	<b>20,623</b>	<b>7,680</b>
-	-	-	4,180,154	4,121,287	58,867	4,580,103	4,521,234	58,869
-	-	-	<b>4,180,154</b>	<b>4,121,287</b>	<b>58,867</b>	<b>4,580,103</b>	<b>4,521,234</b>	<b>58,869</b>
-	-	-	26,895	23,533	3,362	26,895	23,533	3,362
-	-	-	351,738	329,090	22,648	351,738	329,090	22,648
-	-	-	414,459	392,402	22,057	414,459	392,402	22,057
-	-	-	48,123	38,077	10,046	48,123	38,077	10,046
-	-	-	<b>841,215</b>	<b>783,102</b>	<b>58,113</b>	<b>841,215</b>	<b>783,102</b>	<b>58,113</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b><u>Postsecondary Education</u></b>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Community Educational Programs: CITY Programs	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
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-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
<b>TOTAL Postsecondary Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Public Health</u></b>			
Administrative Services	10,479	10,472	7
Children's Health Insurance	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	48,474	48,474	-
<b>TOTAL Public Health</b>	<b>58,953</b>	<b>58,946</b>	<b>7</b>
<b><u>Public Safety</u></b>			
Administrative Services	11,735	11,708	27
Police Services	43,994	43,969	25
Public Safety Support Services	6,299	6,299	-
Readiness and Recovery	200	-	200
<b>TOTAL Public Safety</b>	<b>62,228</b>	<b>61,976</b>	<b>252</b>
<b><u>Public Service Commission</u></b>			
Regulatory Services	-	-	-
<b>TOTAL Public Service Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Rehabilitation Services</u></b>			
Direct Client Services-Handicap	35	35	-
<b>TOTAL Rehabilitation Services</b>	<b>35</b>	<b>35</b>	<b>-</b>
<b><u>Revenue</u></b>			
State Revenue Administration	116	85	31
<b>TOTAL Revenue</b>	<b>116</b>	<b>85</b>	<b>31</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	10,795	7,903	2,892	10,795	7,903	2,892
16,429	16,410	19	-	-	-	16,429	16,410	19
5,135	5,135	-	-	-	-	5,135	5,135	-
5,708	5,708	-	-	-	-	5,708	5,708	-
6,440	6,440	-	-	-	-	6,440	6,440	-
5,540	5,540	-	-	-	-	5,540	5,540	-
-	-	-	4,233	1,894	2,339	4,233	1,894	2,339
4,835	4,791	44	-	-	-	4,835	4,791	44
8,005	8,005	-	-	-	-	8,005	8,005	-
250	250	-	-	-	-	250	250	-
5,150	5,008	142	-	-	-	5,150	5,008	142
-	-	-	1,758	1,758	-	1,758	1,758	-
535	535	-	-	-	-	535	535	-
341,744	341,744	-	-	-	-	341,744	341,744	-
13,463	13,463	-	-	-	-	13,463	13,463	-
<b>413,234</b>	<b>413,029</b>	<b>205</b>	<b>16,786</b>	<b>11,555</b>	<b>5,231</b>	<b>430,020</b>	<b>424,584</b>	<b>5,436</b>
800	800	-	19,892	17,318	2,574	31,171	28,590	2,581
-	-	-	132,811	125,615	7,196	132,811	125,615	7,196
1,448	1,316	132	-	-	-	1,448	1,316	132
13,251	13,218	33	428,656	402,016	26,640	490,381	463,708	26,673
<b>15,499</b>	<b>15,334</b>	<b>165</b>	<b>581,359</b>	<b>544,949</b>	<b>36,410</b>	<b>655,811</b>	<b>619,229</b>	<b>36,582</b>
-	-	-	24,670	18,512	6,158	36,405	30,220	6,185
-	-	-	54,245	35,205	19,040	98,239	79,174	19,065
-	-	-	21,790	15,742	6,048	28,089	22,041	6,048
-	-	-	-	-	-	200	-	200
-	-	-	<b>100,705</b>	<b>69,459</b>	<b>31,246</b>	<b>162,933</b>	<b>131,435</b>	<b>31,498</b>
-	-	-	18,407	14,251	4,156	18,407	14,251	4,156
-	-	-	<b>18,407</b>	<b>14,251</b>	<b>4,156</b>	<b>18,407</b>	<b>14,251</b>	<b>4,156</b>
37,719	37,717	2	107,933	102,130	5,803	145,687	139,882	5,805
<b>37,719</b>	<b>37,717</b>	<b>2</b>	<b>107,933</b>	<b>102,130</b>	<b>5,803</b>	<b>145,687</b>	<b>139,882</b>	<b>5,805</b>
-	-	-	120,468	118,897	1,571	120,584	118,982	1,602
-	-	-	<b>120,468</b>	<b>118,897</b>	<b>1,571</b>	<b>120,584</b>	<b>118,982</b>	<b>1,602</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b><u>Secretary of State</u></b>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	355	258	97
Administrative Support Service: Printing of Acts/Journals	428	193	235
Administrative Support Service: Printing of Codes	142	142	-
Administrative Support Service: Secretary of State	1,652	1,652	-
Special Services: Training Elected Officials	70	68	2
<b>TOTAL Secretary of State</b>	<b>2,647</b>	<b>2,313</b>	<b>334</b>
<b><u>Transportation</u></b>			
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Surface Transportation Improvements	-	-	-
<b>TOTAL Transportation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Treasurer</u></b>			
Fiscal Management	2,348	2,126	222
<b>TOTAL Treasurer</b>	<b>2,348</b>	<b>2,126</b>	<b>222</b>
<b><u>Youth Services</u></b>			
Criminal Justice Information Services	-	-	-
Financial Assistance	-	-	-
Youth Services	11,982	11,982	-
Youth Services-Boot Camps	5,222	5,222	-
<b>TOTAL Youth Services</b>	<b>17,204</b>	<b>17,204</b>	<b>-</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	2,067	1,044	1,023	2,067	1,044	1,023
-	-	-	28,943	6,169	22,774	28,943	6,169	22,774
-	-	-	-	-	-	355	258	97
-	-	-	-	-	-	428	193	235
-	-	-	-	-	-	142	142	-
-	-	-	-	-	-	1,652	1,652	-
-	-	-	-	-	-	70	68	2
-	-	-	<b>31,010</b>	<b>7,213</b>	<b>23,797</b>	<b>33,657</b>	<b>9,526</b>	<b>24,131</b>
-	-	-	171,214	137,436	33,778	171,214	137,436	33,778
-	-	-	31,183	25,637	5,546	31,183	25,637	5,546
-	-	-	1,766,860	1,205,703	561,157	1,766,860	1,205,703	561,157
-	-	-	<b>1,969,257</b>	<b>1,368,776</b>	<b>600,481</b>	<b>1,969,257</b>	<b>1,368,776</b>	<b>600,481</b>
-	-	-	3,152	2,656	496	5,500	4,782	718
-	-	-	<b>3,152</b>	<b>2,656</b>	<b>496</b>	<b>5,500</b>	<b>4,782</b>	<b>718</b>
-	-	-	-	-	-	-	-	-
20,011	20,004	7	1,061	677	384	21,072	20,681	391
45,893	45,861	32	22,370	17,752	4,618	80,245	75,595	4,650
-	-	-	-	-	-	5,222	5,222	-
<b>65,904</b>	<b>65,865</b>	<b>39</b>	<b>23,431</b>	<b>18,429</b>	<b>5,002</b>	<b>106,539</b>	<b>101,498</b>	<b>5,041</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Colleges and Universities</b>			
<b>Alabama Agricultural and Mechanical University</b>			
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	-	-	-
<b>Total Alabama Agricultural and Mechanical University</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Alabama Institute for the Deaf and Blind</b>			
AIDB Adult Programs	-	-	-
AIDB Children and Youth Programs	-	-	-
AIDB Industries for Blind	-	-	-
Ear Institute	-	-	-
<b>Total Alabama Institute for the Deaf and Blind</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Alabama State University</b>			
Support of State Universities: Alabama State University - Desegregation Planning	-	-	-
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
<b>Total Alabama State University</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Auburn University</b>			
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	-	-	-
<b>Total Auburn University</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Jacksonville State University</b>			
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
<b>Total Jacksonville State University</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Troy State University</b>			
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
<b>Total Troy State University</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>University of Alabama - Birmingham</b>			
Support of State Universities	100	100	-
Support of State Universities: Chauncey Sparks Center/University of Alabama Birmingham	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Birmingham</b>	<b>100</b>	<b>100</b>	<b>-</b>
<b>University of Alabama - Huntsville</b>			
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Huntsville</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>University of Alabama - Tuscaloosa</b>			
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Tuscaloosa</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>University of Montevallo</b>			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
<b>Total University of Montevallo</b>	<b>-</b>	<b>-</b>	<b>-</b>



Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
300	300	-	-	-	-	300	300	-
1,502	1,502	-	-	-	-	1,502	1,502	-
353	353	-	-	-	-	353	353	-
38,453	38,453	-	-	-	-	38,453	38,453	-
3,770	3,770	-	-	-	-	3,770	3,770	-
<b>44,378</b>	<b>44,378</b>	-	-	-	-	<b>44,378</b>	<b>44,378</b>	-
10,513	10,513	-	-	-	-	10,513	10,513	-
28,730	28,730	-	-	-	-	28,730	28,730	-
8,322	8,322	-	-	-	-	8,322	8,322	-
125	125	-	-	-	-	125	125	-
<b>47,690</b>	<b>47,690</b>	-	-	-	-	<b>47,690</b>	<b>47,690</b>	-
185	185	-	-	-	-	185	185	-
40,729	40,729	-	-	-	-	40,729	40,729	-
1,657	1,657	-	-	-	-	1,657	1,657	-
<b>42,571</b>	<b>42,571</b>	-	-	-	-	<b>42,571</b>	<b>42,571</b>	-
188,564	188,564	-	-	-	-	188,564	188,564	-
27,211	27,211	-	-	-	-	27,211	27,211	-
34,730	34,730	-	-	-	-	34,730	34,730	-
37,516	37,516	-	-	-	-	37,516	37,516	-
<b>288,021</b>	<b>288,021</b>	-	-	-	-	<b>288,021</b>	<b>288,021</b>	-
42,714	42,714	-	-	-	-	42,714	42,714	-
<b>42,714</b>	<b>42,714</b>	-	-	-	-	<b>42,714</b>	<b>42,714</b>	-
52,068	52,068	-	-	-	-	52,068	52,068	-
<b>52,068</b>	<b>52,068</b>	-	-	-	-	<b>52,068</b>	<b>52,068</b>	-
-	-	-	40	40	-	140	140	-
4,299	4,299	-	-	-	-	4,299	4,299	-
306,529	306,529	-	-	-	-	306,529	306,529	-
<b>310,828</b>	<b>310,828</b>	-	<b>40</b>	<b>40</b>	-	<b>310,968</b>	<b>310,968</b>	-
50,675	50,675	-	-	-	-	50,675	50,675	-
<b>50,675</b>	<b>50,675</b>	-	-	-	-	<b>50,675</b>	<b>50,675</b>	-
171,299	171,299	-	-	-	-	171,299	171,299	-
<b>171,299</b>	<b>171,299</b>	-	-	-	-	<b>171,299</b>	<b>171,299</b>	-
21,279	21,279	-	-	-	-	21,279	21,279	-
<b>21,279</b>	<b>21,279</b>	-	-	-	-	<b>21,279</b>	<b>21,279</b>	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>University of North Alabama</b>			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
<b>Total University of North Alabama</b>	-	-	-
<b>University of South Alabama</b>			
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
<b>Total University of South Alabama</b>	-	-	-
<b>University of West Alabama</b>			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
<b>Total University of West Alabama</b>	-	-	-
<b>TOTAL Colleges and Universities</b>	<b>100</b>	<b>100</b>	<b>-</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
30,133	30,133	-	-	-	-	30,133	30,133	-
<b>30,133</b>	<b>30,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,133</b>	<b>30,133</b>	<b>-</b>
120,388	120,388	-	-	-	-	120,388	120,388	-
<b>120,388</b>	<b>120,388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,388</b>	<b>120,388</b>	<b>-</b>
14,365	14,365	-	-	-	-	14,365	14,365	-
<b>14,365</b>	<b>14,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,365</b>	<b>14,365</b>	<b>-</b>
<b>1,236,409</b>	<b>1,236,409</b>	<b>-</b>	<b>40</b>	<b>40</b>	<b>-</b>	<b>1,236,549</b>	<b>1,236,549</b>	<b>-</b>

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Other</b>			
<b>Accountancy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Accountancy Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Agricultural Museum Board</b>			
Agricultural Promotional Program	102	79	23
<b>Total Agricultural Museum Board</b>	<b>102</b>	<b>79</b>	<b>23</b>
<b>Agriculture Center Board</b>			
Agricultural Development Services: Fairs and Livestock Shows	125	125	-
Agricultural Development Services: Livestock Coliseum	249	249	-
Agricultural Development Services: Operations	253	253	-
<b>Total Agriculture Center Board</b>	<b>627</b>	<b>627</b>	<b>-</b>
<b>Alabama Board of Court Reporting</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Alabama Board of Court Reporting</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Alabama Law Institute</b>			
Support - Other Educational Activities	737	737	-
<b>Total Alabama Law Institute</b>	<b>737</b>	<b>737</b>	<b>-</b>
<b>Alabama Onsite Wastewater Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Alabama Onsite Wastewater Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Alabama Trusts</b>			
Alabama Natural Heritage	-	-	-
Fiscal Management	17	17	-
<b>Total Alabama Trusts</b>	<b>17</b>	<b>17</b>	<b>-</b>
<b>Alcoholic Beverage Control Board</b>			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
<b>Total Alcoholic Beverage Control Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Architects Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Architects Registration Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Archives and History</b>			
Historical Resources Management	1,964	1,964	-
<b>Total Archives and History</b>	<b>1,964</b>	<b>1,964</b>	<b>-</b>
<b>Assisted Living Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Assisted Living Examiners Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Athlete Agent Regulatory Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Athlete Agent Regulatory Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Athletic Trainers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Athletic Trainers Board</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,166	947	219	1,166	947	219
-	-	-	<b>1,166</b>	<b>947</b>	<b>219</b>	<b>1,166</b>	<b>947</b>	<b>219</b>
-	-	-	-	-	-	102	79	23
-	-	-	-	-	-	<b>102</b>	<b>79</b>	<b>23</b>
-	-	-	-	-	-	125	125	-
-	-	-	587	584	3	836	833	3
-	-	-	-	-	-	253	253	-
-	-	-	<b>587</b>	<b>584</b>	<b>3</b>	<b>1,214</b>	<b>1,211</b>	<b>3</b>
-	-	-	100	23	77	100	23	77
-	-	-	<b>100</b>	<b>23</b>	<b>77</b>	<b>100</b>	<b>23</b>	<b>77</b>
207	182	25	-	-	-	944	919	25
<b>207</b>	<b>182</b>	<b>25</b>	-	-	-	<b>944</b>	<b>919</b>	<b>25</b>
-	-	-	400	400	-	400	400	-
-	-	-	<b>400</b>	<b>400</b>	-	<b>400</b>	<b>400</b>	-
-	-	-	300	221	79	300	221	79
-	-	-	-	-	-	17	17	-
-	-	-	<b>300</b>	<b>221</b>	<b>79</b>	<b>317</b>	<b>238</b>	<b>79</b>
-	-	-	7,359	6,790	569	7,359	6,790	569
-	-	-	41,760	41,650	110	41,760	41,650	110
-	-	-	13,378	12,714	664	13,378	12,714	664
-	-	-	<b>62,497</b>	<b>61,154</b>	<b>1,343</b>	<b>62,497</b>	<b>61,154</b>	<b>1,343</b>
-	-	-	395	327	68	395	327	68
-	-	-	<b>395</b>	<b>327</b>	<b>68</b>	<b>395</b>	<b>327</b>	<b>68</b>
3,214	3,214	-	1,190	762	428	6,368	5,940	428
<b>3,214</b>	<b>3,214</b>	-	<b>1,190</b>	<b>762</b>	<b>428</b>	<b>6,368</b>	<b>5,940</b>	<b>428</b>
-	-	-	86	81	5	86	81	5
-	-	-	<b>86</b>	<b>81</b>	<b>5</b>	<b>86</b>	<b>81</b>	<b>5</b>
-	-	-	34	11	23	34	11	23
-	-	-	<b>34</b>	<b>11</b>	<b>23</b>	<b>34</b>	<b>11</b>	<b>23</b>
-	-	-	48	41	7	48	41	7
-	-	-	<b>48</b>	<b>41</b>	<b>7</b>	<b>48</b>	<b>41</b>	<b>7</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Auctioneers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Auctioneers Board</b>	-	-	-
<b>Banking</b>			
Charter Licensure and Regulation Financial	-	-	-
<b>Total Banking</b>	-	-	-
<b>Board of Adjustment</b>			
Special Services: Damage Claims-Board of Adjustment	7	7	-
Special Services: Death Claims-Board of Adjustment	1,533	1,533	-
<b>Total Board of Adjustment</b>	<b>1,540</b>	<b>1,540</b>	-
<b>Board of Prosthetists and Orthotists</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Board of Prosthetists and Orthotists</b>	-	-	-
<b>Board of Respiratory Therapy</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Board of Respiratory Therapy</b>	-	-	-
<b>Building Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	270	268	2
<b>Total Building Commission</b>	<b>270</b>	<b>268</b>	<b>2</b>
<b>Child Abuse Prevention</b>			
Social Services	-	-	-
<b>Total Child Abuse Prevention</b>	-	-	-
<b>Children Services Facilitation</b>			
Human Services	-	-	-
<b>Total Children Services Facilitation</b>	-	-	-
<b>Children's Affairs</b>			
Children's Policy Council	-	-	-
Social Services	448	448	-
<b>Total Children's Affairs</b>	<b>448</b>	<b>448</b>	-
<b>Chiropractic Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Chiropractic Examiners Board</b>	-	-	-
<b>Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority</b>			
Water Resource Development	273	268	5
<b>Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority</b>	<b>273</b>	<b>268</b>	<b>5</b>
<b>Clerk of the House</b>			
Legislative Operations and Support	508	268	240
<b>Total Clerk of the House</b>	<b>508</b>	<b>268</b>	<b>240</b>
<b>Commision on Uniform State Laws</b>			
Special Services	53	53	-
<b>Total Commision on Uniform State Laws</b>	<b>53</b>	<b>53</b>	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	165	145	20	165	145	20
-	-	-	<b>165</b>	<b>145</b>	<b>20</b>	<b>165</b>	<b>145</b>	<b>20</b>
-	-	-	12,409	11,215	1,194	12,409	11,215	1,194
-	-	-	<b>12,409</b>	<b>11,215</b>	<b>1,194</b>	<b>12,409</b>	<b>11,215</b>	<b>1,194</b>
-	-	-	-	-	-	7	7	-
-	-	-	-	-	-	1,533	1,533	-
-	-	-	-	-	-	<b>1,540</b>	<b>1,540</b>	-
-	-	-	140	103	37	140	103	37
-	-	-	<b>140</b>	<b>103</b>	<b>37</b>	<b>140</b>	<b>103</b>	<b>37</b>
-	-	-	122	66	56	122	66	56
-	-	-	<b>122</b>	<b>66</b>	<b>56</b>	<b>122</b>	<b>66</b>	<b>56</b>
-	-	-	166	124	42	166	124	42
-	-	-	1,290	1,189	101	1,560	1,457	103
-	-	-	<b>1,456</b>	<b>1,313</b>	<b>143</b>	<b>1,726</b>	<b>1,581</b>	<b>145</b>
-	-	-	9,098	8,572	526	9,098	8,572	526
-	-	-	<b>9,098</b>	<b>8,572</b>	<b>526</b>	<b>9,098</b>	<b>8,572</b>	<b>526</b>
-	-	-	3,152	2,903	249	3,152	2,903	249
-	-	-	<b>3,152</b>	<b>2,903</b>	<b>249</b>	<b>3,152</b>	<b>2,903</b>	<b>249</b>
-	-	-	728	688	40	728	688	40
5,437	5,428	9	185	183	2	6,070	6,059	11
<b>5,437</b>	<b>5,428</b>	<b>9</b>	<b>913</b>	<b>871</b>	<b>42</b>	<b>6,798</b>	<b>6,747</b>	<b>51</b>
-	-	-	299	252	47	299	252	47
-	-	-	<b>299</b>	<b>252</b>	<b>47</b>	<b>299</b>	<b>252</b>	<b>47</b>
-	-	-	53	29	24	326	297	29
-	-	-	<b>53</b>	<b>29</b>	<b>24</b>	<b>326</b>	<b>297</b>	<b>29</b>
-	-	-	-	-	-	508	268	240
-	-	-	-	-	-	<b>508</b>	<b>268</b>	<b>240</b>
-	-	-	-	-	-	53	53	-
-	-	-	-	-	-	<b>53</b>	<b>53</b>	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Conservation and Natural Resources</b>			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
<b>Total Conservation and Natural Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cosmetology Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Cosmetology Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Council on the Arts</b>			
Fine Arts	-	-	-
<b>Total Council on the Arts</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Counseling Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Counseling Examiners Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Court of Civil Appeals</b>			
Court Operations	3,552	3,550	2
<b>Total Court of Civil Appeals</b>	<b>3,552</b>	<b>3,550</b>	<b>2</b>
<b>Court of Criminal Appeals</b>			
Court Operations	4,095	4,091	4
<b>Total Court of Criminal Appeals</b>	<b>4,095</b>	<b>4,091</b>	<b>4</b>
<b>Credit Union Administration</b>			
Charter Licensure and Regulation Financial	-	-	-
<b>Total Credit Union Administration</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Crime Victims Compensation Commission</b>			
Special Services	-	-	-
<b>Total Crime Victims Compensation Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Criminal Justice Information Center</b>			
Criminal Justice Information Services	2,280	2,279	1
<b>Total Criminal Justice Information Center</b>	<b>2,280</b>	<b>2,279</b>	<b>1</b>



