

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 21, 2011**

This document is "deemed final" by the Issuer as of its date for purposes of, and except for certain omissions permitted by, SEC Rule 15c2-12(b)(1).

**New and Refunding Issue - Book-Entry Only**

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2011B Bonds. Selected information is presented on this cover page for the convenience of the reader. *To make an informed decision, a prospective investor should read this Official Statement in its entirety.* Unless otherwise indicated, capitalized terms have the meanings given in Appendix D.

**\$238,770,000\***

**STATE OF FLORIDA**

**Full Faith and Credit**

**Department of Transportation**

**Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B**

**Dated:** Date of Delivery

**Due:** July 1, as shown on the inside front cover

**Bond Ratings**

\_\_\_ Standard & Poor's Ratings Services

\_\_\_ Moody's Investors Service

\_\_\_ Fitch Ratings

**Tax Status**

In the opinion of Bond Counsel, interest on the 2011B Bonds is excluded from gross income for federal income tax purposes. Interest on the 2011B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2011B Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2011B Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest income or profits on debt obligations owned by corporations, as defined therein. See "TAX MATTERS".

**Redemption**

All of the 2011B Bonds maturing on or after July 1, 2022, are subject to optional redemption. Certain of the 2011B Bonds may be subject to mandatory redemption, contingent upon the exercise of the Term Bonds option.

**Security**

The 2011B Bonds are payable primarily from Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes, and are additionally secured by the full faith and credit of the State of Florida.

**Lien Priority**

The lien of the 2011B Bonds on the Pledged Gas Taxes will be on a parity with the Outstanding Bonds and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2011B Bonds is \$2,119,980,000\*, including the principal amount of \$273,560,000\* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

**Additional Bonds**

Additional Bonds payable on a parity with the 2011B Bonds from the Pledged Gas Taxes may be issued if the Annual Debt Service for all Bonds does not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2011B BONDS - Additional Bonds" herein for more complete information.

**Purpose**

Proceeds will be used to finance the cost of acquiring real property or the rights to real property for State roads, as defined by law, or to finance the cost of State bridge construction, to refinance a portion of the outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002 and Series 2002A, and to pay certain costs of issuance.

**Interest Payment Dates**

January 1 and July 1, commencing July 1, 2012.

**Record Dates**

December 15 and June 15.

**Form/Denomination**

The 2011B Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of \$1,000 and integral multiples thereof. Purchasers of the 2011B Bonds will not receive physical delivery of the 2011B Bonds.

**Closing/Settlement**

It is anticipated that the 2011B Bonds will be available for delivery through the facilities of DTC in New York, New York approximately three weeks from the date bids are received.

**Bond Registrar/  
Paying Agent**

U.S. Bank Trust National Association, New York, New York.

**Bond Counsel**

Greenberg Traurig, P.A., Miami, Florida.

**Issuer Contact**

Division of Bond Finance, (850) 488-4782, bond@sbafla.com

**Maturity Structure**

The 2011B Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

\*Preliminary, subject to change.

## MATURITY STRUCTURE

<u>Initial CUSIP®</u>	<u>Due Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>First Optional Redemption Date and Price</u>
	July 1, 2012	\$650,000			-
	July 1, 2013	1,595,000			-
	July 1, 2014	1,675,000			-
	July 1, 2015	1,760,000			-
	July 1, 2016	1,845,000			-
	July 1, 2017	1,935,000			-
	July 1, 2018	2,035,000			-
	July 1, 2019	2,135,000			-
	July 1, 2020	2,245,000			-
	July 1, 2021	2,355,000			-
	July 1, 2022**	2,475,000			July 1, 2021 @ 100%
	July 1, 2023**	16,965,000			July 1, 2021 @ 100
	July 1, 2024**	14,820,000			July 1, 2021 @ 100
	July 1, 2025**	15,555,000			July 1, 2021 @ 100
	July 1, 2026**	16,335,000			July 1, 2021 @ 100
	July 1, 2027**	17,155,000			July 1, 2021 @ 100
	July 1, 2028**	18,015,000			July 1, 2021 @ 100
	July 1, 2029**	18,915,000			July 1, 2021 @ 100
	July 1, 2030**	19,860,000			July 1, 2021 @ 100
	July 1, 2031**	20,850,000			July 1, 2021 @ 100
	July 1, 2032**	12,955,000			July 1, 2021 @ 100
	July 1, 2033**	4,230,000			July 1, 2021 @ 100
	July 1, 2034**	4,440,000			July 1, 2021 @ 100
	July 1, 2035**	4,665,000			July 1, 2021 @ 100
	July 1, 2036**	4,895,000			July 1, 2021 @ 100
	July 1, 2037**	5,140,000			July 1, 2021 @ 100
	July 1, 2038**	5,400,000			July 1, 2021 @ 100
	July 1, 2039**	5,670,000			July 1, 2021 @ 100
	July 1, 2040**	5,950,000			July 1, 2021 @ 100
	July 1, 2041**	6,250,000			July 1, 2021 @ 100

**BIDS FOR THE 2011B BONDS WILL BE RECEIVED  
AS PROVIDED IN THE NOTICE OF BOND SALE**

\* Preliminary, subject to change.