<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	9,915	8,147	1,768	9,915	8,147	1,768
-	-	-	31,778	29,732	2,046	31,778	29,732	2,046
-	-	-	8,702	7,437	1,265	8,702	7,437	1,265
-	-	-	15,422	9,374	6,048	15,422	9,374	6,048
-	-	-	6,869	6,492	377	6,869	6,492	377
-	-	-	10,894	8,067	2,827	10,894	8,067	2,827
-	-	-	<b>83,580</b>	<b>69,249</b>	<b>14,331</b>	<b>83,580</b>	<b>69,249</b>	<b>14,331</b>
-	-	-	2,411	1,833	578	2,411	1,833	578
-	-	-	<b>2,411</b>	<b>1,833</b>	<b>578</b>	<b>2,411</b>	<b>1,833</b>	<b>578</b>
4,879	4,803	76	797	689	108	5,676	5,492	184
<b>4,879</b>	<b>4,803</b>	<b>76</b>	<b>797</b>	<b>689</b>	<b>108</b>	<b>5,676</b>	<b>5,492</b>	<b>184</b>
-	-	-	372	301	71	372	301	71
-	-	-	<b>372</b>	<b>301</b>	<b>71</b>	<b>372</b>	<b>301</b>	<b>71</b>
-	-	-	-	-	-	3,552	3,550	2
-	-	-	-	-	-	<b>3,552</b>	<b>3,550</b>	<b>2</b>
-	-	-	-	-	-	4,095	4,091	4
-	-	-	-	-	-	<b>4,095</b>	<b>4,091</b>	<b>4</b>
-	-	-	1,492	1,088	404	1,492	1,088	404
-	-	-	<b>1,492</b>	<b>1,088</b>	<b>404</b>	<b>1,492</b>	<b>1,088</b>	<b>404</b>
-	-	-	2,518	1,856	662	2,518	1,856	662
-	-	-	<b>2,518</b>	<b>1,856</b>	<b>662</b>	<b>2,518</b>	<b>1,856</b>	<b>662</b>
-	-	-	14,729	7,141	7,588	17,009	9,420	7,589
-	-	-	<b>14,729</b>	<b>7,141</b>	<b>7,588</b>	<b>17,009</b>	<b>9,420</b>	<b>7,589</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Debt Service and Reserve</b>			
Debt Service	-	-	-
Debt Service: 2001E Docks/Local Match Bonds	-	-	-
Debt Service: 2002A GO Bonds	-	-	-
Debt Service: 2005A GO Bonds	-	-	-
Debt Service: Administration Office of Courts	-	-	-
Debt Service: AL Building Renovation Fin Aut	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-A Refunding	-	-	-
Debt Service: General Obligation 1999-B Refunding	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	-	-	-
Debt Service: GO 2001-D Historic Site Bonds	-	-	-
Debt Service: GO 2006 Debt Service	-	-	-
Debt Service: GO2001-A Agriculture Development Bond	-	-	-
<b>Total Debt Service and Reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Development Office</b>			
Industrial Development: Alabama Development Office	4,015	3,992	23
<b>Total Development Office</b>	<b>4,015</b>	<b>3,992</b>	<b>23</b>
<b>Dietiticians and Nutritionists Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Dietiticians and Nutritionists Examining Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>District Attorneys</b>			
Court Operations	36,079	35,981	98
<b>Total District Attorneys</b>	<b>36,079</b>	<b>35,981</b>	<b>98</b>
<b>Educational Television Commission</b>			
Educational Television	-	-	-
<b>Total Educational Television Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Electrical Contractors Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Electrical Contractors Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Electronic Security Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Electronic Security Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Environmental Management</b>			
Environmental Management	-	-	-
<b>Total Environmental Management</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	28,460	28,460	-	28,460	28,460	-
-	-	-	7,715	7,715	-	7,715	7,715	-
-	-	-	4,145	4,145	-	4,145	4,145	-
6,067	6,067	-	1,864	1,864	-	7,931	7,931	-
-	-	-	3,975	3,975	-	3,975	3,975	-
-	-	-	2,817	2,817	-	2,817	2,817	-
-	-	-	2,146	2,146	-	2,146	2,146	-
-	-	-	5,459	5,459	-	5,459	5,459	-
-	-	-	3,557	3,557	-	3,557	3,557	-
8,839	8,839	-	32,006	32,006	-	40,845	40,845	-
-	-	-	1,787	1,787	-	1,787	1,787	-
790	790	-	560	560	-	1,350	1,350	-
-	-	-	8,472	8,472	-	8,472	8,472	-
-	-	-	472	472	-	472	472	-
-	-	-	2,641	2,641	-	2,641	2,641	-
3,622	3,622	-	1,058	1,058	-	4,680	4,680	-
<b>19,318</b>	<b>19,318</b>	<b>-</b>	<b>107,134</b>	<b>107,134</b>	<b>-</b>	<b>126,452</b>	<b>126,452</b>	<b>-</b>
-	-	-	1,754	1,388	366	5,769	5,380	389
-	-	-	<b>1,754</b>	<b>1,388</b>	<b>366</b>	<b>5,769</b>	<b>5,380</b>	<b>389</b>
-	-	-	150	100	50	150	100	50
-	-	-	<b>150</b>	<b>100</b>	<b>50</b>	<b>150</b>	<b>100</b>	<b>50</b>
-	-	-	-	-	-	36,079	35,981	98
-	-	-	-	-	-	<b>36,079</b>	<b>35,981</b>	<b>98</b>
8,863	8,858	5	1,390	327	1,063	10,253	9,185	1,068
<b>8,863</b>	<b>8,858</b>	<b>5</b>	<b>1,390</b>	<b>327</b>	<b>1,063</b>	<b>10,253</b>	<b>9,185</b>	<b>1,068</b>
-	-	-	428	272	156	428	272	156
-	-	-	<b>428</b>	<b>272</b>	<b>156</b>	<b>428</b>	<b>272</b>	<b>156</b>
-	-	-	274	253	21	274	253	21
-	-	-	<b>274</b>	<b>253</b>	<b>21</b>	<b>274</b>	<b>253</b>	<b>21</b>
-	-	-	55,767	51,466	4,301	55,767	51,466	4,301
-	-	-	<b>55,767</b>	<b>51,466</b>	<b>4,301</b>	<b>55,767</b>	<b>51,466</b>	<b>4,301</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>ETF Direct Disbursements</b>			
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	-	-	-
<b>Total ETF Direct Disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ETF Non-State</b>			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
<b>Total ETF Non-State</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ethics Commission</b>			
Regulation of Public Officials and Employees	1,373	1,295	78
<b>Total Ethics Commission</b>	<b>1,373</b>	<b>1,295</b>	<b>78</b>
<b>Farmers' Market Authority</b>			
Agricultural Development Services	943	926	17
<b>Total Farmers' Market Authority</b>	<b>943</b>	<b>926</b>	<b>17</b>
<b>Finance Special Appropriations</b>			
Administration Service and Logistical Supply: Removal of Prisoners	748	712	36
Criminal Investigation: Arrest of Absconding Felons	58	10	48
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	500	276	224
Institutional Service Corrections: Feeding of Prisoners	7,912	7,908	4
Legal Advice and Legal Service: Automatic Appeal Expense	39	-	39
Legal Advice and Legal Service: Court Assessed Cost not Provided	291	256	35
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	3,970	3,968	2
Special Services: Election Expenses	6,500	6,499	1
Special Services: Emergency Fund, Departmental	3,436	3,436	-
Special Services: Registration of Voters	2,702	2,525	177
<b>Total Finance Special Appropriations</b>	<b>26,172</b>	<b>25,604</b>	<b>568</b>
<b>Finance Special Funds</b>			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
<b>Total Finance Special Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Forensic Sciences</b>			
Forensic Science Services	13,508	13,303	205
<b>Total Forensic Sciences</b>	<b>13,508</b>	<b>13,303</b>	<b>205</b>
<b>Foresters Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Foresters Registration Board</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
900	428	472	-	-	-	900	428	472
5,288	5,288	-	-	-	-	5,288	5,288	-
113	99	14	-	-	-	113	99	14
500	500	-	-	-	-	500	500	-
185	185	-	-	-	-	185	185	-
3,791	3,791	-	-	-	-	3,791	3,791	-
188	188	-	-	-	-	188	188	-
<b>11,047</b>	<b>10,561</b>	<b>486</b>	-	-	-	<b>11,047</b>	<b>10,561</b>	<b>486</b>
250	250	-	-	-	-	250	250	-
885	885	-	-	-	-	885	885	-
10,143	10,143	-	-	-	-	10,143	10,143	-
<b>11,278</b>	<b>11,278</b>	-	-	-	-	<b>11,278</b>	<b>11,278</b>	-
-	-	-	-	-	-	1,373	1,295	78
-	-	-	-	-	-	<b>1,373</b>	<b>1,295</b>	<b>78</b>
-	-	-	2,175	1,380	795	3,118	2,306	812
-	-	-	<b>2,175</b>	<b>1,380</b>	<b>795</b>	<b>3,118</b>	<b>2,306</b>	<b>812</b>
-	-	-	-	-	-	748	712	36
-	-	-	-	-	-	58	10	48
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	500	276	224
-	-	-	-	-	-	7,912	7,908	4
-	-	-	-	-	-	39	-	39
-	-	-	-	-	-	291	256	35
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	3,970	3,968	2
-	-	-	-	-	-	6,500	6,499	1
-	-	-	-	-	-	3,436	3,436	-
-	-	-	-	-	-	2,702	2,525	177
-	-	-	-	-	-	<b>26,172</b>	<b>25,604</b>	<b>568</b>
-	-	-	153,107	153,107	-	153,107	153,107	-
-	-	-	38,030	37,140	890	38,030	37,140	890
-	-	-	1,361	1,361	-	1,361	1,361	-
-	-	-	<b>192,498</b>	<b>191,608</b>	<b>890</b>	<b>192,498</b>	<b>191,608</b>	<b>890</b>
-	-	-	12,701	8,714	3,987	26,209	22,017	4,192
-	-	-	<b>12,701</b>	<b>8,714</b>	<b>3,987</b>	<b>26,209</b>	<b>22,017</b>	<b>4,192</b>
-	-	-	180	78	102	180	78	102
-	-	-	<b>180</b>	<b>78</b>	<b>102</b>	<b>180</b>	<b>78</b>	<b>102</b>

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## STATE OF ALABAMA

## DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis**(Continued from previous page)*

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Forestry Commission</b>			
Forest Resources Protection and Development	-	-	-
<b>Total Forestry Commission</b>	-	-	-
<b>Forever Wild Land Trust</b>			
Administrative Services	-	-	-
<b>Total Forever Wild Land Trust</b>	-	-	-
<b>Fringe Benefit Accounts</b>			
Fringe Benefits: Judicial Retirement - General Fund Share	1,704	1,704	-
<b>Total Fringe Benefit Accounts</b>	<b>1,704</b>	<b>1,704</b>	-
<b>Funeral Services Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Funeral Services Board</b>	-	-	-
<b>General Contractors Licensing Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total General Contractors Licensing Board</b>	-	-	-
<b>General Fund Direct Disbursements</b>			
Employment and Social Opportunities: Women's Hall of Fame	20	20	-
Fine Arts: Music Hall of Fame	100	100	-
Historical Resources Management: Brierfield Ironworks Park	100	100	-
Historical Resources Management: Cahaba Advisory Committee	150	150	-
Historical Resources Management: Citizenship Trust	50	50	-
Historical Resources Management: Historic Blakeley Authority	150	150	-
Historical Resources Management: Historic Chattahoochee Commission	225	225	-
Historical Resources Management: Historic Ironworks Commission	100	100	-
Historical Resources Management: Mens Hall of Fame	20	20	-
Historical Resources Management: Sports Hall of Fame	125	125	-
Historical Resources Management: St. Stephens Historical Commission	275	275	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	100	100	-
Water Resource Development: Bear Creek Development Authority	35	35	-
Water Resource Development: Choccolocco Creek Watershed	18	18	-
Water Resource Development: Tennessee-Tombigbee Waterway	125	125	-
<b>Total General Fund Direct Disbursements</b>	<b>1,593</b>	<b>1,593</b>	-
<b>General Fund Non-State</b>			
Non-State: Coalition Against Domestic Violence	504	504	-
Non-State: Network of Children's Advocacy Centers	966	966	-
<b>Total General Fund Non-State</b>	<b>1,470</b>	<b>1,470</b>	-
<b>Geological Survey</b>			
Mineral, Energy, and Water Resources	2,470	2,444	26
<b>Total Geological Survey</b>	<b>2,470</b>	<b>2,444</b>	<b>26</b>
<b>Governor's Office of Faith-Based and Community Initiatives</b>			
Executive Direction	147	141	6
<b>Total Governor's Office of Faith-Based and Community Initiatives</b>	<b>147</b>	<b>141</b>	<b>6</b>
<b>Governor's Office on Disability</b>			
Executive Direction	162	149	13
<b>Total Governor's Office on Disability</b>	<b>162</b>	<b>149</b>	<b>13</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	38,636	33,036	5,600	38,636	33,036	5,600
-	-	-	<b>38,636</b>	<b>33,036</b>	<b>5,600</b>	<b>38,636</b>	<b>33,036</b>	<b>5,600</b>
-	-	-	6,975	1,370	5,605	6,975	1,370	5,605
-	-	-	<b>6,975</b>	<b>1,370</b>	<b>5,605</b>	<b>6,975</b>	<b>1,370</b>	<b>5,605</b>
-	-	-	-	-	-	1,704	1,704	-
-	-	-	-	-	-	<b>1,704</b>	<b>1,704</b>	-
-	-	-	255	218	37	255	218	37
-	-	-	<b>255</b>	<b>218</b>	<b>37</b>	<b>255</b>	<b>218</b>	<b>37</b>
-	-	-	1,682	1,454	228	1,682	1,454	228
-	-	-	<b>1,682</b>	<b>1,454</b>	<b>228</b>	<b>1,682</b>	<b>1,454</b>	<b>228</b>
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	150	150	-
-	-	-	-	-	-	50	50	-
-	-	-	-	-	-	150	150	-
-	-	-	-	-	-	225	225	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	125	125	-
-	-	-	-	-	-	275	275	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	35	35	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	125	125	-
-	-	-	-	-	-	<b>1,593</b>	<b>1,593</b>	-
-	-	-	-	-	-	504	504	-
-	-	-	-	-	-	966	966	-
-	-	-	-	-	-	<b>1,470</b>	<b>1,470</b>	-
-	-	-	1,553	796	757	4,023	3,240	783
-	-	-	<b>1,553</b>	<b>796</b>	<b>757</b>	<b>4,023</b>	<b>3,240</b>	<b>783</b>
150	146	4	3,790	2,083	1,707	4,087	2,370	1,717
<b>150</b>	<b>146</b>	<b>4</b>	<b>3,790</b>	<b>2,083</b>	<b>1,707</b>	<b>4,087</b>	<b>2,370</b>	<b>1,717</b>
-	-	-	-	-	-	162	149	13
-	-	-	-	-	-	<b>162</b>	<b>149</b>	<b>13</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Health Planning and Development</b>			
Health Planning Development and Regulation	272	272	-
<b>Total Health Planning and Development</b>	<b>272</b>	<b>272</b>	<b>-</b>
<b>Hearing Instrument Dealers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Hearing Instrument Dealers Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Heating and Air Conditioning Contractors Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Heating and Air Conditioning Contractors Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>High School of Math and Science</b>			
Financial Assistance	-	-	-
<b>Total High School of Math and Science</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Historical Commission</b>			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: F Scott Fitzgerald Museum	-	-	-
Historical Resources Management: Hartselle Historic Society	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Historic Bullock Courthouse	-	-	-
Historical Resources Management: Holocaust Commission	-	-	-
Historical Resources Management: Inzer Home, St. Clair County	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Lincoln Normal Project Marion	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Russell City Historical Association	-	-	-
Historical Resources Management: Somerville Court House Morgan	-	-	-
Historical Resources Management: Tuskegee Human & Civil Rights	-	-	-
<b>Total Historical Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Home Builders Licensure Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Home Builders Licensure Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Home Medical Equipment Services Provider Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Home Medical Equipment Services Provider Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Homeland Security Office</b>			
Readiness and Recovery	450	450	-
<b>Total Homeland Security Office</b>	<b>450</b>	<b>450</b>	<b>-</b>
<b>Indian Affairs Commission</b>			
Social Services	164	163	1
<b>Total Indian Affairs Commission</b>	<b>164</b>	<b>163</b>	<b>1</b>
<b>Insurance</b>			
Regulatory Services	-	-	-
<b>Total Insurance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interior Design Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Interior Design Registration Board</b>	<b>-</b>	<b>-</b>	<b>-</b>



<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
-	-	-	861	722	139	1,133	994	139
-	-	-	<b>861</b>	<b>722</b>	<b>139</b>	<b>1,133</b>	<b>994</b>	<b>139</b>
-	-	-	54	26	28	54	26	28
-	-	-	<b>54</b>	<b>26</b>	<b>28</b>	<b>54</b>	<b>26</b>	<b>28</b>
-	-	-	1,009	764	245	1,009	764	245
-	-	-	<b>1,009</b>	<b>764</b>	<b>245</b>	<b>1,009</b>	<b>764</b>	<b>245</b>
6,476	6,475	1	-	-	-	6,476	6,475	1
<b>6,476</b>	<b>6,475</b>	<b>1</b>	-	-	-	<b>6,476</b>	<b>6,475</b>	<b>1</b>
-	-	-	4,761	4,436	325	4,761	4,436	325
-	-	-	244	209	35	244	209	35
-	-	-	475	415	60	475	415	60
-	-	-	25	25	-	25	25	-
-	-	-	50	50	-	50	50	-
-	-	-	100	100	-	100	100	-
-	-	-	50	50	-	50	50	-
-	-	-	10	10	-	10	10	-
-	-	-	25	25	-	25	25	-
-	-	-	1,451	164	1,287	1,451	164	1,287
-	-	-	100	100	-	100	100	-
-	-	-	150	150	-	150	150	-
-	-	-	100	100	-	100	100	-
-	-	-	50	50	-	50	50	-
-	-	-	75	75	-	75	75	-
-	-	-	<b>7,666</b>	<b>5,959</b>	<b>1,707</b>	<b>7,666</b>	<b>5,959</b>	<b>1,707</b>
-	-	-	3,562	2,198	1,364	3,562	2,198	1,364
-	-	-	<b>3,562</b>	<b>2,198</b>	<b>1,364</b>	<b>3,562</b>	<b>2,198</b>	<b>1,364</b>
-	-	-	250	110	140	250	110	140
-	-	-	<b>250</b>	<b>110</b>	<b>140</b>	<b>250</b>	<b>110</b>	<b>140</b>
-	-	-	49,160	26,574	22,586	49,610	27,024	22,586
-	-	-	<b>49,160</b>	<b>26,574</b>	<b>22,586</b>	<b>49,610</b>	<b>27,024</b>	<b>22,586</b>
-	-	-	49	49	-	213	212	1
-	-	-	<b>49</b>	<b>49</b>	-	<b>213</b>	<b>212</b>	<b>1</b>
-	-	-	11,691	8,432	3,259	11,691	8,432	3,259
-	-	-	<b>11,691</b>	<b>8,432</b>	<b>3,259</b>	<b>11,691</b>	<b>8,432</b>	<b>3,259</b>
-	-	-	50	19	31	50	19	31
-	-	-	<b>50</b>	<b>19</b>	<b>31</b>	<b>50</b>	<b>19</b>	<b>31</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Interpreters and Translitterators</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Interpreters and Translitterators</b>	-	-	-
<b>Judicial Inquiry Commission</b>			
Administrative Services	467	458	9
<b>Total Judicial Inquiry Commission</b>	<b>467</b>	<b>458</b>	<b>9</b>
<b>Knight vs. Alabama Financial Obligation</b>			
Support of State Universities: Agricultural Research Funds - Alabama A & M	-	-	-
Support of State Universities: Alabama State-PHD Microbiology Program	-	-	-
Support of State Universities: Doctoral Program in Education-Alabama State	-	-	-
Support of State Universities: Health Information Management Program - Alabama State Univ.	-	-	-
Support of State Universities: Master of Accountancy Program - Alabama State University	-	-	-
Support of State Universities: Occupational Therapy Program - Alabama State University	-	-	-
Support of State Universities: Physical Therapy Program-Alabama State University	-	-	-
Support of State Universities: Scholarships to Diversify-A&M	-	-	-
Support of State Universities: Scholarships to Diversify-ASU	-	-	-
Support of State Universities: Settlement Agreement	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
<b>Total Knight vs. Alabama Financial Obligation</b>	-	-	-
<b>Labor</b>			
Regulatory Services	417	393	24
<b>Total Labor</b>	<b>417</b>	<b>393</b>	<b>24</b>
<b>Landscape Architect Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Landscape Architect Examining Board</b>	-	-	-
<b>Legislative Council</b>			
Legislative Operations and Support	419	406	13
<b>Total Legislative Council</b>	<b>419</b>	<b>406</b>	<b>13</b>
<b>Legislative Fiscal Office</b>			
Legislative Operations and Support	1,863	1,699	164
<b>Total Legislative Fiscal Office</b>	<b>1,863</b>	<b>1,699</b>	<b>164</b>
<b>Legislative Reference Service</b>			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	147	5	142
Legislative Operations and Support: Legislative Reference Service	2,554	2,544	10
<b>Total Legislative Reference Service</b>	<b>2,701</b>	<b>2,549</b>	<b>152</b>
<b>Lieutenant Governor</b>			
Legislative Operations and Support	678	540	138
<b>Total Lieutenant Governor</b>	<b>678</b>	<b>540</b>	<b>138</b>
<b>Liquefied Petroleum Gas Board</b>			
Regulatory Services	-	-	-
<b>Total Liquefied Petroleum Gas Board</b>	-	-	-
<b>Manufactured Housing Commission</b>			
Regulatory Services	-	-	-
<b>Total Manufactured Housing Commission</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	30	27	3	30	27	3
-	-	-	<b>30</b>	<b>27</b>	<b>3</b>	<b>30</b>	<b>27</b>	<b>3</b>
-	-	-	-	-	-	467	458	9
-	-	-	-	-	-	<b>467</b>	<b>458</b>	<b>9</b>
355	355	-	-	-	-	355	355	-
1,301	1,301	-	-	-	-	1,301	1,301	-
2,182	2,182	-	-	-	-	2,182	2,182	-
446	446	-	-	-	-	446	446	-
142	142	-	-	-	-	142	142	-
537	537	-	-	-	-	537	537	-
1,283	1,283	-	-	-	-	1,283	1,283	-
1,245	1,245	-	-	-	-	1,245	1,245	-
1,389	1,389	-	-	-	-	1,389	1,389	-
45,600	45,600	-	-	-	-	45,600	45,600	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
317	317	-	-	-	-	317	317	-
<b>56,797</b>	<b>56,797</b>	-	-	-	-	<b>56,797</b>	<b>56,797</b>	-
-	-	-	1,149	714	435	1,566	1,107	459
-	-	-	<b>1,149</b>	<b>714</b>	<b>435</b>	<b>1,566</b>	<b>1,107</b>	<b>459</b>
-	-	-	65	48	17	65	48	17
-	-	-	<b>65</b>	<b>48</b>	<b>17</b>	<b>65</b>	<b>48</b>	<b>17</b>
-	-	-	-	-	-	419	406	13
-	-	-	-	-	-	<b>419</b>	<b>406</b>	<b>13</b>
271	266	5	-	-	-	2,134	1,965	169
<b>271</b>	<b>266</b>	<b>5</b>	-	-	-	<b>2,134</b>	<b>1,965</b>	<b>169</b>
103	103	-	150	30	120	253	133	120
-	-	-	-	-	-	147	5	142
-	-	-	-	-	-	2,554	2,544	10
<b>103</b>	<b>103</b>	-	<b>150</b>	<b>30</b>	<b>120</b>	<b>2,954</b>	<b>2,682</b>	<b>272</b>
-	-	-	-	-	-	678	540	138
-	-	-	-	-	-	<b>678</b>	<b>540</b>	<b>138</b>
-	-	-	1,424	952	472	1,424	952	472
-	-	-	<b>1,424</b>	<b>952</b>	<b>472</b>	<b>1,424</b>	<b>952</b>	<b>472</b>
-	-	-	3,608	2,066	1,542	3,608	2,066	1,542
-	-	-	<b>3,608</b>	<b>2,066</b>	<b>1,542</b>	<b>3,608</b>	<b>2,066</b>	<b>1,542</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Marriage and Family Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Marriage and Family Therapy Board</b>	-	-	-
<b>Massage Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Massage Therapy Board</b>	-	-	-
<b>Medical Scholarships Awards Board</b>			
Support - Other Educational Activities	-	-	-
<b>Total Medical Scholarships Awards Board</b>	-	-	-
<b>Men's Hall of Fame</b>			
Historical Resources Management	-	-	-
<b>Total Men's Hall of Fame</b>	-	-	-
<b>Military</b>			
Military Operations: Active Military Service	525	470	55
Military Operations: AIR O & M	-	-	-
Military Operations: Dropping Allowance	-	-	-
Military Operations: Operations	1,345	1,261	84
Military Operations: Operations and Maintenance	3,850	3,324	526
Military Operations: Quartering Allowance to Headquarters	1,149	1,129	20
Military Operations: State Defense Force	23	17	6
<b>Total Military</b>	<b>6,892</b>	<b>6,201</b>	<b>691</b>
<b>Nursing Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Nursing Board</b>	-	-	-
<b>Nursing Home Administration Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Nursing Home Administration Examining Board</b>	-	-	-
<b>Occupational Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Occupational Therapy Board</b>	-	-	-
<b>Office of Prosecution Services</b>			
Prosecution Training Education and Management	604	604	-
<b>Total Office of Prosecution Services</b>	<b>604</b>	<b>604</b>	-
<b>Oil and Gas Board</b>			
Management and Regulation of Oil and Gas Exploration/Development	2,972	2,950	22
<b>Total Oil and Gas Board</b>	<b>2,972</b>	<b>2,950</b>	<b>22</b>
<b>Pardons and Paroles</b>			
Administration of Pardons and Paroles	34,374	34,374	-
<b>Total Pardons and Paroles</b>	<b>34,374</b>	<b>34,374</b>	-
<b>Peace Officer Annuity and Benefit</b>			
Retirement Systems	-	-	-
<b>Total Peace Officer Annuity and Benefit</b>	-	-	-
<b>Peace Officer Standards and Training</b>			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Peace Officer Standards and Training</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	60	25	35	60	25	35
-	-	-	<b>60</b>	<b>25</b>	<b>35</b>	<b>60</b>	<b>25</b>	<b>35</b>
-	-	-	150	103	47	150	103	47
-	-	-	<b>150</b>	<b>103</b>	<b>47</b>	<b>150</b>	<b>103</b>	<b>47</b>
1,300	1,296	4	400	-	400	1,700	1,296	404
<b>1,300</b>	<b>1,296</b>	<b>4</b>	<b>400</b>	<b>-</b>	<b>400</b>	<b>1,700</b>	<b>1,296</b>	<b>404</b>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	525	470	55
-	-	-	2,132	1,395	737	2,132	1,395	737
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,345	1,261	84
-	-	-	30,967	25,217	5,750	34,817	28,541	6,276
-	-	-	-	-	-	1,149	1,129	20
-	-	-	-	-	-	23	17	6
-	-	-	<b>33,099</b>	<b>26,612</b>	<b>6,487</b>	<b>39,991</b>	<b>32,813</b>	<b>7,178</b>
57	53	4	4,705	3,787	918	4,762	3,840	922
<b>57</b>	<b>53</b>	<b>4</b>	<b>4,705</b>	<b>3,787</b>	<b>918</b>	<b>4,762</b>	<b>3,840</b>	<b>922</b>
-	-	-	110	76	34	110	76	34
-	-	-	<b>110</b>	<b>76</b>	<b>34</b>	<b>110</b>	<b>76</b>	<b>34</b>
-	-	-	130	104	26	130	104	26
-	-	-	<b>130</b>	<b>104</b>	<b>26</b>	<b>130</b>	<b>104</b>	<b>26</b>
-	-	-	3,510	2,564	946	4,114	3,168	946
-	-	-	<b>3,510</b>	<b>2,564</b>	<b>946</b>	<b>4,114</b>	<b>3,168</b>	<b>946</b>
-	-	-	708	495	213	3,680	3,445	235
-	-	-	<b>708</b>	<b>495</b>	<b>213</b>	<b>3,680</b>	<b>3,445</b>	<b>235</b>
-	-	-	10,315	8,706	1,609	44,689	43,080	1,609
-	-	-	<b>10,315</b>	<b>8,706</b>	<b>1,609</b>	<b>44,689</b>	<b>43,080</b>	<b>1,609</b>
-	-	-	548	435	113	548	435	113
-	-	-	<b>548</b>	<b>435</b>	<b>113</b>	<b>548</b>	<b>435</b>	<b>113</b>
466	466	-	450	360	90	916	826	90
329	329	-	1,820	1,228	592	2,149	1,557	592
<b>795</b>	<b>795</b>	<b>-</b>	<b>2,270</b>	<b>1,588</b>	<b>682</b>	<b>3,065</b>	<b>2,383</b>	<b>682</b>

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Personnel</b>			
Administrative Support Service	-	-	-
<b>Total Personnel</b>	-	-	-
<b>Physical Fitness Commission</b>			
Advisory Services	-	-	-
<b>Total Physical Fitness Commission</b>	-	-	-
<b>Physical Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Physical Therapy Board</b>	-	-	-
<b>Plumbers and Gas Fitters Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Plumbers and Gas Fitters Examining Board</b>	-	-	-
<b>Polygraph Examiners</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Polygraph Examiners</b>	-	-	-
<b>President Pro Tempore Senate</b>			
Legislative Operations and Support	1,919	973	946
<b>Total President Pro Tempore Senate</b>	<b>1,919</b>	<b>973</b>	<b>946</b>
<b>Professional Engineers Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Professional Engineers Registration Board</b>	-	-	-
<b>Professional Geologists Licensing Board</b>			
Mineral, Energy, and Water Resources	-	-	-
<b>Total Professional Geologists Licensing Board</b>	-	-	-
<b>Psychology Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Psychology Examiners Board</b>	-	-	-
<b>Public Education Employees Health Insurance Board</b>			
Administrative Support Service	-	-	-
<b>Total Public Education Employees Health Insurance Board</b>	-	-	-
<b>Public Library Service</b>			
Public Library Services	-	-	-
<b>Total Public Library Service</b>	-	-	-
<b>Public Livestock Market Board</b>			
Agricultural Development Services	-	-	-
<b>Total Public Livestock Market Board</b>	-	-	-
<b>Real Estate Appraisers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Real Estate Appraisers Board</b>	-	-	-
<b>Real Estate Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Real Estate Commission</b>	-	-	-
<b>Retirement Systems of Alabama</b>			
Retirement Systems	-	-	-
<b>Total Retirement Systems of Alabama</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	8,174	7,634	540	8,174	7,634	540
-	-	-	<b>8,174</b>	<b>7,634</b>	<b>540</b>	<b>8,174</b>	<b>7,634</b>	<b>540</b>
720	711	9	19	1	18	739	712	27
<b>720</b>	<b>711</b>	<b>9</b>	<b>19</b>	<b>1</b>	<b>18</b>	<b>739</b>	<b>712</b>	<b>27</b>
-	-	-	358	241	117	358	241	117
-	-	-	<b>358</b>	<b>241</b>	<b>117</b>	<b>358</b>	<b>241</b>	<b>117</b>
-	-	-	1,978	1,665	313	1,978	1,665	313
-	-	-	<b>1,978</b>	<b>1,665</b>	<b>313</b>	<b>1,978</b>	<b>1,665</b>	<b>313</b>
-	-	-	35	7	28	35	7	28
-	-	-	<b>35</b>	<b>7</b>	<b>28</b>	<b>35</b>	<b>7</b>	<b>28</b>
-	-	-	-	-	-	1,919	973	946
-	-	-	-	-	-	<b>1,919</b>	<b>973</b>	<b>946</b>
-	-	-	1,400	1,062	338	1,400	1,062	338
-	-	-	<b>1,400</b>	<b>1,062</b>	<b>338</b>	<b>1,400</b>	<b>1,062</b>	<b>338</b>
-	-	-	75	44	31	75	44	31
-	-	-	<b>75</b>	<b>44</b>	<b>31</b>	<b>75</b>	<b>44</b>	<b>31</b>
-	-	-	208	124	84	208	124	84
-	-	-	<b>208</b>	<b>124</b>	<b>84</b>	<b>208</b>	<b>124</b>	<b>84</b>
-	-	-	3,176	2,191	985	3,176	2,191	985
-	-	-	<b>3,176</b>	<b>2,191</b>	<b>985</b>	<b>3,176</b>	<b>2,191</b>	<b>985</b>
11,864	11,863	1	3,860	3,177	683	15,724	15,040	684
<b>11,864</b>	<b>11,863</b>	<b>1</b>	<b>3,860</b>	<b>3,177</b>	<b>683</b>	<b>15,724</b>	<b>15,040</b>	<b>684</b>
-	-	-	4	1	3	4	1	3
-	-	-	<b>4</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>3</b>
-	-	-	828	701	127	828	701	127
-	-	-	<b>828</b>	<b>701</b>	<b>127</b>	<b>828</b>	<b>701</b>	<b>127</b>
-	-	-	4,114	2,969	1,145	4,114	2,969	1,145
-	-	-	<b>4,114</b>	<b>2,969</b>	<b>1,145</b>	<b>4,114</b>	<b>2,969</b>	<b>1,145</b>
-	-	-	37,263	27,958	9,305	37,263	27,958	9,305
-	-	-	<b>37,263</b>	<b>27,958</b>	<b>9,305</b>	<b>37,263</b>	<b>27,958</b>	<b>9,305</b>

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Securities Commission</b>			
Regulatory Services	-	-	-
<b>Total Securities Commission</b>	-	-	-
<b>Senior Services</b>			
Elderly Medication Program	2,004	2,004	-
Medicaid Waiver Services	10,866	10,866	-
Planning and Advocacy for Elderly	5,881	5,881	-
<b>Total Senior Services</b>	<b>18,751</b>	<b>18,751</b>	-
<b>Sickle Cell Oversight Commission</b>			
Support - Other Educational Activities	-	-	-
<b>Total Sickle Cell Oversight Commission</b>	-	-	-
<b>Social Work Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Social Work Examiners Board</b>	-	-	-
<b>Soil and Water Conservation Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
R C & D Program	1,495	1,495	-
Water Resource Development	1,205	1,173	32
<b>Total Soil and Water Conservation Commission</b>	<b>2,700</b>	<b>2,668</b>	<b>32</b>
<b>Speaker of the House</b>			
Speaker of House, Office of	669	461	208
<b>Total Speaker of the House</b>	<b>669</b>	<b>461</b>	<b>208</b>
<b>Speech Pathologists and Audiologists Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Speech Pathologists and Audiologists Examining Board</b>	-	-	-
<b>State Bar Association</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total State Bar Association</b>	-	-	-
<b>State Employees Insurance Board</b>			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
<b>Total State Employees Insurance Board</b>	-	-	-
<b>State Executive Commission - Community Services</b>			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
<b>Total State Executive Commission - Community Services</b>	-	-	-
<b>State Industrial Development Authority</b>			
Industrial Development	-	-	-
<b>Total State Industrial Development Authority</b>	-	-	-
<b>Supercomputer Authority</b>			
Information Technology Services	-	-	-
<b>Total Supercomputer Authority</b>	-	-	-
<b>Supreme Court</b>			
Court Operations	8,486	8,463	23
<b>Total Supreme Court</b>	<b>8,486</b>	<b>8,463</b>	<b>23</b>



Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	6,804	5,361	1,443	6,804	5,361	1,443
-	-	-	<b>6,804</b>	<b>5,361</b>	<b>1,443</b>	<b>6,804</b>	<b>5,361</b>	<b>1,443</b>
-	-	-	-	-	-	2,004	2,004	-
-	-	-	45,451	44,548	903	56,317	55,414	903
-	-	-	28,250	23,628	4,622	34,131	29,509	4,622
-	-	-	<b>73,701</b>	<b>68,176</b>	<b>5,525</b>	<b>92,452</b>	<b>86,927</b>	<b>5,525</b>
1,544	1,544	-	-	-	-	1,544	1,544	-
<b>1,544</b>	<b>1,544</b>	-	-	-	-	<b>1,544</b>	<b>1,544</b>	-
-	-	-	268	241	27	268	241	27
-	-	-	<b>268</b>	<b>241</b>	<b>27</b>	<b>268</b>	<b>241</b>	<b>27</b>
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	1,495	1,495	-
-	-	-	3,507	2,269	1,238	4,712	3,442	1,270
-	-	-	<b>3,512</b>	<b>2,271</b>	<b>1,241</b>	<b>6,212</b>	<b>4,939</b>	<b>1,273</b>
-	-	-	-	-	-	669	461	208
-	-	-	-	-	-	<b>669</b>	<b>461</b>	<b>208</b>
-	-	-	279	168	111	279	168	111
-	-	-	<b>279</b>	<b>168</b>	<b>111</b>	<b>279</b>	<b>168</b>	<b>111</b>
-	-	-	5,141	4,150	991	5,141	4,150	991
-	-	-	<b>5,141</b>	<b>4,150</b>	<b>991</b>	<b>5,141</b>	<b>4,150</b>	<b>991</b>
-	-	-	5,892	4,361	1,531	5,892	4,361	1,531
-	-	-	952	952	-	952	952	-
-	-	-	<b>6,844</b>	<b>5,313</b>	<b>1,531</b>	<b>6,844</b>	<b>5,313</b>	<b>1,531</b>
6,900	6,897	3	-	-	-	6,900	6,897	3
6,900	6,898	2	-	-	-	6,900	6,898	2
<b>13,800</b>	<b>13,795</b>	<b>5</b>	-	-	-	<b>13,800</b>	<b>13,795</b>	<b>5</b>
-	-	-	350	68	282	350	68	282
-	-	-	<b>350</b>	<b>68</b>	<b>282</b>	<b>350</b>	<b>68</b>	<b>282</b>
-	-	-	13,725	13,257	468	13,725	13,257	468
-	-	-	<b>13,725</b>	<b>13,257</b>	<b>468</b>	<b>13,725</b>	<b>13,257</b>	<b>468</b>
-	-	-	-	-	-	8,486	8,463	23
-	-	-	-	-	-	<b>8,486</b>	<b>8,463</b>	<b>23</b>

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Supreme Court Law Library</b>			
Court Operations	1,482	1,475	7
<b>Total Supreme Court Law Library</b>	<b>1,482</b>	<b>1,475</b>	<b>7</b>
<b>Surface Mining Commission</b>			
Industrial Safety and Accident Prevention	-	-	-
<b>Total Surface Mining Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tourism and Travel</b>			
Tourism and Travel Promotion	1,205	1,199	6
<b>Total Tourism and Travel</b>	<b>1,205</b>	<b>1,199</b>	<b>6</b>
<b>Veterans Affairs</b>			
Administration of Veterans Affairs	2,952	2,883	69
Student Financial Aid	-	-	-
Veterans' Home	-	-	-
<b>Total Veterans Affairs</b>	<b>2,952</b>	<b>2,883</b>	<b>69</b>
<b>Veterinarian Medical Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Veterinarian Medical Examiners Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Women's Commission</b>			
Employment and Social Opportunities	50	48	2
<b>Total Women's Commission</b>	<b>50</b>	<b>48</b>	<b>2</b>
<b>TOTAL Other</b>	<b>196,589</b>	<b>192,771</b>	<b>3,818</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,336,788</b>	<b>\$ 1,321,579</b>	<b>\$ 15,209</b>
<b>TRANSFERS OUT:</b>			
<b><u>Education Trust Fund Transfers</u></b>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Proration Prevention Account	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
<b>TOTAL Education Trust Fund Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1,482	1,475	7
-	-	-	-	-	-	<b>1,482</b>	<b>1,475</b>	<b>7</b>
-	-	-	3,611	2,473	1,138	3,611	2,473	1,138
-	-	-	<b>3,611</b>	<b>2,473</b>	<b>1,138</b>	<b>3,611</b>	<b>2,473</b>	<b>1,138</b>
-	-	-	10,442	10,239	203	11,647	11,438	209
-	-	-	<b>10,442</b>	<b>10,239</b>	<b>203</b>	<b>11,647</b>	<b>11,438</b>	<b>209</b>
3,045	3,043	2	2,788	2,066	722	8,785	7,992	793
18,228	17,319	909	-	-	-	18,228	17,319	909
-	-	-	26,673	24,092	2,581	26,673	24,092	2,581
<b>21,273</b>	<b>20,362</b>	<b>911</b>	<b>29,461</b>	<b>26,158</b>	<b>3,303</b>	<b>53,686</b>	<b>49,403</b>	<b>4,283</b>
-	-	-	445	402	43	445	402	43
-	-	-	<b>445</b>	<b>402</b>	<b>43</b>	<b>445</b>	<b>402</b>	<b>43</b>
-	-	-	-	-	-	50	48	2
-	-	-	-	-	-	<b>50</b>	<b>48</b>	<b>2</b>
<b>179,393</b>	<b>177,848</b>	<b>1,545</b>	<b>980,709</b>	<b>853,091</b>	<b>127,618</b>	<b>1,356,691</b>	<b>1,223,710</b>	<b>132,981</b>
<b>\$ 5,939,634</b>	<b>\$ 5,935,705</b>	<b>\$ 3,929</b>	<b>\$ 12,246,981</b>	<b>\$ 10,848,403</b>	<b>\$ 1,398,578</b>	<b>\$ 19,523,403</b>	<b>\$ 18,105,687</b>	<b>\$ 1,417,716</b>
616	616	-	-	-	-	616	616	-
1,873	1,873	-	-	-	-	1,873	1,873	-
2,215	2,215	-	-	-	-	2,215	2,215	-
1,400	1,400	-	-	-	-	1,400	1,400	-
15,489	15,489	-	-	-	-	15,489	15,489	-
31,171	31,171	-	-	-	-	31,171	31,171	-
588	588	-	-	-	-	588	588	-
237,882	237,882	-	-	-	-	237,882	237,882	-
533	533	-	-	-	-	533	533	-
9,957	9,957	-	-	-	-	9,957	9,957	-
<b>301,724</b>	<b>301,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,724</b>	<b>301,724</b>	<b>-</b>

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

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

(Continued from previous page)

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>General Fund Transfers</b>			
ABI Cost of Evidence	100	100	-
Agriculture and Conservation Development Commission	300	300	-
Child Abuse Board	1,005	1,005	-
Child Health Insurance Program	18,700	18,700	-
Children's Policy Council	20	20	-
Crime Victims Compensation Commission	100	100	-
Environmental Management - Operations	5,349	5,349	-
Environmental Management-Hazardous Substance Fund	25	25	-
Fair Trial Tax Transfer	47,000	47,000	-
Finance - Telephone Revolving	1,000	1,000	-
Forestry Commission	15,043	15,043	-
Forestry Emergency Forest Fire	180	180	-
Historical Commission	3,846	3,846	-
Human Resources	103,007	103,007	-
Mental Health	136,576	136,576	-
Peace Officers Annuity & Benefit	250	250	-
Penny Trust Fund	588	588	-
Pollution Grant	517	517	-
Revenue-Ad Valorem Equalization	250	250	-
Secretary of State-Helping America Vote Act	114	114	-
Surface Mining Commission	862	862	-
Treasurer-SAFE Program	246	246	-
<b>TOTAL General Fund Transfers</b>	<b>335,078</b>	<b>335,078</b>	<b>-</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 335,078</b>	<b>\$ 335,078</b>	<b>\$ -</b>
<b>TOTAL EXPENDITURES AND TRANSFERS OUT</b>	<b>\$ 1,671,866</b>	<b>\$ 1,656,657</b>	<b>\$ 15,209</b>

<u>Education Trust Fund</u>			<u>Earmarked Funds</u>			<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	300	300	-
-	-	-	-	-	-	1,005	1,005	-
-	-	-	-	-	-	18,700	18,700	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	5,349	5,349	-
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	47,000	47,000	-
-	-	-	-	-	-	1,000	1,000	-
-	-	-	-	-	-	15,043	15,043	-
-	-	-	-	-	-	180	180	-
-	-	-	-	-	-	3,846	3,846	-
-	-	-	-	-	-	103,007	103,007	-
-	-	-	-	-	-	136,576	136,576	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	588	588	-
-	-	-	-	-	-	517	517	-
-	-	-	-	-	-	250	250	-
-	-	-	-	-	-	114	114	-
-	-	-	-	-	-	862	862	-
-	-	-	-	-	-	246	246	-
-	-	-	-	-	-	<b>335,078</b>	<b>335,078</b>	-
<b>\$ 301,724</b>	<b>\$ 301,724</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 636,802</b>	<b>\$ 636,802</b>	<b>\$ -</b>
<b>\$ 6,241,358</b>	<b>\$ 6,237,429</b>	<b>\$ 3,929</b>	<b>\$ 12,246,981</b>	<b>\$ 10,848,403</b>	<b>\$ 1,398,578</b>	<b>\$ 20,160,205</b>	<b>\$ 18,742,489</b>	<b>\$ 1,417,716</b>

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

**TAXES**

General Sales Tax (4% on gross retail sale of merchandise)	\$ 2,019,169	11.5%
General Use Tax	264,667	1.5%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	3,428,864	19.6%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	40,068	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	270,641	1.5%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	412,717	2.4%
Utilities Tax (6% telephone, 4% other)	408,925	2.3%
Insurance Premium Tax (1% to 6%)	275,693	1.6%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	93,073	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	150,779	0.9%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	68,364	0.4%
State Beer Tax (5¢ per 12 oz.)	55,770	0.3%
Public Utilities (2.2%)	126,121	0.7%
Motor Fuel Tax (diesel 17¢ per gallon)	154,225	0.9%
Tennessee Valley Authority (payments in-lieu of all state taxes)	107,310	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	70,502	0.4%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	138,912	0.8%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	51,345	0.3%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	83,238	0.5%
Coal Severance Tax (33.5¢ per ton)	6,479	0.0%
Forestry Severance Tax	5,328	0.0%
Inheritance Tax (amount of federal credit)	600	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	34,978	0.2%
Lodgings Tax (4% or 5% of charge)	44,925	0.3%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	977	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,998	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	2,968	0.0%
Court Cost Taxes	33,017	0.2%
Medicaid Taxes	57,724	0.3%
Cellular Telephones (6%)	101,057	0.6%
Ground Materials Severance Tax	5,945	0.0%
Miscellaneous Taxes	8,579	0.0%
<b>TOTAL TAXES</b>	<b>8,524,958</b>	<b>48.7%</b>

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**LICENSES AND FEES**

Conservation Licenses (fishing, hunting, boat registration, etc)	23,103	0.1%
Drivers Licenses and Fees	49,321	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,726	0.3%
Agricultural Licenses and Fees	10,300	0.1%
Wholesale Oil Company License	6,113	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	166,619	1.0%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	71,611	0.4%
Court Fees	69,943	0.4%
Alcoholic Beverage Licenses	2,270	0.0%
Insurance Corporation Licenses and Fees	1,153	0.0%
Miscellaneous License and Fees	155,263	0.9%
<b>TOTAL LICENSES AND FEES</b>	<b>616,422</b>	<b>3.5%</b>

**FINES AND FORFEITS**

Court Fines and Forfeits	32,854	0.2%
Tobacco Settlement	98,969	0.6%
Miscellaneous Fines and Forfeits	10,643	0.1%
<b>TOTAL FINES AND FORFEITS</b>	<b>142,466</b>	<b>0.9%</b>

**INVESTMENT INCOME****378,597**      **2.2%****FEDERAL REVENUES****6,566,902**      **37.4%****OTHER REVENUES**

Rents and Royalties	272,354	1.6%
Reimbursements	59,951	0.3%
Sales of Property or Services	49,088	0.3%
Contributions	17,083	0.1%
Intragovernmental Services	55,427	0.3%
Local Revenues	31,774	0.2%
Disproportionate Hospital Receipts (Medicaid)	656,520	3.7%
Miscellaneous Revenues	151,734	0.8%
<b>TOTAL OTHER REVENUES</b>	<b>1,293,931</b>	<b>7.3%</b>