\*\* Subject to Term Bonds option, pursuant to which the successful bidder may designate Term Bonds, in which case the amounts will be subject to retirement by mandatory redemption. See "REDEMPTION PROVISIONS - Mandatory Redemption."

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2011B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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## **STATE OFFICIALS**

### **GOVERNING BOARD OF THE DIVISION OF BOND FINANCE**

**GOVERNOR**  
**RICK SCOTT**  
*Chairman*

**ATTORNEY GENERAL**  
**PAM BONDI**  
*Secretary*

**CHIEF FINANCIAL OFFICER**  
**JEFF ATWATER**  
*Treasurer*

**COMMISSIONER OF AGRICULTURE**  
**ADAM H. PUTNAM**

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**J. BEN WATKINS III**  
*Director*  
*Division of Bond Finance*

**ANANTH PRASAD**  
*Secretary*  
*Department of Transportation*

**ASHBEL C. WILLIAMS**  
*Executive Director and CIO*  
*State Board of Administration of Florida*

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**BOND COUNSEL**  
Greenberg Traurig, P.A.  
Miami, Florida

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## **OFFICIAL STATEMENT**

**Relating to**

**\$238,770,000\***

**STATE OF FLORIDA**

**Full Faith and Credit**

**Department of Transportation**

**Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B**

*For definitions of capitalized terms not defined in the text hereof, see Appendix D.*

### **INTRODUCTION**

This Official Statement sets forth information relating to the sale and issuance of \$238,770,000\* State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B, dated the date of delivery thereof (the “2011B Bonds”), by the Division of Bond Finance of the State Board of Administration of Florida (the “Division of Bond Finance”).

Part of the proceeds of the 2011B Bonds (the “New Money Portion”) will be used to finance certain costs of acquiring real property or the rights to real property for State roads, as defined by law, or to finance certain costs of State bridge construction, purposes incidental to such property acquisition or State bridge construction. See “PURPOSE OF THE ISSUE - New Money Portion” below for more detailed information. Part of the proceeds of the 2011B Bonds (the “Refunding Portion”) will be used to refinance a portion of the Outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002 and Series 2002A (collectively, the “Refunded Bonds”). The refunding is being effectuated to achieve debt service savings due to lower interest rates. See “PURPOSE OF THE ISSUE - Refunding Portion” below for more detailed information.

The 2011B Bonds are payable primarily from the Pledged Gas Taxes, consisting of certain designated motor fuel and diesel fuel (formerly special fuel) taxes and are additionally secured by the full faith and credit of the State of Florida (the “State”). See “SECURITY FOR THE 2011B BONDS” below for more detailed information.

The 2011B Bonds will be on a parity as to lien and security for payment from the Pledged Gas Taxes with several series of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, issued since 2002 (the “Outstanding Bonds”), and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2011B Bonds is \$2,119,980,000\*, including the principal amount of \$273,560,000\* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

Requests for additional information may be made to:

Division of Bond Finance  
Phone: (850) 488-4782  
Fax: (850) 413-1315  
E-mail: [bond@sbafla.com](mailto:bond@sbafla.com)  
Mail: P. O. Box 13300  
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2011B Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

*End of Introduction*

## **AUTHORITY FOR ISSUANCE OF THE 2011B BONDS**

### **General Legal Authority**

The 2011B Bonds are being issued by the Division of Bond Finance on behalf of the Department of Transportation (the "Department") pursuant to Article VII, Section 17 of the Florida Constitution, the State Bond Act, Sections 206.46, 215.605, and 337.276, Florida Statutes, as amended, and other applicable provisions of law. Article VII, Section 17 of the Florida Constitution provides that, when authorized by law, bonds pledging the full faith and credit of the State may be issued to finance or refinance the acquisition of real property or rights to real property for road right-of-way, bridge construction and purposes incidental thereto. This section also provides that such bonds will be primarily payable from motor fuel or special fuel (called diesel fuel in the Florida Statutes) taxes, but not from the taxes defined in Section 9(c) of Article XII of the Florida Constitution. No election or approval of qualified electors is required for the issuance of the 2011B Bonds.