**TOTAL REVENUES****\$17,523,276**      **100.0%**

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
<b>TAXES</b>								
General Sales Tax	\$ 2,019,169	\$ 38,521	\$ 1,980,648	\$ 31,243	\$ 101,186	\$ 0	\$ 1,727,610	\$ 0
General Use Tax	264,667	3,341	261,326	500	1,188	-	257,348	-
Income Tax	3,428,864	36,262	3,392,602	-	-	-	3,392,602	-
Property Tax Relief	40,068	-	40,068	5,918	16,397	17,753	-	-
General Property Tax	270,641	1,197	269,444	40,450	102,119	126,875	-	-
Gasoline Taxes	412,717	12,555	400,162	-	-	-	-	-
Utilities Tax	408,925	7,469	401,456	-	-	-	386,856	-
Insurance Premium Tax	275,693	-	275,693	-	239,214	-	31,024	-
Liquor & Wine Tax	93,073	-	93,073	33,385	46,536	-	-	-
Tobacco & Cigarette Taxes	150,779	424	150,355	3,431	130,898	-	-	-
Corporation Taxes	68,364	-	68,364	3	31,646	-	-	-
State Beer Tax	55,770	-	55,770	11,154	16,731	-	22,308	-
Public Utilities	126,121	-	126,121	-	19,242	-	-	-
Motor Fuel Tax	154,225	2,560	151,665	-	-	-	-	-
Tennessee Valley Authority	107,310	-	107,310	-	-	-	-	-
Leasing/Renting Personal Property	70,502	-	70,502	-	70,502	-	-	-
Production Privilege Tax	138,912	-	138,912	-	109,244	-	-	-
Financial Institutions Excise Tax	51,345	582	50,763	-	20,022	-	-	-
Documentary Filing Taxes	83,238	-	83,238	-	83,238	-	-	-
Coal Severance Tax	6,479	-	6,479	-	-	-	-	-
Forestry Severance Tax	5,328	214	5,114	-	-	-	-	-
Inheritance Tax	600	-	600	-	600	-	-	-
Contractors Gross Receipts Tax	34,978	76	34,902	5,215	-	-	-	-
Lodgings Tax	44,925	12	44,913	-	32,336	-	-	-
Hydroelectric Companies	977	6	971	-	-	-	408	-
Lubricating Oil Tax	1,998	8	1,990	-	666	-	-	-
Pari-mutuel Betting	2,968	-	2,968	-	2,968	-	-	-
Court Cost Taxes	33,017	-	33,017	-	9,412	-	-	-
Medicaid Provider Taxes	57,724	119	57,605	-	-	-	-	-
Cellular Telephone Tax	101,057	-	101,057	-	65,059	-	34,778	-
Ground Materials Severance Tax	5,945	-	5,945	-	-	-	-	-
Hazardous Waste	-	-	-	-	-	-	-	-
Miscellaneous Taxes	8,579	-	8,579	44	3,569	93	-	-
<b>TOTAL TAXES</b>	<b>8,524,958</b>	<b>103,346</b>	<b>8,421,612</b>	<b>131,343</b>	<b>1,102,773</b>	<b>144,721</b>	<b>5,852,934</b>	<b>0</b>
<b>LICENSES AND FEES</b>								
Conservation Licenses	23,103	-	23,103	-	-	-	-	(38)
Drivers Licenses and Fees	49,321	-	49,321	-	32,786	-	-	-
Petroleum Products Inspection Fee	60,726	-	60,726	-	-	-	-	-
Agricultural License and Fees	10,300	-	10,300	-	-	-	-	-
Wholesale Oil Company License	6,113	-	6,113	-	6,113	-	-	-
Motor Vehicle License	166,619	1,034	165,585	-	41,545	-	-	-
Privilege License	71,611	1,103	70,508	-	10,583	-	553	-
Court Fees	69,943	-	69,943	-	52,248	-	-	-
Alcoholic Beverage Licenses	2,270	-	2,270	-	2,270	-	-	-
Insurance Corp Licenses and Fees	1,153	-	1,153	-	571	-	(31)	-
Miscellaneous License and Fees	155,263	167	155,096	693	4,347	-	53	-
<b>TOTAL LICENSES AND FEES</b>	<b>616,422</b>	<b>2,304</b>	<b>614,118</b>	<b>693</b>	<b>150,463</b>	<b>0</b>	<b>575</b>	<b>(38)</b>
<b>FINES AND FORFEITS</b>								
Court Fines and Forfeits	32,854	-	32,854	-	22,878	-	-	-
Tobacco Settlement	98,969	-	98,969	-	-	-	-	-
Miscellaneous Fines and Forfeits	10,643	20	10,623	-	1,214	-	42	-
<b>TOTAL FINES AND FORFEITS</b>	<b>142,466</b>	<b>20</b>	<b>142,446</b>	<b>0</b>	<b>24,092</b>	<b>-</b>	<b>42</b>	<b>0</b>
<b>INVESTMENT INCOME</b>								
	<b>378,597</b>	<b>-</b>	<b>378,597</b>	<b>99</b>	<b>136,755</b>	<b>-</b>	<b>-</b>	<b>182,352</b>
<b>FEDERAL REVENUES</b>								
Disproportionate Public Hospital	656,520	-	656,520	-	-	-	-	-
Miscellaneous Revenues	637,411	4,415	632,996	9,143	11,128	353	432	256,106
<b>TOTAL REVENUES</b>	<b>\$ 17,523,276</b>	<b>\$ 111,835</b>	<b>\$ 17,411,441</b>	<b>\$ 1,152,949</b>	<b>\$ 1,425,280</b>	<b>\$ 145,074</b>	<b>\$ 5,853,990</b>	<b>\$ 438,420</b>



Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 4,249	\$ 111,360	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	2,290	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
178,146	-	-	217,668	-	-	-	4,348	Conservation 3.7M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	930	Insurance Dept
-	-	-	-	13,152	-	-	-	-
681	3,600	-	-	8,349	-	-	3,396	State Parks
36,113	-	-	-	-	-	-	602	Secretary of State
5,577	-	-	-	-	-	-	-	-
-	-	-	-	106,879	-	-	-	-
2,691	-	-	148,974	-	-	-	-	-
89,482	17,828	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
29,668	-	-	-	-	-	-	-	-
30,741	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,977	-	-	-	-	-	-	2,502	State Port Authority
-	-	-	-	-	-	-	5,114	Forestry
-	-	-	-	29,687	-	-	-	-
1,764	-	-	-	-	-	-	10,813	Tourism & Travel
-	-	-	-	563	-	-	-	-
728	-	-	596	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,107	-	20,498	Fair Trial Fd 17.7M
-	-	57,605	-	-	-	-	-	-
-	1,220	-	-	-	-	-	-	-
5,945	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
268	-	-	43	-	-	-	4,562	Industrial Relations 4.4M
<b>390,030</b>	<b>134,008</b>	<b>57,605</b>	<b>367,281</b>	<b>177,755</b>	<b>3,107</b>	<b>0</b>	<b>60,055</b>	
-	-	-	-	-	-	-	23,141	Conservation
-	-	-	-	-	-	(262)	16,797	Public Safety
9,881	-	-	47,826	-	-	-	3,019	Agriculture
-	-	-	-	-	-	-	10,300	Agriculture
-	-	-	-	-	-	-	-	-
24,183	-	-	98,337	-	-	-	1,520	-
-	-	-	4,195	2,821	1,573	-	50,783	Prof & Occup Bds 27.7 M
-	-	-	-	153	-	-	17,542	AOC 8.8M; DPS 3.6; DFS 2.9
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	613	Insurance Dept
-	-	-	772	43,657	-	18	105,556	ADEM 57.5M; PSC 13; Bank 10.1
<b>34,064</b>	<b>0</b>	<b>0</b>	<b>151,130</b>	<b>46,631</b>	<b>1,573</b>	<b>(244)</b>	<b>229,271</b>	
-	-	-	-	-	-	1,755	8,221	Forensics 2.6M
-	-	-	-	-	-	-	98,969	21st Century Fund
1	-	1,803	-	19	1	-	7,543	
<b>1</b>	<b>0</b>	<b>1,803</b>	<b>0</b>	<b>19</b>	<b>1</b>	<b>1,755</b>	<b>114,733</b>	
-	3,432	207	2,652	11	-	669	52,420	
2,356	-	3,091,090	725,275	357,499	783,188	173,406	420,591	Rehab 75M; EMA 72; DIR 52
-	-	656,520	-	-	-	-	-	-
(261)	3,698	71,263	55,791	60,887	11,603	5,043	147,810	DOC 18; Cons 32; Uncl Prop 56
<b>\$ 426,190</b>	<b>\$ 141,138</b>	<b>\$ 3,878,488</b>	<b>\$ 1,302,129</b>	<b>\$ 642,802</b>	<b>\$ 799,472</b>	<b>\$ 180,629</b>	<b>\$ 1,024,880</b>	



# Nonmajor Enterprise Funds

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

## **Alabama Health Insurance Plan**

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

## **Motor Sports Hall of Fame**

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

## **Corrections Canteen**

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

## **National Guard Canteen**

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

## **Corrections Farms**

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

## **Other Enterprise Funds**

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

## STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS  
Nonmajor Enterprise Funds

September 30, 2007

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 10,881	\$ 34	\$ 539	\$ 1,633
Accounts Receivable	75	9	-	-
Due from Other Funds	-	-	1	-
Inventory	-	-	501	202
Securities Lending Collateral	-	-	-	-
Other Current Assets	300	-	-	-
<b>Total Current Assets</b>	<b>11,256</b>	<b>43</b>	<b>1,041</b>	<b>1,835</b>
<b>Noncurrent Assets</b>				
Capital Assets, Net of Accumulated Depreciation	24	1,807	-	681
Capital Assets Not Depreciated	-	2,630	-	-
<b>Total Noncurrent Assets</b>	<b>24</b>	<b>4,437</b>	<b>0</b>	<b>681</b>
<b>TOTAL ASSETS</b>	<b>11,280</b>	<b>4,480</b>	<b>1,041</b>	<b>2,516</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Warrants Payable	-	-	-	-
Accounts Payable	117	288	15	49
Salaries Payable	-	3	-	2
Due to Other Funds	-	-	385	-
Due to Component Units	355	-	-	-
Due to Other Governments	-	-	-	-
Unearned Revenue	427	-	-	-
Funds Held in Escrow	-	-	-	-
Compensated Absences	-	-	-	-
Claims Payable	4,382	-	-	-
Securities Lending Obligation	-	-	-	-
<b>Total Current Liabilities</b>	<b>5,281</b>	<b>291</b>	<b>400</b>	<b>51</b>
<b>Long-term Liabilities</b>				
Compensated Absences	-	5	-	-
Notes Payable	-	1,541	-	-
<b>Total Long-term Liabilities</b>	<b>0</b>	<b>1,546</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>5,281</b>	<b>1,837</b>	<b>400</b>	<b>51</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	24	2,895	-	681
Unrestricted	5,975	(252)	641	1,784
<b>TOTAL NET ASSETS</b>	<b>\$ 5,999</b>	<b>\$ 2,643</b>	<b>\$ 641</b>	<b>\$ 2,465</b>

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 918	\$ 2,943	\$ 16,948
-	-	84
11	-	12
-	-	703
59	60	119
-	-	300
<b>988</b>	<b>3,003</b>	<b>18,166</b>
303	101	2,916
-	-	2,630
<b>303</b>	<b>101</b>	<b>5,546</b>
<b>1,291</b>	<b>3,104</b>	<b>23,712</b>
1	-	1
116	22	607
97	31	133
13	17	415
-	-	355
1	-	1
-	-	427
1	-	1
8	-	8
-	-	4,382
59	60	119
<b>296</b>	<b>130</b>	<b>6,449</b>
218	14	237
-	-	1,541
<b>218</b>	<b>14</b>	<b>1,778</b>
<b>514</b>	<b>144</b>	<b>8,227</b>
303	101	4,004
474	2,859	11,481
<b>\$ 777</b>	<b>\$ 2,960</b>	<b>\$ 15,485</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
<b>OPERATING REVENUES</b>				
Charges for Goods and Services	\$ 0	\$ 131	\$ 16,252	\$ 7,235
Investment Earnings	-	-	-	-
Premiums and Contributions	17,627	-	-	-
Rents and Leases	-	24	-	-
<b>Total Operating Revenues</b>	<b>17,627</b>	<b>155</b>	<b>16,252</b>	<b>7,235</b>
<b>OPERATING EXPENSES</b>				
Salaries, Wages, and Benefits	-	110	-	95
Utilities and Communications	-	22	-	-
Professional Services	374	65	-	-
Supplies, Materials, and Operating Expenses	10	93	10,860	6,627
Depreciation	6	158	-	31
Claims and Benefits	23,998	-	-	-
Other	-	36	-	-
<b>Total Operating Expenses</b>	<b>24,388</b>	<b>484</b>	<b>10,860</b>	<b>6,753</b>
<b>Operating Income (Loss)</b>	<b>(6,761)</b>	<b>(329)</b>	<b>5,392</b>	<b>482</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	5,174	-	-	-
Grants	-	-	-	-
Investment Income	251	-	-	86
Other Nonoperating Revenues	-	287	-	-
Interest Expense	-	(117)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,425</b>	<b>170</b>	<b>0</b>	<b>86</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,336)</b>	<b>(159)</b>	<b>5,392</b>	<b>568</b>
Transfers In	-	-	-	-
Transfers Out	-	-	(5,393)	(58)
<b>Increase (Decrease) in Net Assets</b>	<b>(1,336)</b>	<b>(159)</b>	<b>(1)</b>	<b>510</b>
Total Net Assets, October 1, 2006, as Restated	7,335	2,802	642	1,955
<b>Total Net Assets, September 30, 2007</b>	<b>\$ 5,999</b>	<b>\$ 2,643</b>	<b>\$ 641</b>	<b>\$ 2,465</b>

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 2,220	\$ 12	\$ 25,850
-	52	52
-	-	17,627
-	463	487
<b>2,220</b>	<b>527</b>	<b>44,016</b>
870	380	1,455
129	127	278
34	18	491
1,006	173	18,769
93	49	337
-	-	23,998
523	37	596
<b>2,655</b>	<b>784</b>	<b>45,924</b>
<b>(435)</b>	<b>(257)</b>	<b>(1,908)</b>
-	-	5,174
45	-	45
-	-	337
278	-	565
-	-	(117)
<b>323</b>	<b>0</b>	<b>6,004</b>
<b>(112)</b>	<b>(257)</b>	<b>4,096</b>
28	-	28
-	(1)	(5,452)
<b>(84)</b>	<b>(258)</b>	<b>(1,328)</b>
861	3,218	16,813
<b>\$ 777</b>	<b>\$ 2,960</b>	<b>\$ 15,485</b>

## STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS  
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customer & User Charges	\$ 22,744	\$ 133	\$ 16,253	\$ 7,372
Receipts from Interfund Services	-	24	-	-
Receipts from Other Operating Activities	-	276	-	-
Payments for Goods Held for Resale	(176)	-	(10,871)	(6,657)
Payments for Other Goods & Services	(25,462)	(191)	-	(90)
Payments for Employees Services	-	(148)	-	(95)
Payments for Interfund Services	-	-	-	-
Payments for Other Operating Activities	-	-	-	-
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(2,894)</b>	<b>94</b>	<b>5,382</b>	<b>530</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from Other Funds for Noncapital Financing	-	-	-	-
Transfers to Other Funds for Noncapital Financing	-	-	(5,407)	(58)
<b>Net Cash Provided by (Used In) Noncapital Financing Activities</b>	<b>0</b>	<b>0</b>	<b>(5,407)</b>	<b>(58)</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	11	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	-	-	-
Principal Paid on Revenue Bonds & Other Capital Debt	-	130	-	-
Lease Payments to Acquire and Improve Capital Assets	-	(93)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(117)	-	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>0</b>	<b>(69)</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Investing Activities</b>				
Receipts from Interest & Dividends on Investments & Loans	251	-	-	86
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>251</b>	<b>0</b>	<b>0</b>	<b>86</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(2,643)</b>	<b>25</b>	<b>(25)</b>	<b>558</b>
Cash Balance as Restated, October 1, 2006	13,524	9	564	1,075
<b>Cash Balance, September 30, 2007</b>	<b>10,881</b>	<b>34</b>	<b>539</b>	<b>1,633</b>
Add: Warrants Payable	-	-	-	-
<b>Cash and Cash Equivalents, as Reported on Balance Sheet</b>	<b>\$ 10,881</b>	<b>\$ 34</b>	<b>\$ 539</b>	<b>\$ 1,633</b>



Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ 2,198	\$ 485	\$ 49,185
20	-	44
44	-	320
-	-	(17,704)
(1,624)	(354)	(27,721)
(879)	(364)	(1,486)
(96)	(70)	(166)
(2)	-	(2)
<b>(339)</b>	<b>(303)</b>	<b>2,470</b>
28	-	28
-	(1)	(5,466)
<b>28</b>	<b>(1)</b>	<b>(5,438)</b>
276	-	287
164	(2)	162
-	-	130
-	-	(93)
-	-	(117)
<b>440</b>	<b>(2)</b>	<b>369</b>
-	52	389
<b>0</b>	<b>52</b>	<b>389</b>
<b>129</b>	<b>(254)</b>	<b>(2,210)</b>
788	3,197	19,157
<b>917</b>	<b>2,943</b>	<b>16,947</b>
1	-	1
<b>\$ 918</b>	<b>\$ 2,943</b>	<b>\$ 16,948</b>

Continued on next page...

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>				
<b>Provided (Used) by Operating Activities:</b>				
<b>Operating Income (Loss)</b>	<b>\$ (6,761)</b>	<b>\$ (329)</b>	<b>\$ 5,392</b>	<b>\$ 482</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Accounts Receivable	(28)	1	(1)	136
Due from Other Funds	-	-	-	-
Inventory	-	-	(26)	(135)
Other Assets	87	-	-	-
Accounts Payable	17	26	17	21
Salaries Payable	-	-	-	-
Due to Other Funds	208	-	-	(5)
Claims Payable	(1,551)	-	-	-
Unearned Revenue	(46)	-	-	-
Compensated Absences	-	(38)	-	-
Investment Income	-	-	-	-
Depreciation	6	158	-	31
Nonoperating Revenues	5,174	276	-	-
Total Adjustments	3,867	423	(10)	48
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (2,894)</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 5,382</u></b>	<b><u>\$ 530</u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>				
Increase (Decrease):				
Transfers and Donations of Capital Assets	-	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	-

Corrections Farms	Other Nonmajor Enterprise Funds	Totals
\$ (435)	\$ (257)	\$ (1,908)
-	10	118
(3)	-	(3)
-	-	(161)
-	-	87
(28)	(65)	(12)
3	9	12
(2)	(6)	195
-	-	(1,551)
-	-	(46)
(12)	9	(41)
-	(52)	(52)
93	49	337
45	-	5,495
96	(46)	4,378
<u>\$ (339)</u>	<u>\$ (303)</u>	<u>\$ 2,470</u>

30	4	34
(97)	(2)	(99)



# Internal Service Funds

*Internal Service Funds account for the operation of State organizations which provide goods and services to other State agencies on a cost-reimbursement basis.*

## **Telecommunications Fund**

Provides for the coordination and promotion of the efficiency in the acquisition, operation and maintenance of telecommunications equipment, systems, and networks used by state agencies.

## **Service Division**

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

## **Correctional Industries**

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

## **Building Renovation Finance Authority**

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

## **Risk Management**

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

## **Other Internal Service Funds**

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

## STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS  
Internal Service Funds

September 30, 2007

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 13,237	\$ 3,955	\$ 5,925	\$ 34,654	\$ 9,959
Investments, Short-term	-	-	-	-	1,007
Accounts Receivable	715	355	-	1	11,882
Interest and Dividends Receivable	-	-	-	-	781
Due from Other Funds	10,659	1,047	2,185	365	2,263
Due from Component Units	286	90	38	-	135
Inventory	-	1,305	3,789	-	-
Securities Lending Collateral	847	253	379	2,209	573
Other Current Assets	-	-	-	-	9,369
<b>Total Current Assets</b>	<b>25,744</b>	<b>7,005</b>	<b>12,316</b>	<b>37,229</b>	<b>35,969</b>
<b>Noncurrent Assets</b>					
Investments, Long-term	-	-	-	-	79,611
Due From Other Funds, Noncurrent	1,968	-	-	-	8,941
Due From Component Unit, Noncurrent	-	-	-	-	35,985
Other Noncurrent Assets	-	-	-	931	-
Capital Assets, Net of Accumulated Depreciation	7,740	1,297	3,374	28,322	118
Capital Assets Not Depreciated	-	-	620	24,128	1,226
<b>Total Noncurrent Assets</b>	<b>9,708</b>	<b>1,297</b>	<b>3,994</b>	<b>53,381</b>	<b>125,881</b>
<b>TOTAL ASSETS</b>	<b>35,452</b>	<b>8,302</b>	<b>16,310</b>	<b>90,610</b>	<b>161,850</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Warrants Payable	58	1	18	138	346
Accounts Payable	4,689	757	708	482	199
Salaries Payable	1,250	99	506	254	254
Due to Other Funds	964	193	87	21	1,214
Due to Component Units	5	-	-	1	50
Due to Other Governments	596	-	2	39	-
Unearned Revenue	-	-	-	-	9
Compensated Absences	14	17	1	-	-
Claims Payable	-	-	-	-	14,799
Revenue Bonds Payable	-	-	-	5,670	-
Capital Leases	-	72	145	-	-
Securities Lending Obligation	847	253	379	2,209	573
<b>Total Current Liabilities</b>	<b>8,423</b>	<b>1,392</b>	<b>1,846</b>	<b>8,814</b>	<b>17,444</b>
<b>Long-term Liabilities</b>					
Compensated Absences	2,461	81	989	335	328
Revenue Bonds Payable	-	-	-	86,237	-
Capital Leases Payable	-	-	89	-	-
Claims Payable	-	-	-	-	29,728
<b>Total Long-term Liabilities</b>	<b>2,461</b>	<b>81</b>	<b>1,078</b>	<b>86,572</b>	<b>30,056</b>
<b>Total Liabilities</b>	<b>10,884</b>	<b>1,473</b>	<b>2,924</b>	<b>95,386</b>	<b>47,500</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	7,740	1,225	3,994	(13,971)	1,343
Restricted for:					
Capital Projects	-	-	-	25,476	-
Unrestricted	16,828	5,604	9,392	(16,281)	113,007
<b>TOTAL NET ASSETS</b>	<b>\$ 24,568</b>	<b>\$ 6,829</b>	<b>\$ 13,386</b>	<b>\$ (4,776)</b>	<b>\$ 114,350</b>

Other Internal Service Funds	Totals
\$ 1,591	\$ 69,321
-	1,007
-	12,953
-	781
-	16,519
1	550
-	5,094
102	4,363
-	9,369
<b>1,694</b>	<b>119,957</b>
-	79,611
-	10,909
-	35,985
-	931
33	40,884
-	25,974
<b>33</b>	<b>194,294</b>
<b>1,727</b>	<b>314,251</b>
-	561
29	6,864
181	2,544
22	2,501
1	57
-	637
-	9
-	32
-	14,799
-	5,670
-	217
102	4,363
<b>335</b>	<b>38,254</b>
347	4,541
-	86,237
-	89
-	29,728
<b>347</b>	<b>120,595</b>
<b>682</b>	<b>158,849</b>
33	364
-	25,476
1,012	129,562
<b>\$ 1,045</b>	<b>\$ 155,402</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
<b>OPERATING REVENUES</b>					
Charges for Goods and Services	\$ 45,674	\$ 10,755	\$ 15,396	\$ 14	\$ 1,249
Investment Earnings	-	-	-	-	7,857
Premiums and Contributions	-	-	-	-	40,054
Rents and Leases	-	-	-	16,285	-
Interest from Mortgages and Loans Receivable	-	-	-	-	1,340
<b>Total Operating Revenues</b>	<b>45,674</b>	<b>10,755</b>	<b>15,396</b>	<b>16,299</b>	<b>50,500</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages, and Benefits	14,158	1,233	6,215	3,124	2,804
Utilities and Communications	15,600	34	566	3,937	111
Professional Services	6,663	262	255	1,278	6,998
Supplies, Materials, and Operating Expenses	12,249	7,553	10,019	265	19,222
Interest	-	-	-	3,555	-
Depreciation	4,377	628	514	2,409	62
Claims and Benefits	-	-	-	-	19,080
Other	3,103	1,421	1,153	3,288	1,231
<b>Total Operating Expenses</b>	<b>56,150</b>	<b>11,131</b>	<b>18,722</b>	<b>17,856</b>	<b>49,508</b>
<b>Operating Income (Loss)</b>	<b>(10,476)</b>	<b>(376)</b>	<b>(3,326)</b>	<b>(1,557)</b>	<b>992</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants	12	2	7	4	3
Investment Income	-	-	-	1,577	-
Other Nonoperating Revenues	29	121	152	171	1,555
Interest Expense	-	(9)	(24)	-	-
Other Nonoperating Expenses	(605)	(131)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(564)</b>	<b>(17)</b>	<b>135</b>	<b>1,752</b>	<b>1,558</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(11,040)</b>	<b>(393)</b>	<b>(3,191)</b>	<b>195</b>	<b>2,550</b>
Transfers In	2,400	31	2,485	3,817	-
Transfers Out	(32)	(94)	(24)	(19)	(12)
<b>Increase (Decrease) in Net Assets</b>	<b>(8,672)</b>	<b>(456)</b>	<b>(730)</b>	<b>3,993</b>	<b>2,538</b>
Total Net Assets, October 1, 2006, as Restated	33,240	7,285	14,116	(8,769)	111,812
<b>Total Net Assets, September 30, 2007</b>	<b>\$ 24,568</b>	<b>\$ 6,829</b>	<b>\$ 13,386</b>	<b>\$ (4,776)</b>	<b>\$ 114,350</b>



Other Internal Service Funds		Totals	
\$	3,509	\$	76,597
	-		7,857
	-		40,054
	-		16,285
	-		1,340
	<b>3,509</b>		<b>142,133</b>
	2,683		30,217
	32		20,280
	493		15,949
	59		49,367
	-		3,555
	18		8,008
	-		19,080
	160		10,356
	<b>3,445</b>		<b>156,812</b>
	<b>64</b>		<b>(14,679)</b>
	353		381
	-		1,577
	-		2,028
	-		(33)
	1		(735)
	<b>354</b>		<b>3,218</b>
	<b>418</b>		<b>(11,461)</b>
	12		8,745
	(18)		(199)
	<b>412</b>		<b>(2,915)</b>
	633		158,317
<b>\$</b>	<b>1,045</b>	<b>\$</b>	<b>155,402</b>

## STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS  
Internal Service Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customer & User Charges	\$ 1,745	\$ 1,142	\$ 6,326	\$ 20	\$ 35,769
Receipts from Interfund Services	42,474	9,526	8,458	16,408	22,958
Receipts from Other Operating Activities	4,957	1	5	171	2,354
Payments for Goods Held for Resale	(6,337)	(7,024)	(9,784)	(6)	-
Payments for Other Goods & Services	(28,527)	(1,313)	(2,203)	(8,089)	(28,157)
Payments for Employees Services	(13,662)	(1,228)	(6,096)	(3,103)	(2,764)
Payments for Taxes, Fines, Penalties, & Similar Fees	(740)	-	-	-	(45)
Payments for Interfund Services	(1,733)	(473)	(259)	(695)	(5,005)
Payments for Other Operating Activities	(5,641)	(7)	(223)	(1)	(3,104)
Payments for Claims	-	-	-	-	(31,162)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(7,464)</b>	<b>624</b>	<b>(3,776)</b>	<b>4,705</b>	<b>(9,156)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from Other Funds for Noncapital Financing	2,400	2	2,485	3,817	1,000
Transfers to Other Funds for Noncapital Financing	(31)	(6)	(24)	(17)	(12)
<b>Net Cash Provided By (Used In)</b>					
<b>Noncapital Financing Activities</b>	<b>2,369</b>	<b>(4)</b>	<b>2,461</b>	<b>3,800</b>	<b>988</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	(4,335)	-
Receipts from Sale of Capital Assets & Insurance Proceeds	8	120	41	3	7
Payments to Acquire, Construct, & Improve Capital Assets	(4,165)	(573)	(1,417)	(4,164)	(1,175)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(89)	-	(1,070)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(9)	(22)	(4,933)	-
<b>Net Cash Provided by (Used in)</b>					
<b>Capital and Related Financing Activities</b>	<b>(4,157)</b>	<b>(551)</b>	<b>(1,398)</b>	<b>(14,499)</b>	<b>(1,168)</b>
<b>Cash Flows From Investing Activities</b>					
Receipts from Sales & Maturities of Investments	-	-	-	-	327,286
Receipts from Interest & Dividends on Investments & Loans	-	-	-	1,577	5,902
Purchase of Investments	-	-	-	-	(317,922)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,577</b>	<b>15,266</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(9,252)</b>	<b>69</b>	<b>(2,713)</b>	<b>(4,417)</b>	<b>5,930</b>
Cash Balance as Restated, October 1, 2006	22,431	3,885	8,620	38,933	3,683
<b>Cash Balance, September 30, 2007</b>	<b>13,179</b>	<b>3,954</b>	<b>5,907</b>	<b>34,516</b>	<b>9,613</b>
Add: Warrants Payable	58	1	18	138	346
<b>Cash and Cash Equivalents,</b>					
<b>as Reported on Balance Sheet</b>	<b>\$ 13,237</b>	<b>\$ 3,955</b>	<b>\$ 5,925</b>	<b>\$ 34,654</b>	<b>\$ 9,959</b>

Other Internal Service Funds	Totals
\$ 1	\$ 45,003
3,528	103,352
160	7,648
-	(23,151)
(351)	(68,640)
(2,634)	(29,487)
-	(785)
(356)	(8,521)
(14)	(8,990)
-	(31,162)
<b>334</b>	<b>(14,733)</b>
200	9,904
(6)	(96)
<b>194</b>	<b>9,808</b>
-	(4,335)
-	179
(30)	(11,524)
-	(1,159)
-	(4,964)
<b>(30)</b>	<b>(21,803)</b>
-	327,286
-	7,479
-	(317,922)
<b>0</b>	<b>16,843</b>
<b>498</b>	<b>(9,885)</b>
1,093	78,645
<b>1,591</b>	<b>68,760</b>
-	561
<b>\$ 1,591</b>	<b>\$ 69,321</b>

Continued on next page...

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided (Used) by Operating Activities:</b>					
<b>Operating Income (Loss)</b>	<b>\$ (10,476)</b>	<b>\$ (376)</b>	<b>\$ (3,326)</b>	<b>\$ (1,557)</b>	<b>\$ 992</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	1,268	(343)	-	(1)	13,127
Due from Other Funds	(2,598)	482	(549)	128	2,228
Due from Component Units	-	-	-	-	(540)
Inventory	-	739	(254)	-	-
Other Assets	-	-	-	-	(3,017)
Capital Assets	14	-	-	(2)	-
Accounts Payable	684	(579)	(254)	77	73
Salaries Payable	127	4	40	(20)	27
Due to Other Funds	(791)	61	(34)	(20)	(3,808)
Due to Other Governments	(739)	-	-	-	-
Claims Payable	-	-	-	-	(12,007)
Amounts Held Pending Distribution	273	-	-	-	-
Unearned Revenue	-	-	-	-	(2)
Amounts Held in Custody for Others	-	-	(2)	(1)	-
Compensated Absences	359	-	80	39	10
Investment Income	-	-	-	-	(7,857)
Operating Interest Expense	-	-	-	3,555	-
Depreciation	4,377	628	514	2,409	62
Nonoperating Revenues	38	8	9	175	1,556
Nonoperating Expenses	-	-	-	(77)	-
Total Adjustments	3,012	1,000	(450)	6,262	(10,148)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (7,464)</b>	<b>\$ 624</b>	<b>\$ (3,776)</b>	<b>\$ 4,705</b>	<b>\$ (9,156)</b>

**Noncash Investing, Capital, and Financing Activities**

Increase (Decrease):

Transfers and Donations of Capital Assets	10,366	152	1,496	1,346	92
Disposals, Write-offs, and Other Reductions to Capital Asset	(10,466)	(914)	(935)	(38)	(62)
Capital Assets Acquired on Account	(1)	-	(32)	-	-
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	37	-
Interest Accruals and Other Adjustments	-	-	-	-	206
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(1,794)
Transfers In (Out)	1	59	-	2	-

Other Internal Service Funds	Totals
<b>\$ 64</b>	<b>\$ (14,679)</b>
-	14,051
81	(228)
-	(540)
-	485
-	(3,017)
4	16
21	22
2	180
2	(4,590)
-	(739)
-	(12,007)
-	273
-	(2)
3	-
(14)	474
-	(7,857)
-	3,555
18	8,008
153	1,939
-	(77)
<u>270</u>	<u>(54)</u>
<b><u>\$ 334</u></b>	<b><u>\$ (14,733)</u></b>

38	13,490
(57)	(12,472)
-	(33)
-	37
-	206
-	(1,794)
202	264



# Pension and Other Employee Benefit Trust Funds

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

## **Employees' Retirement System**

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

## **Teachers' Retirement System**

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

## **Judicial Retirement Fund**

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

## **Peace Officers' Annuity and Benefits**

Provides pension benefits to State and local peace officers.

## **State Port Authority Hourly Plan**

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

## **State Port Authority Railway Plan**

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

## **Clerks and Registers Supernumerary**

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

## **Flexible Employees' Benefits Board**

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

## **Employee Savings Plans**

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

## **Retired Education Employees' Health Care Trust**

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

## **Retired State Employees' Health Care Trust**

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

## STATE OF ALABAMA

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

September 30, 2007

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 20,321	\$ 32,445	\$ 1,673	\$ 301	\$ 0
Investments					
U.S. Treasury Securities	209,150	456,103	10,905	1,886	1,169
U.S. Agency Securities	341,313	749,301	18,450	597	2,147
Mortgage Backed Securities	20,371	54,761	322	3,298	5
Corporate Stocks	5,002,100	10,350,683	152,778	194	1,571
Corporate Bonds	1,935,327	4,039,007	34,555	1,663	2,674
Real Estate	720,752	1,480,737	2,550	-	-
Commercial Paper	316,421	655,206	18,996	-	-
International Stocks	1,650,424	3,735,724	24,752	-	-
Mutual and Money Market Funds	54,074	100,370	4,884	13,340	926
Other	1,345	4,593	-	70	-
Receivables					
Accounts Receivable	40	158	-	1	-
Due from Other Funds	-	-	-	1	-
Due from Primary Government	12	-	-	-	-
Employer Contributions Receivable	26,083	47,751	316	-	-
Member Contributions Receivable	14,600	25,508	112	-	-
Interest and Dividends Receivable	72,374	151,038	1,364	70	-
Securities Lending Collateral	1,318,933	2,719,094	45,538	15	2,622
Capital Assets, Net of Accumulated Depreciation	29,011	57,226	-	19	-
Capital Assets Not Depreciated	3,034	5,776	-	-	-
<b>TOTAL ASSETS</b>	<b>11,735,685</b>	<b>24,665,481</b>	<b>317,195</b>	<b>21,455</b>	<b>11,114</b>
<b>LIABILITIES</b>					
Warrants Payable	\$ 13,131	\$ 24,356	\$ 537	\$ 145	\$ 0
Accounts Payable	442	565	4	9	-
Salaries Payable	822	949	38	25	-
Due to Other Funds	-	-	-	1	-
Due to Primary Government	24	22	-	-	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	1,318,933	2,719,094	45,538	15	2,622
Deferred Revenue	106	197	-	-	-
Amounts Held in Custody for Others	-	1	-	-	-
Compensated Absences	1,118	1,749	68	77	-
<b>TOTAL LIABILITIES</b>	<b>1,334,576</b>	<b>2,746,933</b>	<b>46,185</b>	<b>272</b>	<b>2,622</b>
<b>NET ASSETS</b>					
Held in Trust for Pension and Other Employee Benefits	10,401,109	21,918,548	271,010	21,183	8,492
<b>TOTAL NET ASSETS</b>	<b>\$ 10,401,109</b>	<b>\$ 21,918,548</b>	<b>\$ 271,010</b>	<b>\$ 21,183</b>	<b>\$ 8,492</b>



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	\$ 17	\$ 729	\$ 435	\$ 0	\$ 0	\$ 55,921
83	1,433	-	134,113	29,063	-	843,905
152	2,530	-	244,054	47,528	-	1,406,072
-	7	-	2,992	-	-	81,756
111	-	-	207,682	105,823	-	15,820,942
190	3,336	-	389,843	36,135	-	6,442,730
-	-	-	-	-	-	2,204,039
-	-	-	133,721	31,098	-	1,155,442
-	-	-	-	20,512	-	5,431,412
66	868	-	37,702	155,369	-	367,599
-	-	-	-	-	-	6,008
-	-	981	-	-	-	1,180
-	-	-	-	-	-	1
-	-	-	-	-	-	12
-	-	-	-	-	8,630	82,780
-	-	-	-	-	-	40,220
-	-	-	13,144	2,512	-	240,502
192	3,019	47	248,518	102,044	-	4,440,022
-	-	-	-	-	-	86,256
-	-	-	-	-	-	8,810
<b>794</b>	<b>11,210</b>	<b>1,757</b>	<b>1,412,204</b>	<b>530,084</b>	<b>8,630</b>	<b>38,715,609</b>
\$ 0	\$ 17	\$ 0	\$ 435	\$ 0	\$ 0	\$ 38,621
-	-	1,710	-	-	-	2,730
-	-	-	-	-	-	1,834
-	-	-	-	-	-	1
-	-	-	-	-	-	46
-	-	-	-	27,256	7,767	35,023
192	3,019	47	248,518	102,044	-	4,440,022
-	-	-	-	-	863	1,166
-	-	-	-	-	-	1
-	-	-	-	-	-	3,012
<b>192</b>	<b>3,036</b>	<b>1,757</b>	<b>248,953</b>	<b>129,300</b>	<b>8,630</b>	<b>4,522,456</b>
602	8,174	-	1,163,251	400,784	-	34,193,153
<b>\$ 602</b>	<b>\$ 8,174</b>	<b>\$ 0</b>	<b>\$ 1,163,251</b>	<b>\$ 400,784</b>	<b>\$ 0</b>	<b>\$ 34,193,153</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
<b>ADDITIONS</b>					
Contributions:					
Plan members	\$ 181,734	\$ 302,259	\$ 2,416	\$ 723	\$ 0
Employer	276,833	540,843	9,307	270	534
Medicare Part D Retiree Drug Subsidy	-	-	-	-	-
<b>Total Contributions</b>	<b>458,567</b>	<b>843,102</b>	<b>11,723</b>	<b>993</b>	<b>534</b>
Investment Earnings					
Investment Interest and Dividends	347,272	719,910	8,500	603	335
Net Increase (Decrease) in Fair Value of Investments	1,249,497	2,589,860	25,988	1,554	225
Securities Lending Income	58,925	136,869	1,945	-	94
<b>Total Investment Earnings</b>	<b>1,655,694</b>	<b>3,446,639</b>	<b>36,433</b>	<b>2,157</b>	<b>654</b>
Less:					
Investment Expense	3,607	5,105	2	41	-
Securities Lending Interest and Fees	55,375	128,736	1,850	-	91
<b>Net Investment Income</b>	<b>1,596,712</b>	<b>3,312,798</b>	<b>34,581</b>	<b>2,116</b>	<b>563</b>
Other Additions					
Licenses and Fees	-	-	-	3,078	-
Miscellaneous	2,799	2,859	220	118	-
<b>Total Other Additions</b>	<b>2,799</b>	<b>2,859</b>	<b>220</b>	<b>3,196</b>	<b>0</b>
<b>Total Additions</b>	<b>2,058,078</b>	<b>4,158,759</b>	<b>46,524</b>	<b>6,305</b>	<b>1,097</b>
<b>DEDUCTIONS</b>					
Benefit Payments and Refunds	647,482	1,435,281	21,539	4,159	-
Administrative Expense	11,588	12,530	473	383	-
Transfers Out	-	-	-	1	-
<b>Total Deductions</b>	<b>659,070</b>	<b>1,447,811</b>	<b>22,012</b>	<b>4,543</b>	<b>0</b>
<b>Changes in Net Assets</b>	<b>1,399,008</b>	<b>2,710,948</b>	<b>24,512</b>	<b>1,762</b>	<b>1,097</b>
Net Assets Held in Trust for Pension and Other					
Employee Benefits, October 1, 2006, as Restated	9,002,101	19,207,600	246,498	19,421	7,395
<b>Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2007</b>	<b>\$ 10,401,109</b>	<b>\$ 21,918,548</b>	<b>\$ 271,010</b>	<b>\$ 21,183</b>	<b>\$ 8,492</b>

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	\$ 307	\$ 18,849	\$ 110,986	\$ 56,782	\$ 8,598	\$ 682,654
-	-	-	-	639,530	72,660	1,539,977
-	-	-	-	23,368	2,459	25,827
0	307	18,849	110,986	719,680	83,717	2,248,458
28	402	-	55,529	4,010	-	1,136,589
13	15	-	40,476	6,871	-	3,914,499
7	3	-	9,873	2,796	-	210,512
48	420	0	105,878	13,677	0	5,261,600
-	-	-	-	-	-	8,755
7	-	-	9,460	2,637	-	198,156
41	420	0	96,418	11,040	0	5,054,689
-	-	-	-	-	-	3,078
-	-	1,782	-	-	-	7,778
0	0	1,782	0	0	0	10,856
<b>41</b>	<b>727</b>	<b>20,631</b>	<b>207,404</b>	<b>730,720</b>	<b>83,717</b>	<b>7,314,003</b>
-	259	19,158	61,725	328,470	82,632	2,600,705
-	-	1,473	-	1,466	1,085	28,998
-	-	-	-	-	-	1
<b>0</b>	<b>259</b>	<b>20,631</b>	<b>61,725</b>	<b>329,936</b>	<b>83,717</b>	<b>2,629,704</b>
<b>41</b>	<b>468</b>	<b>0</b>	<b>145,679</b>	<b>400,784</b>	<b>0</b>	<b>4,684,299</b>
561	7,706	-	1,017,572	-	-	29,508,854
<b>\$ 602</b>	<b>\$ 8,174</b>	<b>\$ 0</b>	<b>\$ 1,163,251</b>	<b>\$ 400,784</b>	<b>\$ 0</b>	<b>\$ 34,193,153</b>



# Private-Purpose Trust Funds

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

## **Prepaid Affordable College Tuition**

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

## **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.

## **Alabama College Education Savings Plan**

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

## STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
Private-Purpose Trust Funds

September 30, 2007

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation for Local Schools	Alabama College Education Savings Plan	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,656	\$ 372	\$ 0	\$ 927	\$ 6,955
Investments					
Time Deposits	-	132	-	-	132
U.S. Treasury Securities	12,374	-	112	-	12,486
U.S. Agency Securities	19,351	-	182	-	19,533
Mortgage Backed Securities	120,312	-	1	-	120,313
Corporate Stocks	405,215	4,052	-	-	409,267
Corporate Bonds	29,863	2,300	331	-	32,494
Real Estate	-	840	-	-	840
International Stocks	179,199	-	-	-	179,199
International Bonds	18,655	-	-	-	18,655
Mutual and Money Market Funds	32,865	353	10	683,748	716,976
Receivables					
Accounts Receivable	1,687	-	-	1,681	3,368
Due from Other Funds	27	-	-	-	27
Interest and Dividends Receivable	2,383	23	-	-	2,406
Securities Lending Collateral	71,545	4,926	307	47	76,825
<b>TOTAL ASSETS</b>	<b>899,132</b>	<b>12,998</b>	<b>943</b>	<b>686,403</b>	<b>1,599,476</b>
<b>LIABILITIES</b>					
Warrants Payable	206	-	-	-	206
Accounts Payable	63,412	20	-	1,186	64,618
Salaries Payable	24	-	-	6	30
Due to Other Funds	32	-	-	-	32
Due to Other Governments	16	-	-	-	16
Securities Lending Obligation	71,545	4,926	307	47	76,825
Compensated Absences	52	-	-	-	52
<b>TOTAL LIABILITIES</b>	<b>135,287</b>	<b>4,946</b>	<b>307</b>	<b>1,239</b>	<b>141,779</b>
<b>NET ASSETS</b>					
Held in Trust for Beneficiaries	763,845	8,052	636	685,164	1,457,697
<b>TOTAL NET ASSETS</b>	<b>\$ 763,845</b>	<b>\$ 8,052</b>	<b>\$ 636</b>	<b>\$ 685,164</b>	<b>\$ 1,457,697</b>

## STATE OF ALABAMA

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

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Local Education Endowments	Foundation for Local Schools	Alabama College Education Savings Plan	Totals
<b>ADDITIONS</b>					
Contributions:					
Plan members	\$ 24,884	\$ 0	\$ 0	\$ 230,911	\$ 255,795
Total Contributions	24,884	0	0	230,911	255,795
Investment Earnings					
Investment Interest and Dividends	22,751	220	32	35,356	58,359
Net Increase (Decrease) in Fair Value of Investments	83,100	599	2	47,393	131,094
Securities Lending Income	1,167	153	-	-	1,320
Total Investment Earnings	107,018	972	34	82,749	190,773
Less:					
Securities Lending Interest and Fees	1,114	147	-	-	1,261
Net Investment Income	105,904	825	34	82,749	189,512
Other Additions					
Miscellaneous	865	-	-	-	865
Total Other Additions	865	0	0	0	865
<b>Total Additions</b>	<b>131,653</b>	<b>825</b>	<b>34</b>	<b>313,660</b>	<b>446,172</b>
<b>DEDUCTIONS</b>					
Benefit Payments and Refunds	54,814	107	-	156,250	211,171
Administrative Expense	4,343	-	-	4,689	9,032
<b>Total Deductions</b>	<b>59,157</b>	<b>107</b>	<b>0</b>	<b>160,939</b>	<b>220,203</b>
<b>Changes in Net Assets</b>	<b>72,496</b>	<b>718</b>	<b>34</b>	<b>152,721</b>	<b>225,969</b>
Net Assets Held in Trust					
for Beneficiaries, October 1, 2006, as Restated	691,349	7,334	602	532,443	1,231,728
<b>Net Assets Held in Trust</b>					
<b>for Beneficiaries, September 30, 2007</b>	<b>\$ 763,845</b>	<b>\$ 8,052</b>	<b>\$ 636</b>	<b>\$ 685,164</b>	<b>\$ 1,457,697</b>





# Agency Funds

*Agency Funds report assets held by the State in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of resources to individuals, organizations or other governments.*

## **State Clearing Accounts**

Accounts for the collection and distribution of State taxes and licenses as well as amounts collected and held by courts for individuals.

## **Taxes Collected for Local Governments**

Accounts for local taxes which are collected by the State as a service for local governments. These taxes do not represent future revenues of the State.

## **Payroll**

Accounts for amounts withheld from employees that are not yet distributed to outside organizations or governments.

## **Other Agency Funds**

Are aggregated for financial reporting purposes and represent amounts held for child support payments, cash bonds, and numerous other amounts held for individuals and organizations outside of State government.

## STATE OF ALABAMA

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## Agency Funds

September 30, 2007

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 144,711	\$ 2,631	\$ 3,964	\$ 19,675	\$ 170,981
Investments	-	-	-	53,931	53,931
Accounts Receivable	31	-	-	-	31
Due from Other Funds	525	-	2	3	530
Due from Component Units	1	-	3	-	4
Securities Lending Collateral	1,162	168	254	912	2,496
<b>TOTAL ASSETS</b>	<b>\$ 146,430</b>	<b>\$ 2,799</b>	<b>\$ 4,223</b>	<b>\$ 74,521</b>	<b>\$ 227,973</b>
<b>LIABILITIES</b>					
Warrants Payable	\$ 12,529	\$ 396	\$ 3,044	\$ 4,392	\$ 20,361
Accounts Payable	82	-	-	479	561
Due to Other Governments	1,122	1,358	-	149	2,629
Securities Lending Obligation	1,162	168	254	912	2,496
Amounts Held in Custody for Others	131,535	877	925	68,589	201,926
<b>TOTAL LIABILITIES</b>	<b>\$ 146,430</b>	<b>\$ 2,799</b>	<b>\$ 4,223</b>	<b>\$ 74,521</b>	<b>\$ 227,973</b>



## STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Agency Funds

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007
<b>STATE CLEARING ACCOUNTS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 118,619	\$ 17,116,695	\$ 17,090,603	\$ 144,711
Investments	-	40,408	40,408	-
Accounts Receivable	23	34	26	31
Due from Other Funds	3	2,361	1,839	525
Taxes Receivable	-	829,552	829,552	-
Securities Lending Collateral	-	14,849	13,687	1,162
Due to Other Funds	-	1	-	1
<b>TOTAL ASSETS</b>	<b>\$ 118,645</b>	<b>\$ 18,003,900</b>	<b>\$ 17,976,115</b>	<b>\$ 146,430</b>
<b>LIABILITIES</b>				
Warrants Payable	15,660	580,305	583,436	12,529
Accounts Payable	469	16,265	16,652	82
Due to Other Funds	-	225,648	225,648	-
Due to Other Governments	765	11,930	11,573	1,122
Securities Lending Obligation	-	14,849	13,687	1,162
Amounts Held Pending Distribution	-	30,196,237	30,196,237	-
Deferred Revenue	-	3,965	3,965	-
Amounts Held in Custody for Others	101,751	586,830	557,046	131,535
<b>TOTAL LIABILITIES</b>	<b>\$ 118,645</b>	<b>\$ 31,636,029</b>	<b>\$ 31,608,244</b>	<b>\$ 146,430</b>
<b>TAXES COLLECTED FOR LOCAL GOVTS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	9,118	265,896	272,383	2,631
Investments	-	427	427	-
Securities Lending Collateral	-	217	49	168
<b>TOTAL ASSETS</b>	<b>\$ 9,118</b>	<b>\$ 266,540</b>	<b>\$ 272,859</b>	<b>\$ 2,799</b>
<b>LIABILITIES</b>				
Warrants Payable	62	260,066	259,732	396
Accounts Payable	-	10,547	10,547	-
Due to Other Governments	8,178	266,171	272,991	1,358
Securities Lending Obligation	-	216	48	168
Amounts Held Pending Distribution	-	6	6	-
Amounts Held in Custody for Others	878	877	878	877
<b>TOTAL LIABILITIES</b>	<b>\$ 9,118</b>	<b>\$ 537,883</b>	<b>\$ 544,202</b>	<b>\$ 2,799</b>
<b>PAYROLL</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	8,407	2,173,548	2,177,991	3,964
Investments	-	1,519	1,519	-
Due from Other Funds	3	28	29	2
Due from Component Units	5	-	2	3
Securities Lending Collateral	-	574	320	254
<b>TOTAL ASSETS</b>	<b>\$ 8,415</b>	<b>\$ 2,175,669</b>	<b>\$ 2,179,861</b>	<b>\$ 4,223</b>
<b>LIABILITIES</b>				
Warrants Payable	2,744	1,722,225	1,721,925	3,044
Accounts Payable	-	673,639	673,639	-
Due to Other Funds	-	565	565	-
Securities Lending Obligation	-	574	320	254
Amounts Held Pending Distribution	-	588,148	588,148	-
Amounts Held in Custody for Others	5,670	530,964	535,709	925
<b>TOTAL LIABILITIES</b>	<b>\$ 8,414</b>	<b>\$ 3,516,115</b>	<b>\$ 3,520,306</b>	<b>\$ 4,223</b>

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007
<b>OTHER AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	18,347	696,400	695,072	19,675
Investments	52,987	7,782	6,838	53,931
Accounts Receivable	-	103	103	-
Due from Other Funds	-	3	-	3
Securities Lending Collateral	-	2,165	1,253	912
<b>TOTAL ASSETS</b>	<b>\$ 71,334</b>	<b>\$ 706,453</b>	<b>\$ 703,266</b>	<b>\$ 74,521</b>
<b>LIABILITIES</b>				
Warrants Payable	6,432	302,113	304,153	4,392
Accounts Payable	535	14,598	14,654	479
Due to Other Funds	-	9	9	-
Due to Other Governments	64	687	602	149
Securities Lending Obligation	-	2,165	1,253	912
Amounts Held Pending Distribution	-	322,896	322,896	-
Amounts Held in Custody for Others	64,303	372,002	367,716	68,589
<b>TOTAL LIABILITIES</b>	<b>\$ 71,334</b>	<b>\$ 1,014,470</b>	<b>\$ 1,011,283</b>	<b>\$ 74,521</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	154,491	20,252,539	20,236,049	170,981
Investments	52,987	50,136	49,192	53,931
Accounts Receivable	23	137	129	31
Due from Other Funds	6	2,392	1,868	530
Due from Component Units	5	-	2	3
Taxes Receivable	-	829,552	829,552	-
Securities Lending Collateral	-	17,805	15,309	2,496
Due to Other Funds	-	1	-	1
<b>TOTAL ASSETS</b>	<b>\$ 207,512</b>	<b>\$ 21,152,562</b>	<b>\$ 21,132,101</b>	<b>\$ 227,973</b>
<b>LIABILITIES</b>				
Warrants Payable	24,898	2,864,709	2,869,246	20,361
Accounts Payable	1,004	715,049	715,492	561
Due to Other Funds	-	226,222	226,222	-
Due to Other Governments	9,007	278,788	285,166	2,629
Securities Lending Obligation	-	17,804	15,308	2,496
Amounts Held Pending Distribution	-	31,107,287	31,107,287	-
Deferred Revenue	-	3,965	3,965	-
Amounts Held in Custody for Others	172,602	1,490,673	1,461,349	201,926
<b>TOTAL LIABILITIES</b>	<b>\$ 207,511</b>	<b>\$ 36,704,497</b>	<b>\$ 36,684,035</b>	<b>\$ 227,973</b>



# Nonmajor Component Units

## **Higher Education Loan Corporation**

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

## **Drinking Water Finance Authority**

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

## **Alabama Agricultural and Mechanical University**

Reports the operations and balances of the University.