### **Division of Bond Finance**

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the "Governing Board") is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General, as Secretary, the Chief Financial Officer, as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance may serve as an assistant secretary of the Governing Board.

### **State Board of Administration of Florida**

The State Board of Administration of Florida (the "Board of Administration") was created under Article IV, Section 4, of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and succeeds to all the power, control and authority of the state board of administration established pursuant to Article IX, Section 16, of the Constitution of the State of Florida of 1885. It will continue as a body at least for the life of Article XII, Section 9(c) of the Florida Constitution. The Board of Administration is composed of the Governor, as Chairman, the Chief Financial Officer and the Attorney General. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. The Board of Administration also acts as the fiscal agent of the Department in administering the Sinking Fund and the Rebate Account.

### **Department of Transportation**

The Department, a State agency, operates under the Florida Transportation Code (see Section 334.01, Florida Statutes). The head of the Department is the Secretary of Transportation, nominated by the Florida Transportation Commission, appointed by the Governor and confirmed by the State Senate. The Department is a decentralized agency, with a Central Office, seven District Offices, the Florida Turnpike Enterprise and the Florida Rail Enterprise.

### **Administrative Approval**

The Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance, authorized the issuance and sale of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds (the "Bonds") by a resolution adopted on February 28, 1989, (as subsequently amended and supplemented, "the Resolution"). A resolution authorizing the issuance and sale of not exceeding \$310,000,000 of refunding Bonds, including the Refunding Portion, was adopted by the Governing Board of the Division of Bond Finance on November 9, 2010. A resolution authorizing the issuance and sale of the New Money Portion of the 2011B Bonds in an amount not exceeding \$100,000,000 was adopted by the Governing Board of the Division of Bond Finance on December 6, 2011.

By resolution adopted on April 4, 2011, the Department requested the Division of Bond Finance to issue refunding Bonds in an amount not exceeding \$310,000,000. By resolution adopted on December 2, 2011, the Department requested the Division of Bond Finance to issue the New Money Portion of the 2011B Bonds in an amount not exceeding \$100,000,000. Certain resolutions are attached as appendices.



By resolution adopted on December 6, 2011, the Board of Administration made the required determinations regarding the New Money Portion of the 2011B Bonds in the aggregate amount of \$100,000,000 and approved the new Money Portion of the 2011B Bonds as to fiscal sufficiency. By resolution adopted on November 9, 2010, the Board of Administration made the required determinations regarding the Refunding Portion of the 2011B Bonds in the aggregate amount of \$310,000,000 and approved the Refunding Portion of the 2011B Bonds as to fiscal sufficiency.

### **Validation of the New Money Portion of the 2011B Bonds**

The validation of the New Money Portion of the 2011B Bonds has been determined by Final Judgment of the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, rendered on August 27, 2009. The judgment became final when the time for filing an appeal expired with no appeal having been filed. The Refunding Portion of the 2011B Bonds is not required to be validated.

## **DESCRIPTION OF THE 2011B BONDS**

### **General**

The 2011B Bonds are full faith and credit obligations of the State issued in the name of the Department of Transportation.

The 2011B Bonds are being issued as fully registered bonds in the denomination of \$1,000 or integral multiples thereof. The 2011B Bonds are payable from the Pledged Revenues as described herein. The 2011B Bonds will be dated the date of delivery thereof, and will mature as set forth on the inside front cover. Interest is payable on July 1, 2012, for the period the date of delivery thereof to July 1, 2012, and semiannually thereafter on January 1 and July 1 of each year until maturity or redemption.

The 2011B Bonds will initially be issued exclusively in “book-entry” form. Ownership of one 2011B Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co.” as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2011B Bonds. Individual purchases of the 2011B Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2011B Bonds or any certificate representing their beneficial ownership interest in the 2011B Bonds. See Appendix N, “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS” for a description of DTC, certain responsibilities of DTC, the Department and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2011B Bonds if the book-entry only system of registration is discontinued.

## **REDEMPTION PROVISIONS**

### **Optional Redemption**

The 2011B Bonds maturing in the years 2012 through 2021, both inclusive, are not redeemable prior to their stated dates of maturity. The 2011B Bonds maturing in the year 2022 and thereafter (including any Term Bonds) are redeemable prior to their stated dates of maturity, without premium, at the option of the Division of Bond Finance, (i) in part, by maturities and/or Amortization Installments to be selected by the Division of Bond Finance, and by lot within a maturity and/or Amortization Installment if less than an entire maturity and/or Amortization Installment is to be redeemed, or (ii) as a whole, on July 1, 2021, or on any date thereafter, at the principal amount of the 2011B Bonds so redeemed, together with interest accrued to the date of redemption.