## **Alabama State University**

Reports the operations and balances of the University.

## **Jacksonville State University**

Reports the operations and balances of the University.

## **University of North Alabama**

Reports the operations and balances of the University.

## **Troy University**

Reports the operations and balances of the University.

## **Space Science Exhibit Commission**

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

## **Historical Commission**

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

## **Incentives Finance Authority**

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

## **Twenty-first Century Authority**

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

## **Other Nonmajor Component Units**

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

## STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS  
Nonmajor Component Units

September 30, 2007

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 107,563	\$ 41,512	\$ 4,573	\$ 27,912	\$ 22,533
Investments	-	58,508	22,975	121,732	42,841
Accounts Receivable	40	106	14,813	7,397	9,868
Due from Primary Government	-	-	-	-	-
Due from Other Governments	-	210,398	-	1,926	-
Interest and Dividends Receivable	638	1,393	-	294	-
Mortgages, Notes, and Loans Receivable	8,331	-	9,620	2,671	1,449
Securities Lending Collateral	-	13	-	-	-
Inventory	-	-	10	852	-
Other Assets	1,140	4,281	10,401	3,279	396
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	236	89,204	55,466	53,254
Capital Assets Not Depreciated	-	-	7,435	45,072	8,781
<b>TOTAL ASSETS</b>	<b>117,712</b>	<b>316,447</b>	<b>159,031</b>	<b>266,601</b>	<b>139,122</b>
<b>LIABILITIES</b>					
Warrants Payable	-	-	-	-	-
Accounts Payable	41	110	1,530	5,851	5,307
Salaries Payable	-	-	-	-	3,131
Interest Payable	1,655	1,141	476	-	-
Due to Primary Government	-	173	-	-	-
Due to Other Governments	-	26,364	-	-	-
Securities Lending Obligation	-	13	-	-	-
Unearned Revenue	-	-	22,740	9,814	13,913
Amounts Held in Custody for Others	-	-	2,860	-	3,121
Noncurrent Liabilities:					
Due Within One Year	-	5,555	3,184	5,085	2,447
Due In More Than One Year	104,363	185,749	74,437	96,598	20,456
<b>TOTAL LIABILITIES</b>	<b>106,059</b>	<b>219,105</b>	<b>105,227</b>	<b>117,348</b>	<b>48,375</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	-	236	23,969	67,940	43,118
Restricted for:					
Permanent - Expendable	1,037	-	10,077	22,908	28,603
Permanent - Non-expendable	-	-	-	33,397	9,156
Debt Service	-	97,057	7,557	2,709	-
Other Purposes	-	-	24,806	-	-
Unrestricted	10,616	49	(12,605)	22,299	9,870
<b>TOTAL NET ASSETS</b>	<b>\$ 11,653</b>	<b>\$ 97,342</b>	<b>\$ 53,804</b>	<b>\$ 149,253</b>	<b>\$ 90,747</b>



University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 46,410	\$ 131,982	\$ 281	\$ 2,159	\$ 39,061	\$ 41,535	\$ 56,149	\$ 521,670
25,023	30,666	-	8,271	-	-	55,643	365,659
5,493	37,751	3,429	1	28	107,300	13,662	199,888
-	-	-	16	-	-	10	26
-	-	-	-	-	-	-	212,324
7	-	-	-	-	-	268	2,600
1,814	2,514	-	-	-	-	416	26,815
-	-	-	5,768	2,500	2,657	796	11,734
39	147	310	297	-	-	7,484	9,139
1,151	4,670	393	-	-	-	2,972	28,683
-	-	3,995	-	-	-	1,017	5,012
54,467	136,560	25,825	789	8,810	673	87,238	512,522
5,708	11,362	23,261	71,002	596	-	24,193	197,410
<b>140,112</b>	<b>355,652</b>	<b>57,494</b>	<b>88,303</b>	<b>50,995</b>	<b>152,165</b>	<b>249,848</b>	<b>2,093,482</b>
-	-	-	9	33	172	2,990	3,204
1,430	14,648	3,471	399	-	-	9,615	42,402
589	-	-	321	-	-	157	4,198
488	-	389	-	3,073	2,763	143	10,128
-	-	-	14	35,985	-	258	36,430
-	-	-	36	-	-	513	26,913
-	-	-	5,768	2,500	2,657	796	11,734
11,131	29,869	2,083	-	-	-	12,636	102,186
598	12,465	-	1	649	-	2,127	21,821
842	3,405	3,501	10	2,150	5,360	13,491	45,030
25,037	80,288	15,289	494	94,385	127,703	34,814	859,613
<b>40,115</b>	<b>140,675</b>	<b>24,733</b>	<b>7,052</b>	<b>138,775</b>	<b>138,655</b>	<b>77,540</b>	<b>1,163,659</b>
35,584	77,302	35,084	71,791	9,406	673	93,043	458,146
12,174	20,673	-	-	-	-	12,823	108,295
13,629	1,290	-	8,271	-	-	16,349	82,092
2,234	-	-	-	-	-	-	109,557
-	-	2,703	-	-	-	-	27,509
36,376	115,712	(5,026)	1,189	(97,186)	12,837	50,093	144,224
<b>\$ 99,997</b>	<b>\$ 214,977</b>	<b>\$ 32,761</b>	<b>\$ 81,251</b>	<b>\$ (87,780)</b>	<b>\$ 13,510</b>	<b>\$ 172,308</b>	<b>\$ 929,823</b>

## STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES  
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
<b>Expenses</b>	<b>\$ 4,922</b>	<b>\$ 12,498</b>	<b>\$ 127,117</b>	<b>\$ 109,736</b>	<b>\$ 104,202</b>
<b>Program Revenues</b>					
Charges for Services	501	7,217	43,401	37,539	41,400
Operating Grants and Contributions	-	6,784	42,497	47,867	21,183
Capital Grants and Contributions	-	-	-	-	-
<b>Total Program Revenues</b>	<b>501</b>	<b>14,001</b>	<b>85,898</b>	<b>85,406</b>	<b>62,583</b>
<b>Net (Expense) Revenue</b>	<b>(4,421)</b>	<b>1,503</b>	<b>(41,219)</b>	<b>(24,330)</b>	<b>(41,619)</b>
<b>General Revenues:</b>					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	4,948	5,844	535	8,592	4,904
Miscellaneous	-	1,152	10,738	-	-
Payments from State of Alabama	-	-	44,377	42,571	42,714
<b>Total General Revenues, Special Items, and Transfers</b>	<b>4,948</b>	<b>6,996</b>	<b>55,650</b>	<b>51,163</b>	<b>47,618</b>
<b>Change in Net Assets</b>	<b>527</b>	<b>8,499</b>	<b>14,431</b>	<b>26,833</b>	<b>5,999</b>
Net Assets, October 1, 2006, as Restated	11,126	88,843	39,373	122,420	84,748
<b>Net Assets, September 30, 2007</b>	<b>\$ 11,653</b>	<b>\$ 97,342</b>	<b>\$ 53,804</b>	<b>\$ 149,253</b>	<b>\$ 90,747</b>

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
<b>\$ 73,125</b>	<b>\$ 202,916</b>	<b>\$ 26,534</b>	<b>\$ 7,454</b>	<b>\$ 8,047</b>	<b>\$ 110,608</b>	<b>\$ 206,470</b>	<b>\$ 993,629</b>
36,917	127,725	25,402	945	-	133,586	80,897	535,530
13,344	42,642	-	1,709	-	-	33,485	209,511
793	-	10,331	-	30	-	8,765	19,919
<b>51,054</b>	<b>170,367</b>	<b>35,733</b>	<b>2,654</b>	<b>30</b>	<b>133,586</b>	<b>123,147</b>	<b>764,960</b>
<b>(22,071)</b>	<b>(32,549)</b>	<b>9,199</b>	<b>(4,800)</b>	<b>(8,017)</b>	<b>22,978</b>	<b>(83,323)</b>	<b>(228,669)</b>
-	-	-	-	-	-	1,220	1,220
-	-	-	-	-	-	3,600	3,600
4,852	8,381	190	673	1,582	1,608	6,694	48,803
65	-	-	-	17,828	-	1,530	31,313
30,133	52,068	1,346	4,837	-	17,675	97,967	333,688
<b>35,050</b>	<b>60,449</b>	<b>1,536</b>	<b>5,510</b>	<b>19,410</b>	<b>19,283</b>	<b>111,011</b>	<b>418,624</b>
<b>12,979</b>	<b>27,900</b>	<b>10,735</b>	<b>710</b>	<b>11,393</b>	<b>42,261</b>	<b>27,688</b>	<b>189,955</b>
87,018	187,077	22,026	80,541	(99,173)	(28,751)	144,620	739,868
<b>\$ 99,997</b>	<b>\$ 214,977</b>	<b>\$ 32,761</b>	<b>\$ 81,251</b>	<b>\$ (87,780)</b>	<b>\$ 13,510</b>	<b>\$ 172,308</b>	<b>\$ 929,823</b>

## STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS  
Other Nonmajor Component Units

September 30, 2007

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,597	\$ 682	\$ 519	\$ 9,590	\$ 19,958
Investments	-	669	-	1,946	33,789
Accounts Receivable	-	-	-	3,104	3,728
Due from Primary Government	10	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	416
Securities Lending Collateral	358	-	-	-	-
Inventory	-	137	54	887	-
Other Assets	181	68	-	592	1,956
Restricted Assets	-	-	-	-	1,017
Capital Assets, Net of Accumulated Depreciation	2,078	11,896	2,788	11,046	29,473
Capital Assets Not Depreciated	174	255	877	493	2,128
<b>TOTAL ASSETS</b>	<b>8,398</b>	<b>13,707</b>	<b>4,238</b>	<b>27,658</b>	<b>92,465</b>
<b>LIABILITIES</b>					
Warrants Payable	2,978	-	-	-	-
Accounts Payable	615	208	58	731	3,794
Salaries Payable	-	-	23	-	-
Interest Payable	-	-	-	-	-
Due to Primary Government	1	-	-	-	-
Due to Other Governments	11	-	-	-	502
Securities Lending Obligation	358	-	-	-	-
Unearned Revenue	-	-	-	5,458	6,914
Amounts Held in Custody for Others	-	-	-	1,368	571
Noncurrent Liabilities:					
Due Within One Year	-	3,804	40	240	625
Due In More Than One Year	129	-	599	3,525	11,344
<b>TOTAL LIABILITIES</b>	<b>4,092</b>	<b>4,012</b>	<b>720</b>	<b>11,322</b>	<b>23,750</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	2,252	12,151	3,665	9,269	20,623
Restricted for:					
Permanent - Expendable	-	-	-	-	9,549
Permanent - Non-expendable	-	-	-	376	12,989
Unrestricted	2,054	(2,456)	(147)	6,691	25,554
<b>TOTAL NET ASSETS</b>	<b>\$ 4,306</b>	<b>\$ 9,695</b>	<b>\$ 3,518</b>	<b>\$ 16,336</b>	<b>\$ 68,715</b>

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
\$ 11,819	\$ 6	\$ 753	\$ 3,671	\$ 0	\$ 129	\$ 3,425	\$ 56,149
14,167	-	-	-	-	5,072	-	55,643
5,504	1,322	-	-	-	-	4	13,662
-	-	-	-	-	-	-	10
268	-	-	-	-	-	-	268
-	-	-	-	-	-	-	416
-	-	-	235	-	7	196	796
6,189	171	-	-	-	-	46	7,484
165	-	-	-	-	-	10	2,972
-	-	-	-	-	-	-	1,017
21,330	7,630	-	-	-	27	970	87,238
5,281	789	14,035	-	-	-	161	24,193
<b>64,723</b>	<b>9,918</b>	<b>14,788</b>	<b>3,906</b>	<b>0</b>	<b>5,235</b>	<b>4,812</b>	<b>249,848</b>
-	-	-	-	-	12	-	2,990
3,937	228	-	-	-	17	27	9,615
-	-	-	-	-	134	-	157
-	-	-	76	67	-	-	143
-	-	-	-	-	7	250	258
-	-	-	-	-	-	-	513
-	-	-	235	-	7	196	796
102	162	-	-	-	-	-	12,636
78	105	-	-	-	-	5	2,127
1,009	298	2,000	3,315	440	1,198	522	13,491
2,443	1,260	-	5,620	9,320	225	349	34,814
<b>7,569</b>	<b>2,053</b>	<b>2,000</b>	<b>9,246</b>	<b>9,827</b>	<b>1,600</b>	<b>1,349</b>	<b>77,540</b>
24,224	7,709	12,035	-	-	27	1,088	93,043
2,755	519	-	-	-	-	-	12,823
2,984	-	-	-	-	-	-	16,349
27,191	(363)	753	(5,340)	(9,827)	3,608	2,375	50,093
<b>\$ 57,154</b>	<b>\$ 7,865</b>	<b>\$ 12,788</b>	<b>\$ (5,340)</b>	<b>\$ (9,827)</b>	<b>\$ 3,635</b>	<b>\$ 3,463</b>	<b>\$ 172,308</b>

## STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES  
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
<b>Expenses</b>	<b>\$ 12,209</b>	<b>\$ 4,851</b>	<b>\$ 1,966</b>	<b>\$ 42,698</b>	<b>\$ 45,317</b>
<b>Program Revenues</b>					
Charges for Services	2,398	3,716	1,656	21,964	20,279
Operating Grants and Contributions	1	-	196	6,068	7,480
Capital Grants and Contributions	-	307	1	-	-
<b>Total Program Revenues</b>	<b>2,399</b>	<b>4,023</b>	<b>1,853</b>	<b>28,032</b>	<b>27,759</b>
<b>Net (Expense) Revenue</b>	<b>(9,810)</b>	<b>(828)</b>	<b>(113)</b>	<b>(14,666)</b>	<b>(17,558)</b>
<b>General Revenues:</b>					
Taxes:					
Utility Taxes	-	-	-	-	-
Tobacco and Cigarette Taxes	-	-	-	-	-
Investment Earnings	-	45	10	20	4,262
Miscellaneous	-	-	-	599	-
Payments from State of Alabama	9,957	-	200	14,365	21,279
<b>Total General Revenues, Special Items, and Transfers</b>	<b>9,957</b>	<b>45</b>	<b>210</b>	<b>14,984</b>	<b>25,541</b>
<b>Change in Net Assets</b>	<b>147</b>	<b>(783)</b>	<b>97</b>	<b>318</b>	<b>7,983</b>
Net Assets, October 1, 2006, as Restated	4,159	10,478	3,421	16,018	60,732
<b>Net Assets, September 30, 2007</b>	<b>\$ 4,306</b>	<b>\$ 9,695</b>	<b>\$ 3,518</b>	<b>\$ 16,336</b>	<b>\$ 68,715</b>

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
<b>\$ 78,705</b>	<b>\$ 9,322</b>	<b>\$ 198</b>	<b>\$ 563</b>	<b>\$ 813</b>	<b>\$ 8,182</b>	<b>\$ 1,646</b>	<b>\$ 206,470</b>
24,133	1,691	-	308	-	4,361	391	80,897
10,333	3,828	4,891	-	-	357	331	33,485
378	-	8,071	-	-	-	8	8,765
<b>34,844</b>	<b>5,519</b>	<b>12,962</b>	<b>308</b>	<b>0</b>	<b>4,718</b>	<b>730</b>	<b>123,147</b>
<b>(43,861)</b>	<b>(3,803)</b>	<b>12,764</b>	<b>(255)</b>	<b>(813)</b>	<b>(3,464)</b>	<b>(916)</b>	<b>(83,323)</b>
-	-	-	-	1,220	-	-	1,220
-	-	-	3,600	-	-	-	3,600
1,593	11	24	-	-	599	130	6,694
424	-	-	-	-	1	506	1,530
47,690	3,845	-	-	-	100	531	97,967
<b>49,707</b>	<b>3,856</b>	<b>24</b>	<b>3,600</b>	<b>1,220</b>	<b>700</b>	<b>1,167</b>	<b>111,011</b>
<b>5,846</b>	<b>53</b>	<b>12,788</b>	<b>3,345</b>	<b>407</b>	<b>(2,764)</b>	<b>251</b>	<b>27,688</b>
51,308	7,812	-	(8,685)	(10,234)	6,399	3,212	144,620
<b>\$ 57,154</b>	<b>\$ 7,865</b>	<b>\$ 12,788</b>	<b>\$ (5,340)</b>	<b>\$ (9,827)</b>	<b>\$ 3,635</b>	<b>\$ 3,463</b>	<b>\$ 172,308</b>





# **Capital Assets Used in Governmental Fund Operations**

*Capital Assets Used in Governmental Fund Operations accounts for capital assets used in the operation of governmental funds.*

## STATE OF ALABAMA

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS  
By Function and Activity, Excluding Internal Service Funds

September 30, 2007

(Amounts in Thousands)

	Land	Buildings	Equipment	Historical Exhibits	Construction In Progress
<b>Economic Development and Regulation</b>					
Agricultural	\$ 422	\$ 7,739	\$ 2,048	\$ 0	\$ 0
Forestry Commission	1,698	9,687	28,892	-	644
Geological	-	1,573	1,718	-	-
Other	-	187	3,797	-	-
<b>Total Economic Development and Regulation</b>	<b>2,120</b>	<b>19,186</b>	<b>36,455</b>	<b>0</b>	<b>644</b>
<b>Education and Cultural Resources</b>					
Department of Education	-	-	3,466	-	-
Educational Television Commission	330	1,203	28,421	-	-
Public Library Service	138	1,695	8,331	-	-
Sports Hall of Fame	-	-	269	2,255	-
Veterans Affairs	234	10,054	221	-	57
Youth Services	1,258	5,561	400	-	-
Other	2,203	30	1,562	-	-
<b>Total Education and Cultural Resources</b>	<b>4,163</b>	<b>18,543</b>	<b>42,670</b>	<b>2,255</b>	<b>57</b>
<b>Natural Resources and Recreation</b>					
Conservation and Natural Resources	58,713	84,469	35,702	-	9,586
Other	1,085	-	179	-	29,285
<b>Total Natural Resources and Recreation</b>	<b>59,798</b>	<b>84,469</b>	<b>35,881</b>	<b>0</b>	<b>38,871</b>
<b>Health - Physical and Mental</b>					
Environmental Management	-	11,105	12,718	-	-
Medicaid Agency	-	-	1,916	-	-
Public Health	4,130	62,164	15,327	-	4,420
Other	-	-	61	-	-
<b>Total Health - Physical and Mental</b>	<b>4,130</b>	<b>73,269</b>	<b>30,022</b>	<b>0</b>	<b>4,420</b>
<b>Social Services</b>					
Human Resources	-	47,309	8,796	-	-
Industrial Relations	1,052	11,545	7,706	-	-
Rehabilitation Services	69	760	4,129	-	-
Veterans Affairs	437	18,774	410	-	105
Other	-	9	3,980	-	-
<b>Total Social Services</b>	<b>1,558</b>	<b>78,397</b>	<b>25,021</b>	<b>0</b>	<b>105</b>
<b>Protection of Persons and Property</b>					
Agriculture and Industries	-	8,581	7,799	-	-
Corrections	5,611	222,239	19,472	-	8,958
Emergency Management	45	2,855	3,269	-	2,949
Forensic Sciences	76	11,349	11,511	-	3,266
Judicial	3,264	39,877	179	-	-
Military	5,286	207,820	721	-	12,153
Professional and Occupational Boards	310	1,120	2,350	-	817
Public Safety	-	11,793	51,155	-	-
Youth Services	4,820	21,312	1,531	-	-
Other	252	2,506	12,075	-	1,530
<b>Total Protection of Persons and Property</b>	<b>19,664</b>	<b>529,452</b>	<b>110,062</b>	<b>0</b>	<b>29,673</b>
<b>Transportation</b>					
Transportation Department	3,734	95,209	214,356	-	11,287
<b>Total Transportation</b>	<b>3,734</b>	<b>95,209</b>	<b>214,356</b>	<b>0</b>	<b>11,287</b>
<b>General Government</b>					
Executive	83,307	3,308	16,399	-	-
Judicial	-	144	9,928	403	-
Legislative	-	601	2,268	-	-
<b>Total General Government</b>	<b>83,307</b>	<b>4,053</b>	<b>28,595</b>	<b>403</b>	<b>0</b>
<b>Total Governmental Capital Assets</b>	<b>\$ 178,474</b>	<b>\$ 902,578</b>	<b>\$ 523,062</b>	<b>\$ 2,658</b>	<b>\$ 85,057</b>

Construction In Progress - Infrastructure	Infrastructure	Totals
\$ 0	\$ 0	\$ 10,209
-	-	40,921
-	-	3,291
-	-	3,984
<b>0</b>	<b>0</b>	<b>58,405</b>
-	-	3,466
-	-	29,954
-	-	10,164
-	-	2,524
-	-	10,566
-	-	7,219
-	-	3,795
<b>0</b>	<b>0</b>	<b>67,688</b>
-	-	188,470
-	-	30,549
<b>0</b>	<b>0</b>	<b>219,019</b>
-	-	23,823
-	-	1,916
-	-	86,041
-	-	61
<b>0</b>	<b>0</b>	<b>111,841</b>
-	-	56,105
-	-	20,303
-	-	4,958
-	-	19,726
-	-	3,989
<b>0</b>	<b>0</b>	<b>105,081</b>
-	-	16,380
-	-	256,280
-	-	9,118
-	-	26,202
-	-	43,320
-	-	225,980
-	-	4,597
-	-	62,948
-	-	27,663
-	-	16,363
<b>0</b>	<b>0</b>	<b>688,851</b>
4,399,528	11,932,373	16,656,487
<b>4,399,528</b>	<b>11,932,373</b>	<b>16,656,487</b>
-	-	103,014
-	-	10,475
-	-	2,869
<b>0</b>	<b>0</b>	<b>116,358</b>
<b>\$ 4,399,528</b>	<b>\$ 11,932,373</b>	<b>\$ 18,023,730</b>



## **Supplemental Statements and Schedules**

*Supplemental Statements and Schedules presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.*

## STATE OF ALABAMA

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**SCHEDULE OF FEDERAL REVENUES BY AGENCY**  
 All Funds and Component Units Except Higher Education
 

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For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 1,614
Agriculture and Industries	4,658
Archives and History	259
Attorney General	1,641
Child Abuse Prevention	1,448
Children's Affairs	161
Choctawhatchee, Pea & Yellow Rivers Watershed Mgt Authority	17
Commission On Higher Education	1,668
Conservation and Natural Resources	26,941
Corrections	104
Council on the Arts	656
Crime Victims Compensation Commission	355
Criminal Justice Information Center	1,264
Development Office	173
Drinking Water Finance Authority	6,784
Economic and Community Affairs	174,464
Education	807,828
Emergency Management	73,690
Environmental Management	15,215
Farmers' Market Authority	1,338
Finance Special Funds	2,356
Financial Reporting	2,413
Forensic Sciences	2,168
Forestry Commission	7,079
Forever Wild Land Trust	810
Geological Survey	614
Governor's Office of Faith Based and Community Initiatives	1,812
Historical Commission	1,189
Human Resources	1,013,218
Industrial Relations	67,227
Labor	149
Land Recycling Finance Authority	287
Manufactured Housing Commission	236
Medicaid	2,957,749
Mental Health and Retardation	51,372
Military	41,156
Office of Homeland Security	26,704
Pardons and Paroles	2
Postsecondary Education	8,454
Public Health	314,010
Public Library Service	2,611
Public Safety	13,421
Public Service Commission	300
Rehabilitation Services	74,517
Revenue	1,747
School of Fine Arts	2,038
Senior Services	22,271
Soil and Water Conservation Commission	2,205
State Port Authority	10,305
Surface Mining Commission	1,080
Transportation	704,852
Veterans Affairs	10,811
Water Pollution Control Authority	16,537
Youth Services	325
<b>Total Federal Revenues</b>	<b>\$ 6,482,303</b>

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 266**

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 276**

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 281**

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

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

### **Demographic and Economic Information**

**Page 286**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

- ◆ Labor Force Statistics
- ◆ Population/Per Capita Personal Income Statistics
- ◆ Top Ten Employers in Alabama

### **Operating Information**

**Page 290**

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

- ◆ State Government Employment by Function
- ◆ Indicators of Demand or Level of Service
- ◆ Indicators of Volume, Usage and Nature of Capital Assets

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Note: The number of years presented on each schedule varies according to available data.

## STATE OF ALABAMA

## NET ASSETS BY COMPONENT

For the Last Six Fiscal Years Ended September 30

(Amounts in Thousands)

	2007	2006	2005	2004	2003
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 16,971,809	\$ 16,360,753	\$ 15,820,864	\$ 15,241,575	\$ 14,774,902
Restricted	6,020,208	5,853,605	5,004,105	4,245,991	3,869,559
Unrestricted	(113,290)	204,854	299,693	310,172	185,427
<b>Total Governmental Activities Net Assets</b>	<b><u>22,878,727</u></b>	<b><u>22,419,212</u></b>	<b><u>21,124,662</u></b>	<b><u>19,797,738</u></b>	<b><u>18,829,888</u></b>
<b>Business-type Activities</b>					
Invested in Capital Assets, Net of Related Debt	719,911	643,742	508,280	459,250	425,588
Restricted	513,663	503,024	352,524	351,847	365,594
Unrestricted	262,795	244,630	330,692	204,790	182,270
<b>Total Business-type Activities Net Assets</b>	<b><u>1,496,369</u></b>	<b><u>1,391,396</u></b>	<b><u>1,191,496</u></b>	<b><u>1,015,887</u></b>	<b><u>973,452</u></b>
<b>Primary government</b>					
Invested in Capital Assets, Net of Related Debt	17,691,720	17,004,495	16,329,144	15,700,825	15,200,490
Restricted	6,533,871	6,356,629	5,356,629	4,597,838	4,235,153
Unrestricted	149,505	449,484	630,385	514,962	367,697
<b>Total Primary Government Net Assets</b>	<b><u>\$ 24,375,096</u></b>	<b><u>\$ 23,810,608</u></b>	<b><u>\$ 22,316,158</u></b>	<b><u>\$ 20,813,625</u></b>	<b><u>\$ 19,803,340</u></b>



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2002

\$ 3,924,791  
3,145,156  
489,765  
**7,559,712**

433,667  
470,196  
117,372  
**1,021,235**

4,358,458  
3,615,352  
607,137  
**\$ 8,580,947**

STATE OF ALABAMA  
**CHANGES IN NET ASSETS**

For the Last Six Fiscal Years Ended September 30

(Amounts in Thousands)

	2007	2006	2005	2004	2003
<b>Expenses</b>					
<b>Governmental Activities</b>					
Economic Development and Regulation	\$ 213,970	\$ 100,588	\$ 63,016	\$ 59,894	\$ 63,623
Education and Cultural Resources	6,448,699	5,653,464	5,092,756	4,724,935	4,648,126
Natural Resources and Recreation	105,066	145,414	82,841	95,032	101,811
Health - Physical and Mental	5,156,773	4,663,485	4,479,828	4,296,802	4,227,236
Social Services	1,689,019	1,627,951	1,606,588	1,496,160	1,511,438
Protection of Persons and Property	1,019,074	1,032,088	1,031,731	746,763	692,104
Transportation	1,011,638	1,025,928	882,823	856,603	772,935
General Government	925,698	819,122	776,791	726,150	770,431
Debt Service - Interest and Other Charges	43,391	42,672	43,052	42,083	43,493
<b>Total Governmental Activities Expenses</b>	<b>16,613,328</b>	<b>15,110,712</b>	<b>14,059,426</b>	<b>13,044,422</b>	<b>12,831,197</b>
<b>Business-type Activities</b>					
Unemployment Compensation	248,448	232,447	251,137	308,281	410,384
State Port Authority	106,762	89,939	85,984	74,679	74,894
Alabama College System	745,122	683,618	646,868	627,846	593,278
Alcoholic Beverage Control Board	230,370	215,832	192,278	184,391	177,003
Public Education Employees Health Insurance	-	-	-	736,669	667,564
Nonmajor Proprietary Funds	46,041	48,972	47,838	144,714	127,559
<b>Total Business-type Activities Expenses</b>	<b>1,376,743</b>	<b>1,270,808</b>	<b>1,224,105</b>	<b>2,076,580</b>	<b>2,050,682</b>
<b>Total Primary Government Expenses</b>	<b>17,990,071</b>	<b>16,381,520</b>	<b>15,283,531</b>	<b>15,121,002</b>	<b>14,881,879</b>
<b>Program Revenues</b>					
<b>Governmental Activities</b>					
Economic Development and Regulation	58,452	52,014	49,332	52,618	46,564
Education and Cultural Resources	12,406	10,070	10,952	8,352	7,853
Natural Resources and Recreation	53,920	54,121	60,111	52,059	369,582
Health - Physical and Mental	259,598	194,339	206,017	142,941	121,827
Social Services	5,905	6,127	4,141	118,185	114,269
Protection of Persons and Property	208,252	187,325	183,281	176,256	173,417
Transportation	199,489	192,458	174,509	168,153	172,801
General Government	465,144	565,311	460,047	436,115	198,426
Debt Service - Interest and Other Charges	-	-	450	3,030	9,398
Operating Grants and Contributions	6,618,419	6,612,934	6,315,902	5,584,314	5,427,425
Capital Grants and Contributions	719,041	801,902	673,977	565,871	593,673
<b>Total Governmental Activities Program Revenues</b>	<b>8,600,626</b>	<b>8,676,601</b>	<b>8,138,719</b>	<b>7,307,894</b>	<b>7,235,235</b>
<b>Business-type Activities</b>					
Unemployment Compensation	228,572	264,895	307,724	263,229	239,871
State Port Authority	109,735	90,998	87,022	77,870	66,749
Alabama College System	152,558	145,714	146,194	142,786	137,015
Alcoholic Beverage Control Board	218,195	219,429	202,959	198,482	184,758
Public Education Employees Health Insurance	-	-	-	717,546	627,094
Operating Grants and Contributions	270,897	277,667	269,667	297,858	324,201
Capital Grants and Contributions	19,413	45,053	22,776	6,479	21,121
Nonmajor Proprietary Funds	49,548	52,384	167,257	154,604	133,868
<b>Total Business-type Activities Program Revenues</b>	<b>1,048,918</b>	<b>1,096,140</b>	<b>1,203,599</b>	<b>1,858,854</b>	<b>1,734,677</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 9,649,544</b>	<b>\$ 9,772,741</b>	<b>\$ 9,342,318</b>	<b>\$ 9,166,748</b>	<b>\$ 8,969,912</b>

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2002

\$ 66,746  
4,553,598  
94,449  
4,173,401  
1,425,124  
650,341  
1,059,637  
641,869  
64,538  

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**12,729,703**

404,133  
66,988  
545,491  
170,550  
581,877  
114,199  

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**1,883,238**

**14,612,941**

45,844  
12,647  
72,072  
298,783  
111,610  
162,981  
167,467  
324,839  
8,311  
5,106,726  
802,218  

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**7,113,498**

191,825  
59,832  
123,472  
184,182  
600,646  
265,425  
12,960  
109,990  

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**1,548,332**

**\$ 8,661,830**

*Continued on next page...*

## STATE OF ALABAMA

## CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Six Fiscal Years Ended September 30

(Amounts in Thousands)

	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (8,012,702)	\$ (6,434,111)	\$ (5,920,707)	\$ (5,736,528)	\$ (5,595,962)
Business Activities	(327,825)	(174,668)	(20,506)	(217,726)	(316,005)
<b>Total Primary Government</b>					
<b>Net (Expense) Revenue</b>	<b>(8,340,527)</b>	<b>(6,608,779)</b>	<b>(5,941,213)</b>	<b>(5,954,254)</b>	<b>(5,911,967)</b>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities</b>					
Sales and Use Taxes	2,199,848	1,999,053	1,975,512	1,765,035	1,714,618
Income Taxes	3,446,018	3,172,117	2,938,046	2,494,384	2,520,393
Motor Fuels Taxes	569,369	568,880	534,696	564,031	530,255
Utility Taxes	511,734	492,694	447,191	413,553	425,686
Insurance Premium Tax	273,614	270,379	269,496	238,607	226,307
Property Tax	301,002	266,916	251,960	232,057	213,908
Liquor Taxes	150,085	135,189	125,160	117,014	117,438
Tobacco and Cigarette Taxes	141,726	144,204	146,374	-	-
Grants & Contributions Not Restricted to Specific Programs	-	-	6,159	75,741	84,231
Investment Earnings	513,088	284,139	236,191	173,657	210,143
Miscellaneous	744,942	739,378	643,724	858,777	859,220
Contributions to Permanent Funds and Endowments	-	-	2	-	204
Transfers	(379,209)	(321,020)	(261,067)	(229,114)	(226,788)
<b>Total Governmental Activities</b>	<b>8,472,217</b>	<b>7,751,929</b>	<b>7,313,444</b>	<b>6,703,742</b>	<b>6,675,615</b>
<b>Business-type Activities</b>					
Liquor Taxes	9,831	9,314	8,598	8,492	7,790
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	1,806
Investment Earnings	40,206	34,056	25,124	22,658	29,605
Miscellaneous	3,421	10,056	4,330	2,765	2,026
Contributions to Permanent Funds and Endowments	131	122	201	6	207
Transfers	379,209	321,020	261,067	229,114	226,788
<b>Total Business-type Activities</b>	<b>432,798</b>	<b>374,568</b>	<b>299,320</b>	<b>263,035</b>	<b>268,222</b>
<b>Total Primary Government</b>					
<b>General Revenues and Other Charges</b>	<b>8,905,015</b>	<b>8,126,497</b>	<b>7,612,764</b>	<b>6,966,777</b>	<b>6,943,837</b>
<b>Change in Net Assets</b>					
Governmental Activities	459,515	1,317,818	1,392,737	967,214	1,079,653
Business-type Activities	104,973	199,900	278,814	45,309	(47,783)
<b>Total Primary Government Changes in Net Assets</b>	<b>\$ 564,488</b>	<b>\$ 1,517,718</b>	<b>\$ 1,671,551</b>	<b>\$ 1,012,523</b>	<b>\$ 1,031,870</b>

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2002  
\$ (5,616,205)  
(334,906)  
**(5,951,111)**

1,606,149  
2,049,460  
510,342  
378,983  
218,712  
340,557  
111,611  
-  
7,018  
113,966  
811,940  
680  
(216,423)  
**5,932,995**

7,440  
112,684  
27,253  
2,045  
174  
216,423  
**366,019**

**6,299,014**

316,790  
31,113  
\$ 347,903

## STATE OF ALABAMA

## FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Six Fiscal Years Ended September 30

(Amounts in Thousands)

	2007	2006	2005	2004	2003
<b>General Fund</b>					
Reserved	\$ 5,772	\$ 3,314	\$ 6,003	\$ 4,228	\$ 4,699
Unreserved	399,009	401,393	317,879	232,501	158,346
<b>Total General Fund</b>	<b>404,781</b>	<b>404,707</b>	<b>323,882</b>	<b>236,729</b>	<b>163,045</b>
<b>All Other Governmental Funds</b>					
Reserved	3,498,507	3,165,956	2,888,340	2,667,067	2,528,464
Unreserved, Designated for Capital Projects	440,559	275,528	292,934	381,579	465,437
Unreserved, Designated for Debt Service	5,449	4,866	4,606	8,208	8,979
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	2,133,901	2,607,528	2,105,050	1,480,649	1,226,798
Permanent Funds	20,659	16,173	12,147	4,538	4,708
<b>Total All Other Governmental Funds</b>	<b>\$ 6,099,075</b>	<b>\$ 6,070,051</b>	<b>\$ 5,303,077</b>	<b>\$ 4,542,041</b>	<b>\$ 4,234,386</b>

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2002

\$ 4,087

147,941

**152,028**

2,452,710

498,935

9,249

733,488

2,123

**\$ 3,696,505**

## STATE OF ALABAMA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Six Fiscal Years Ended September 30

(Amounts in Thousands)

	2007	2006	2005	2004	2003
<b>Revenues</b>					
Taxes	\$ 8,255,088	\$ 7,833,276	\$ 7,272,895	\$ 6,431,299	\$ 6,267,772
Licenses, Permits, and Fees	650,635	608,770	562,461	532,118	502,493
Fines, Forfeits, and Court Settlements	44,180	42,347	47,168	40,221	64,204
Investment Income	519,855	300,993	227,980	183,922	204,596
Federal Grants and Reimbursements	6,379,589	6,643,162	6,216,771	5,675,945	5,515,520
Other Revenues	1,550,167	1,379,482	1,309,343	1,347,930	1,511,073
Total Revenues	17,399,514	16,808,030	15,636,618	14,211,435	14,065,658
<b>Expenditures</b>					
Economic Development and Regulation	79,409	70,554	62,894	60,763	65,914
Education and Cultural Resources	6,423,025	5,644,208	5,087,885	4,710,110	4,657,009
Natural Resources and Recreation	133,234	171,825	120,188	120,095	108,638
Health - Physical and Mental	5,166,541	4,653,398	4,477,717	4,295,347	4,216,237
Social Services	1,693,797	1,625,180	1,610,677	1,496,323	1,510,823
Protection of Persons and Property	982,932	1,011,393	1,005,967	730,780	680,605
Transportation	1,522,329	1,512,116	1,399,903	1,354,816	1,277,739
General Government	933,855	840,293	726,704	680,002	679,532
Capital Outlay	168,402	56,835	66,823	55,833	48,636
Debt Service - Principal Retirement	68,616	81,727	78,195	73,650	81,963
Debt Service - Interest and Other Charges	48,336	40,319	37,201	38,282	40,125
Total Expenditures	17,220,476	15,707,848	14,674,154	13,616,001	13,367,221
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,520,089	1,460,110	1,254,049	993,669	1,004,619
Transfers Out	(1,907,908)	(1,791,969)	(1,527,416)	(1,239,110)	(1,239,551)
Bonds Issued	305,000	61,150	103,920	-	4,305
Refunding Bonds Issued	-	-	57,975	-	17,553
Other Debt Refunding Proceeds	-	-	-	600	-
Payments to Refunded Bond Escrow Agent	-	-	(27,949)	-	-
Current Refunding to Bondholders	-	-	-	-	(17,162)
Other Debt Refunding Uses	-	-	-	(600)	-
Capital Leases	11,738	1,989	659	1,152	618
Other Debt Proceeds	-	-	-	-	3,634
Premiums on Debt	-	-	5,242	-	-
Debt Issuance Premiums	9,333	1,085	-	-	-
Discounts on Debt	-	-	(580)	-	-
Insurance Recovery Proceeds	3,024	7,725	-	-	-
Total Other Financing Sources (Uses)	(58,724)	(259,910)	(134,100)	(244,289)	(225,984)
<b>Net Increase (Decrease) for the Year</b>	<b>120,314</b>	<b>840,272</b>	<b>828,364</b>	<b>351,145</b>	<b>472,453</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>0.7%</b>	<b>0.81%</b>	<b>0.83%</b>	<b>0.86%</b>	<b>0.95%</b>



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2002

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\$ 5,699,382  
497,191  
34,593  
100,127  
5,321,974  
1,335,183  
12,988,450

67,862  
4,530,082  
96,462  
4,151,124  
1,411,889  
610,113  
1,419,426  
646,599  
38,983  
63,716  
86,902  
13,123,158

712,776  
(917,652)  
345,708  
-  
-  
-  
-  
2,048  
4,696  
-  
-  
-  
147,576

**12,868**

# STATE OF ALABAMA

## REVENUE CAPACITY

### Major Revenue Base: Personal Income by Industry

#### Last Ten Years

(Amounts in Thousands)

<b>Industry</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Mining	\$ 1,041,191	\$ 969,817	\$ 828,119	\$ 720,976	\$ 720,793
Utilities	1,532,362	1,502,225	1,518,021	1,375,031	1,260,088
Construction	6,729,882	6,292,493	5,683,962	5,272,938	5,156,208
Manufacturing	18,222,011	17,266,875	16,234,790	15,502,515	15,171,752
Wholesale trade	5,278,927	4,886,549	4,556,301	4,200,942	4,098,860
Retail trade	7,425,643	7,172,616	6,795,257	6,556,423	6,356,529
Transportation and warehousing	3,423,616	3,216,055	2,975,943	2,650,280	2,616,496
Finance and insurance	5,438,443	4,966,438	4,561,568	4,277,440	3,957,916
Professional and technical services	8,039,979	7,366,688	7,074,075	6,600,893	6,123,024
Government and government enterprises	21,152,901	19,966,156	18,903,492	17,831,219	16,850,710
All Other	63,553,107	59,457,521	57,151,447	53,367,598	51,552,667
<b>Total Personal Income</b>	<b>141,838,062</b>	<b>133,063,433</b>	<b>126,282,975</b>	<b>118,356,255</b>	<b>113,865,043</b>
<b>State Income Taxes</b>	<b>2,820,860</b>	<b>2,560,405</b>	<b>2,294,636</b>	<b>2,075,774</b>	<b>2,068,453</b>
Average Effective Rate*	1.99%	1.92%	1.82%	1.75%	1.82%

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

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

Year 2006 is the most recent year data is available.

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<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
\$ 672,891	\$ 715,509	\$ 715,972	\$ 714,680	\$ 689,892
1,231,889	1,125,194	1,053,408	1,034,176	982,279
5,251,085	5,069,034	4,781,902	4,390,247	4,053,975
14,799,501	14,667,696	14,556,404	14,088,756	13,178,357
3,983,352	3,889,059	3,672,705	3,450,285	3,373,360
6,128,947	5,817,505	5,658,971	5,298,095	4,967,457
2,599,463	2,522,933	2,424,956	2,288,287	2,106,857
3,660,909	3,433,269	3,293,536	3,083,590	3,086,325
6,041,702	5,457,540	5,224,192	4,928,606	4,333,897
15,837,865	15,231,615	14,600,865	14,232,221	13,711,927
50,213,333	47,877,339	44,679,515	43,502,845	40,935,055
110,420,937	105,806,693	100,662,426	97,011,788	91,419,381
2,097,557	2,066,893	2,012,519	1,835,536	1,746,975
1.90%	1.95%	2.00%	1.89%	1.91%

# STATE OF ALABAMA

## REVENUE CAPACITY

### Revenue Rates: Individual and Corporate Income Tax Rates

#### Last Ten Calendar Years

Filing Status	1997 - 1999	2000 - 2006
Taxable Net Income Level	Rate	Rate
Single, Head of family, Married filing separate	Adjusted Gross Income of \$1,500 or more	Adjusted Gross Income of \$1,875 or more
Not Over \$500	2%	2%
Over \$500 But Not Over \$3,000	4%	4%
Over \$3,000	5%	5%
Married filing Jointly	Adjusted Gross Income of \$3,000 or more	Adjusted Gross Income of \$3,750 or more
Not over \$1,000	2%	2%
Over \$1,000 But Not Over \$6,000	4%	4%
Over \$6,000	5%	5%
Corporate Income Tax Rates	5%	6.5%

Source: Alabama Department of Revenue

STATE OF ALABAMA

REVENUE CAPACITY

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

For Tax Year 2005 Revised

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Total Income (In Thousands)</u>	<u>Percentage of Total</u>	<u>Tax Liability (In Thousands)</u>	<u>Percentage of Total</u>
Less Than 10,000	382,264	24%	\$ 1,846,134	3%	\$ 18,874	1%
10,001- 20,000	325,968	20%	4,795,511	7%	105,982	6%
20,001- 40,000	396,010	24%	11,383,671	17%	333,013	17%
40,001- 60,000	206,285	13%	10,121,726	16%	310,464	16%
60,001- 80,000	125,030	8%	8,670,249	13%	270,970	14%
Over 80,000	185,030	11%	28,459,457	44%	899,349	46%
TOTAL	<u>1,620,587</u>	<u>100%</u>	<u>\$ 65,276,748</u>	<u>100%</u>	<u>\$ 1,938,652</u>	<u>100%</u>

Note: Due to 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 2005 is the most recent data available.

# STATE OF ALABAMA

## REVENUE CAPACITY

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

For Tax Year 2005

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

Note: Due to 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 2005 is the most recent data available.

# STATE OF ALABAMA

## DEBT CAPACITY

### Ratios of Outstanding Debt

#### Last Six Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	<u>Fiscal Year</u>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Bonds Payable:						
General Obligation Bonds	\$ 773,253	\$ 516,973	\$ 507,503	\$ 445,211	\$ 490,085	\$ 535,080
Revenue Bonds	333,438	355,698	351,139	347,429	369,327	386,891
Capital Leases/Notes/Mortgages	42,352	25,643	32,100	38,370	42,316	33,059
<b>Total Governmental Activities</b>	<b>1,149,043</b>	<b>898,314</b>	<b>890,742</b>	<b>831,010</b>	<b>901,728</b>	<b>955,030</b>
<b>Business-type Activities:</b>						
Bonds Payable:						
Revenue Bonds	572,782	394,044	411,633	337,291	308,061	299,508
Capital Leases/Notes/Mortgages	20,877	39,228	33,986	17,918	14,948	12,346
<b>Total Business-Type Activities</b>	<b>593,659</b>	<b>433,272</b>	<b>445,619</b>	<b>355,209</b>	<b>323,009</b>	<b>311,854</b>
<b>Total Primary Government</b>	<b>\$ 1,742,702</b>	<b>\$ 1,331,586</b>	<b>\$ 1,336,361</b>	<b>\$ 1,186,219</b>	<b>\$ 1,224,737</b>	<b>\$ 1,266,884</b>
<b>Debt as a percentage</b>						
<b>of Personal Income †</b>	1.23%	0.94%	1.00%	0.94%	1.03%	1.11%
<b>Amount of Debt per Capita †</b>	\$ 379	\$ 290	\$ 294	\$ 263	\$ 272	\$ 283

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

Fiscal year 2007 personal income and population data are estimated.

# STATE OF ALABAMA

## DEBT CAPACITY

### Ratios of General Bonded Debt Outstanding

#### Last Six Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

##### Primary Government

Fiscal Year	General Obligation	Revenue	Less: Amounts Available in Debt		Percentage of	Per
	<u>Bonds Payable</u>	<u>Bonds</u>	<u>Service Fund</u>	<u>Total</u>	<u>Personal Income †</u>	<u>Capita †</u>
2007	\$ 773,253	\$ 906,220	\$ -	\$1,679,473	1.18%	\$ 365
2006	516,973	749,742	-	1,266,715	0.89%	275
2005	507,503	762,772	-	1,270,275	0.95%	279
2004	445,211	684,720	-	1,129,931	0.89%	250
2003	490,085	677,388	-	1,167,473	0.99%	260
2002	535,079	686,398	-	1,221,477	1.07%	273

##### Component Units (Only includes issues that the State has pledged revenue for principal payment)

Fiscal Year	Revenue	Less: Amounts Available in Debt		Percentage of	Per
	<u>Bonds</u>	<u>Service Fund</u>	<u>Total</u>	<u>Personal Income †</u>	<u>Capita †</u>
2007	\$1,620,570	\$ 39,511	\$1,581,059	1.11%	\$ 344
2006	1,734,825	27,922	1,706,903	1.20%	371
2005	1,822,135	36,043	1,786,092	1.34%	393
2004	1,832,695	27,487	1,805,208	1.43%	400
2003	1,844,164	22,490	1,821,674	1.54%	405
2002	1,886,421	19,376	1,867,045	1.64%	417

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 281 for personal income and population data.

### Debt Limitations

The *Constitution of Alabama of 1901* prohibits the issuance of debt by the State. The State does issue revenue bonds which are limited obligations of public corporations governed by state officials.





## STATE OF ALABAMA

## DEBT CAPACITY

## Pledged Revenue Coverage

## Last Four Fiscal Years

(Amounts in Thousands)

	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>Primary Government</u></b>				
<b>Revenue Bonds-State Port Authority</b>				
Revenue-Charges for facilities usage	109,735	88,155	87,022	77,871
Debt Service				
Principal	6,260	5,910	5,575	5,280
Interest	9,770	10,124	10,459	10,749
Coverage <sup>1</sup>	6.85	5.50	5.43	4.86
<b>Revenue Bonds-Alabama College System</b>				
Revenue-Tuition and Fees	184,664	137,133	185,013	101,333
Debt Service				
Principal	12,970	12,045	9,112	7,527
Interest	9,448	9,968	6,521	5,589
Coverage <sup>1</sup>	8.24	6.23	11.83	7.73
<b>Revenue Bonds-Federal Highway Finance Authority</b>				
Revenue-Federal Revenue	748,952	790,928	648,831	548,830
Debt Service				
Principal	11,415	10,910	10,430	9,970
Interest	7,669	8,123	8,550	8,983
Coverage <sup>1</sup>	39.25	41.56	34.18	28.96
<b><u>Component Units</u></b>				
<b>Revenue Bonds-Alabama Incentives Financing Authority</b>				
<b>Revenue Bonds-Tennessee Valley Exhibit Authority</b>				
Revenue-Tennessee Valley Electric Payment	18,328	18,592	17,462	16,169
Debt Service				
Principal	2,480	2,340	2,205	2,095
Interest	7,473	7,920	7,508	7,001
Coverage <sup>1</sup>	1.84	1.81	1.80	1.78
<b>Revenue Bonds</b>				
<b>Public School and College Authority (Excludes Pool Bonds)</b>				
Revenue-General Sales Tax, Utility Tax, Use Tax	2,371,387	2,263,420	2,051,726	1,940,470
Debt Service				
Principal	66,235	89,695	55,735	53,245
Interest	46,030	49,115	51,450	54,010
Coverage <sup>1</sup>	21.12	16.31	19.14	18.09

	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenue Bonds-State Industrial Development Authority</b>				
Revenue-Cigarette Tax	5,121	5,247	5,197	3,141
Debt Service				
Principal	3,115	3,050	3,050	3,050
Interest	508	647	776	927
Coverage <sup>1</sup>	1.41	1.42	1.36	0.79
<b>Revenue Bonds-Mental Health Financing Authority</b>				
Revenue-Cigarette Tax	6,828	6,996	6,929	4,188
Debt Service				
Principal	4,490	4,420	5,590	5,400
Interest	969	1,145	2,544	2,302
Coverage <sup>1</sup>	1.25	1.26	0.85	0.54
<b>Revenue Bonds-Alabama Revolving Fund Authority</b>				
Revenue-Mobile Telecommunications Tax	101,057	90,919	84,892	75,895
Debt Service				
Principal	405	370	345	315
Interest	815	847	876	903
Coverage <sup>1</sup>	82.83	74.71	69.53	62.31
<b>Revenue Bonds-Alabama Twenty-first Century Authority</b>				
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000
Debt Service				
Principal	5,100	4,855	4,660	4,490
Interest	7,513	7,773	8,022	8,262
Coverage <sup>1</sup>	1.03	1.03	1.03	1.02

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

<sup>1</sup> Coverage equals revenue divided by debt service.

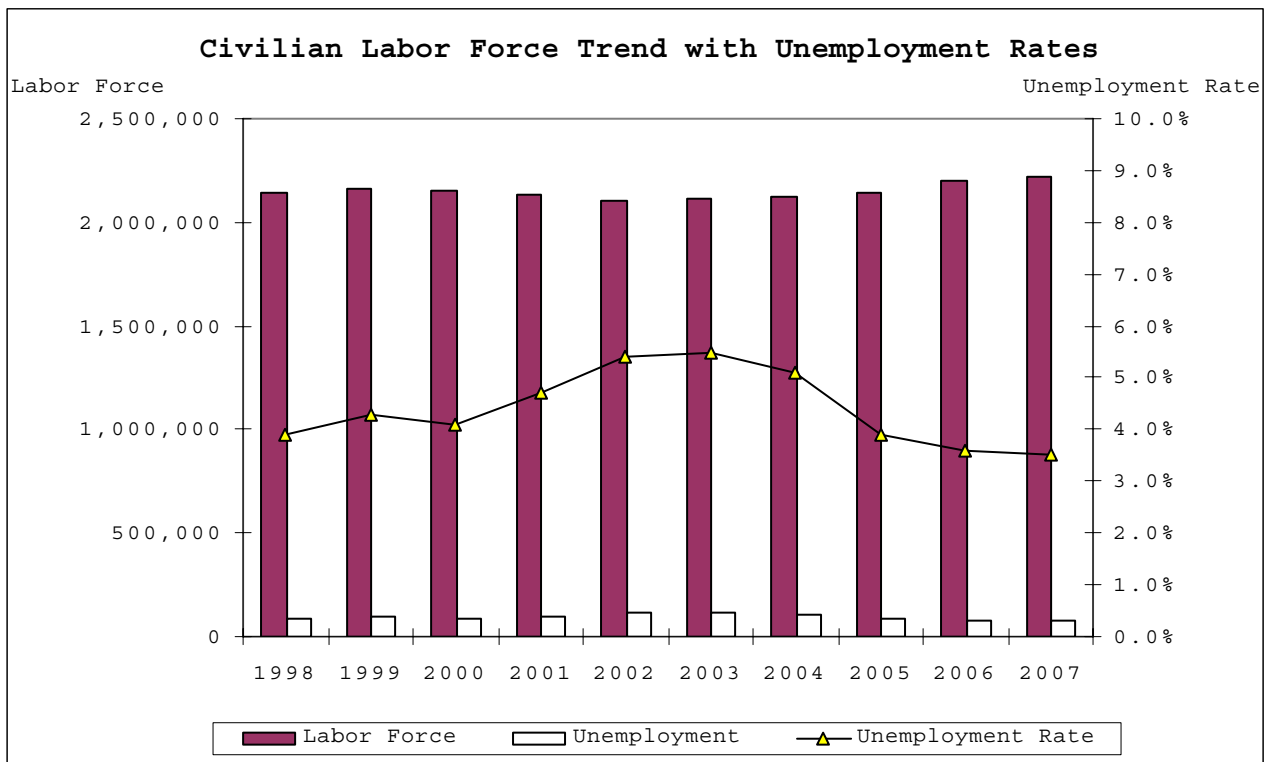
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1998	2,142,512	2,059,310	83,202	3.9%
1999	2,162,603	2,070,210	92,393	4.3%
2000	2,154,545	2,067,147	87,398	4.1%
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,107,858	1,994,748	113,110	5.4%
2003	2,115,682	2,000,039	115,643	5.5%
2004	2,123,338	2,014,648	108,660	5.1%
2005	2,140,229	2,056,800	83,429	3.9%
2006	2,199,562	2,120,573	78,989	3.6%
2007	2,218,276	2,140,402	77,874	3.5%



Note: Data were not seasonally adjusted.

2007 data were estimates, prepared by the Alabama Department of Industrial Relations in cooperation with the Bureau of Labor Statistics, based on 2006 benchmark.

Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

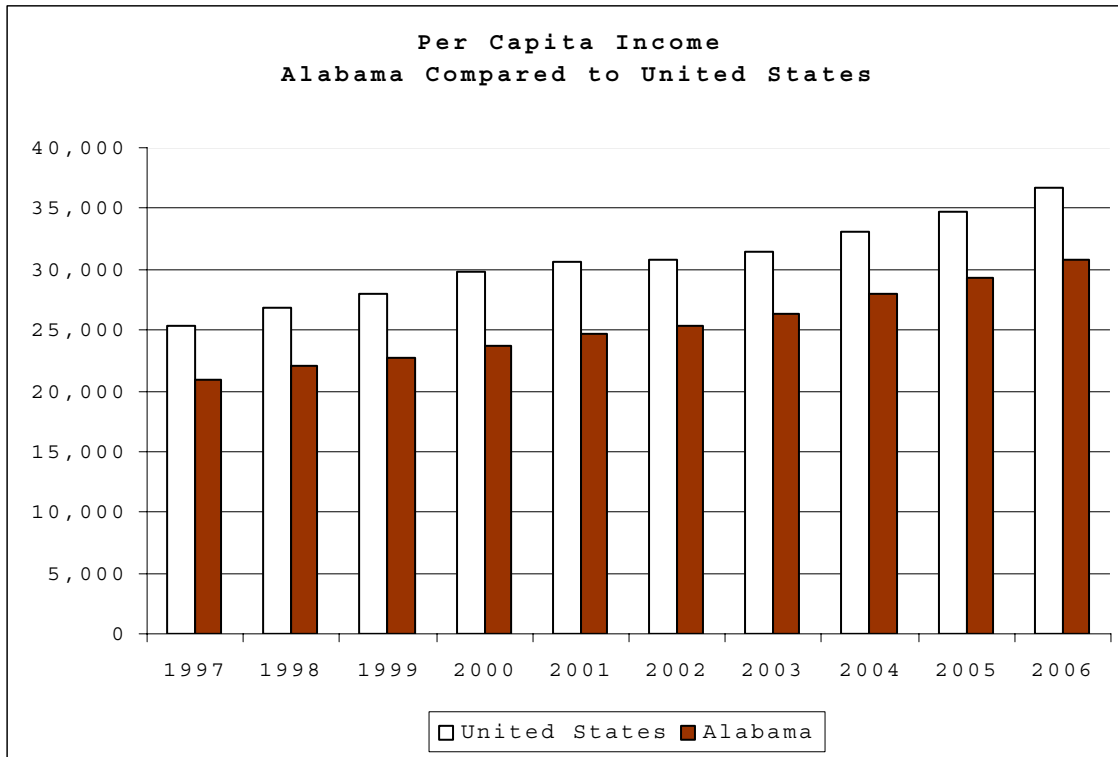
# STATE OF ALABAMA

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Population/Per Capita Personal Income Statistics

#### Last Ten Years

	Population		Per Capita Personal Income		Personal income (in Thousands)	
	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>
1997	272,646,925	4,367,935	25,334	20,930	6,907,332,000	91,419,381
1998	275,854,104	4,404,701	26,883	22,025	7,415,709,000	97,011,788
1999	279,040,168	4,430,141	27,939	22,722	7,796,137,000	100,662,426
2000	282,216,952	4,452,375	29,843	23,764	8,422,074,000	105,806,693
2001	285,226,284	4,466,618	30,562	24,721	8,716,992,000	110,420,937
2002	288,125,973	4,477,571	30,795	25,423	8,872,871,000	113,835,223
2003	290,796,023	4,495,089	31,466	26,330	9,150,320,000	118,356,255
2004	293,638,158	4,517,442	33,072	27,955	9,711,271,000	126,282,975
2005	296,507,061	4,548,327	34,685	29,255	10,284,378,000	133,063,433
2006	299,398,484	4,599,030	36,629	30,841	10,966,808,000	141,838,062



Note: Year 2006 is the most recent year for which data are available.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers In Alabama

Last Ten Years

Employer	2007			2006		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.79%	30,000-39,999	1	1.82%
ARMY	20,000-29,999	2	1.28%	20,000-29,999	2	1.30%
MOBILE EDUCATION BOARD	10,000-19,999	4	0.77%	5,000-9,999	3	0.39%
UNIV OF AL IN BHAM	5,000-9,999	6	0.38%	5,000-9,999	4	0.39%
ALABAMA POWER CO ELECTRIC	5,000-9,999	9	0.38%	5,000-9,999	5	0.39%
UNIV OF AL IN BHAM MEDICAL CENTER	5,000-9,999	8	0.38%	5,000-9,999	6	0.39%
U S POSTAL SERVICE	10,000-19,999	3	0.77%	5,000-9,999	7	0.39%
GOLD KIST INC	-	-	-	5,000-9,999	8	0.39%
WINN DIXIE MONTGOMERY	5,000-9,999	10	0.38%	5,000-9,999	9	0.39%
REGIONS BANK	5,000-9,999	5	0.38%	5,000-9,999	10	0.39%
PILGRIMS PRIDE CORPORATION	5,000-9,999	7	0.38%	-	-	-
BELLSOUTH TELECOMMUNICATIONS	-	-	-	-	-	-
RUSSELL CORPORATION	-	-	-	-	-	-
	100,000-169,990		6.89%	90,000-149,990		6.24%

Employer	2005			2004		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%
ARMY	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%
MOBILE EDUCATION BOARD	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%
UNIV OF AL IN BHAM	5,000-9,999	4	0.40%	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%
UNIV OF AL IN BHAM MEDICAL CENTER	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%
U S POSTAL SERVICE	5,000-9,999	9	0.40%	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%
REGIONS BANK	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	5	0.40%	5,000-9,999	4	0.41%
BELLSOUTH TELECOMMUNICATIONS	-	-	-	-	-	-
RUSSELL CORPORATION	-	-	-	-	-	-
	90,000-149,990		6.40%	90,000-149,990		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

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers In Alabama

Last Ten Years

Employer	2003			2002			2001		
	Employment	% of		Employment	% of		Employment	% of	
	Range	Rank	Employment	Range	Rank	Employment	Range	Rank	Employment
WAL MART ASSOCIATES INC	30,000-39,999	1	1.92%	20,000-29,999	1	1.37%	20,000-29,999	1	1.34%
ARMY	15,000-19,999	2	0.96%	15,000-19,999	2	0.96%	15,000-19,999	2	0.94%
MOBILE EDUCATION BOARD	5,000-9,999	3	0.41%	5,000-9,999	4	0.41%	5,000-9,999	5	0.40%
UNIV OF AL IN BHAM	5,000-9,999	5	0.41%	5,000-9,999	6	0.41%	5,000-9,999	6	0.40%
ALABAMA POWER CO									
ELECTRIC	5,000-9,999	7	0.41%	5,000-9,999	9	0.41%	5,000-9,999	9	0.40%
UNIV OF AL IN BHAM MED CEN	5,000-9,999	10	0.41%	-	-	-	-	-	0.00%
U S POSTAL SERVICE	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%	5,000-9,999	8	0.40%
GOLD KIST INC	-	-	0.00%	5,000-9,999	10	0.41%	-	-	0.00%
WINN DIXIE MONTGOMERY	5,000-9,999	6	0.41%	5,000-9,999	5	0.41%	5,000-9,999	3	0.40%
REGIONS BANK	-	-	-	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	4	0.41%	5,000-9,999	3	0.41%	5,000-9,999	4	0.40%
BELL SOUTH									
TELECOMMUNICATIONS	5,000-9,999	9	0.41%	5,000-9,999	7	0.41%	5,000-9,999	7	0.40%
RUSSELL CORPORATION	-	-	-	-	-	-	5,000-9,999	10	0.40%
	85,000-139,990		6.18%	75,000-129,990		5.63%	75,000-129,990		5.51%

Employer	2000			1999			1998		
	Employment	% of		Employment	% of		Employment	% of	
	Range	Rank	Employment	Range	Rank	Employment	Range	Rank	Employment
WAL MART ASSOCIATES INC	20,000-29,999	1	1.33%	20,000-29,999	1	1.34%	20,000-29,999	1	1.36%
ARMY	15,000-19,999	2	0.93%	15,000-19,999	2	0.94%	15,000-19,999	2	0.95%
MOBILE EDUCATION BOARD	5,000-9,999	4	0.40%	5,000-9,999	5	0.40%	5,000-9,999	6	0.41%
UNIV OF AL IN BHAM ED	5,000-9,999	6	0.40%	5,000-9,999	7	0.40%	5,000-9,999	8	0.41%
ALABAMA POWER CO									
ELECTRIC	5,000-9,999	9	0.40%	5,000-9,999	10	0.40%	5,000-9,999	10	0.40%
UNIV OF AL IN BHAM MED CEN	-	-	-	-	-	-	-	-	-
U S POSTAL SERVICE	5,000-9,999	7	0.40%	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%
GOLD KIST INC	-	-	-	-	-	0.00%	-	-	-
WINN DIXIE MONTGOMERY	10,000-14,999	3	0.67%	10,000-14,999	3	0.67%	5,000-9,999	4	0.68%
REGIONS BANK	-	-	-	-	-	-	-	-	-
BRUNOS SUPERMARKETS INC	5,000-9,999	5	0.40%	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%
BELL SOUTH									
TELECOMMUNICATIONS	5,000-9,999	8	0.40%	5,000-9,999	9	0.40%	5,000-9,999	9	0.41%
RUSSELL CORPORATION	5,000-9,999	10	0.40%	5,000-9,999	8	0	5,000-9,999	3	0.68%
	75,000-129,990		5.74%	75,000-129,990		5.78%	75,000-129,990		6.14%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Industrial Relations - Labor Market Information Division

# STATE OF ALABAMA

## OPERATING INFORMATION

### State Government Employment by Function

Last Six Years

	<u>Fiscal Year</u>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Economic Development and Regulation	882	836	824	835	893	899
Education and Cultural Resources	1,210	1,117	1,104	1,086	1,092	1,111
Natural Resources and Recreation	1,378	1,460	1,383	1,486	1,575	1,622
Health-Physical and Mental	5,493	5,167	4,890	4,818	5,081	4,931
Social Services	6,163	6,277	6,313	6,323	6,488	6,768
Protection of Person and Property	8,057	7,842	7,733	7,590	7,583	7,395
Transportation	5,263	5,169	5,138	5,013	4,981	4,688
General Government	4,458	4,173	4,124	4,166	4,482	4,495
<b>Total Governmental Activities</b>	<b><u>32,904</u></b>	<b><u>32,041</u></b>	<b><u>31,509</u></b>	<b><u>31,317</u></b>	<b><u>32,175</u></b>	<b><u>31,909</u></b>
<b>Business-type Activities:</b>						
Alcoholic Beverage Control Board	895	851	778	753	746	760
State Port Authority	184	165	150	142	119	119
Alabama College System	1,885	1,792	1,766	1,796	1,750	1,702
<b>Total Business-Type Activities</b>	<b><u>2,964</u></b>	<b><u>2,808</u></b>	<b><u>2,694</u></b>	<b><u>2,691</u></b>	<b><u>2,615</u></b>	<b><u>2,581</u></b>
<b>Total Primary Government</b>	<b><u>35,868</u></b>	<b><u>34,849</u></b>	<b><u>34,203</u></b>	<b><u>34,008</u></b>	<b><u>34,790</u></b>	<b><u>34,490</u></b>

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



# STATE OF ALABAMA

## OPERATING INFORMATION

### Indicators of Demand or Level of Service

#### Last Two Fiscal Years

	<u>2007</u>	<u>2006</u>
<b>Economic Development and Regulation</b>		
Forestry Commission		
Acres managed	3,024,789	2,525,211
Number of fires	4,591	4,932
Average acres burned	16	15
<b>Educational and Cultural Resources</b>		
Education Department		
Teacher certificates issued	48,840	52,024
Process fingerprint cards for background checks	16,980	24,296
<b>Natural Resources and Recreation</b>		
Conservation and Natural Resources		
Number of guests to outdoor recreational sites	3,031,646	2,961,506
Acres of land managed	10,946	8,298
Number of registered boats	273,987	243,483
<b>Health - Physical and Mental</b>		
Public Health		
Number of lab tests	1,896,990	1,979,633
Vital records issued	584,475	501,984
Medicaid		
Citizens enrolled monthly	732,970	-
Claims processed monthly	4,819,280	-
<b>Social Services</b>		
Industrial Relations		
Employment Security claims	237,697	237,389
Number of employers	90,012	88,665
Individuals registered with employment services	292,335	310,470
Human Resources		
Number of visits to licensed child care centers	3,650	2,946
Child support caseload	228,019	229,078
Households receiving food assistance	226,855	209,316
Number of children under DHR care	6,929	6,929
Number of child abuse/neglect investigations	28,566	27,216
<b>Protection of Persons and Property</b>		
Department of Corrections		
Number of inmates	27,062	24,159
Public Safety		
Arrest tickets issued	407,289	324,627
Accidents investigated	31,939	36,147
Pardons and Paroles		
Number of board decisions	11,546	13,375
Number of offenders supervised	58,862	49,269
Forensic Sciences		
Number of death cases investigated	3,607	3,756
<b>Transportation</b>		
Transportation Department		
Roadway miles	11,235	10,846
Bridges	5,683	5,328
<b>General Government</b>		
Administrative Office of Courts		
Caseload	2,353,372	2,041,982

## STATE OF ALABAMA

## OPERATING INFORMATION

## Indicators of Volume, Usage, and Nature of Capital Assets

Last Four Fiscal Years

(Amounts In Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Economic Development and Regulation</b>				
Forestry Commission				
Buildings	142	142	142	142
Vehicles	397	326	322	307
Heavy Equipment	690	682	741	715
<b>Natural Resources and Recreation</b>				
Conservation and Natural Resources				
Buildings	631	611	609	604
Vehicles	759	689	672	645
Heavy Equipment	211	212	210	213
<b>Health - Physical and Mental</b>				
Environmental Management				
Vehicles	189	196	192	172
<b>Social Services</b>				
Human Resources				
Buildings	30	30	30	30
<b>Protection of Persons and Property</b>				
Agriculture and Industries				
Vehicles	233	236	222	186
Corrections				
Buildings	362	362	362	345
Vehicles	448	404	332	332
Military				
Buildings	642	688	688	688
Public Safety				
Vehicles	1,357	1,159	1,287	1,062
Youth Services				
Buildings	118	118	118	118
Vehicles	96	89	82	74
Pardons and Paroles				
Vehicles	262	252	248	211
<b>Transportation</b>				
Transportation				
Buildings	473	472	472	471
Vehicles	2,379	2,356	2,389	2,241
Heavy Equipment	1,127	1,130	1,184	1,138

Note: Agencies in the General Government, Educational and Cultural Resources, and Economic Development and Regulation functional areas are not capital asset intensive.