### **Mandatory Redemption**

The 2011B Bonds scheduled to mature in and after 2022 are subject to a special option which permits the successful bidder to specify that all the principal amount of the 2011B Bonds in any two or more consecutive years will, in lieu of maturing in each of such years, be considered to comprise a single maturity of such 2011B Bonds (a “Term Bond”) scheduled to mature in the latest of such years and be subject to mandatory redemption from the Amortization Account in the Sinking Fund in the principal amounts set forth on the inside front cover. The successful bidder may exercise the above

option one or more times. The final Official Statement will reflect which 2011B Bonds, if any, will be Term Bonds subject to mandatory redemption by completion of the following paragraph and amortization table for each Term Bond:

The 2011B Bonds maturing on July 1, 20\_\_ (the “20\_\_ Term Bonds”), are subject to mandatory redemption in part, by lot at par, on July 1, 20\_\_, and on each July 1 thereafter to and including July 1, 20\_\_, at the principal amount of the 20\_\_ Term Bonds to be redeemed, without premium, plus accrued interest, from Amortization Installments in the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
	\$		\$

The Board of Administration may, at any time on or prior to 60 days before the mandatory redemption date, use moneys in the Sinking Fund for payment of an Amortization Installment to purchase Term Bonds at prices not greater than their redemption price on the next redemption date. The principal amount of Term Bonds so purchased or called for redemption will be credited to the remaining Amortization Installments in order of their due dates.

### **Notice of Redemption**

All notices of redemption of 2011B Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access System (“EMMA”), and will be mailed at least 30 days prior to the date of redemption to Registered Owners of the 2011B Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2011B Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2011B Bonds so called for redemption will cease to accrue on the redemption date.

Failure to give any required notice of redemption as to any particular 2011B Bonds will not affect the validity of the call for redemption of any 2011B Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

## **PURPOSE OF THE ISSUE**

### **New Money Portion**

The proceeds from the New Money Portion of the 2011B Bonds will be used to finance certain costs of acquisition of real property and the rights to real property for State roads as defined by law, or State bridge construction, purposes incidental to such property acquisition or State bridge construction, and to pay certain costs of issuance.

### **Refunding Portion**

The Refunding Portion of the 2011B Bonds, together with other legally available moneys, will be used to refund the previously issued State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002 maturing in the years 2023\* through 2031\*, inclusive, and a portion of the Series 2002A maturing in the years 2023\* through 2032\*, inclusive, in the combined aggregate outstanding principal amount of \$152,425,000\* (the “Refunded Bonds”), and to pay costs of issuance. This refunding is being effectuated to achieve debt service savings.

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\* Preliminary, subject to change.

Simultaneously with the delivery of the 2011B Bonds, an agreement will be entered into to provide for the investment of the proceeds of the 2011B Bonds and other moneys, and the Division of Bond Finance will cause a portion of the proceeds of the 2011B Bonds, along with other legally available moneys, to be deposited in the State Treasury investment pool, a fund held and invested by the State Treasurer of Florida. The amount initially deposited, together with interest thereon, is expected to be sufficient to make all payments with respect to the Refunded Bonds. The Refunded Bonds will be economically defeased only; they will not be legally defeased but will remain Outstanding and will continue to be secured by the Pledged Revenues until redeemed.

The Refunded Bonds will be called for redemption by separate redemption notice on July 1, 2012 at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date, plus the required redemption premium equal to one percent of the principal amount.

### **Estimated Sources and Uses of Funds**

The table below presents the estimated sources and uses of funds based upon certain assumptions as to interest rates, costs of issuance and the purchase price of the 2011B Bonds, which will be determined upon the actual pricing of the 2011B Bonds.

#### **Sources:**

Par Amount of 2011B Bonds .....	\$238,770,000
Plus: Premium Bid <sup>1</sup> .....	29,967,028
Available Sinking Fund moneys .....	<u>629,581</u>
Total Sources .....	<u><u>\$269,366,609</u></u>

#### **Uses:**

Deposit to 2011B Bond Proceeds Account .....	\$111,248,924
Deposit of Refunding Proceeds .....	157,732,738
Cost of Issuance .....	<u>384,947</u>
Total Uses .....	<u><u>\$269,366,609</u></u>

<sup>1</sup> Estimated original issue premium net of underwriter's discount.

### **Application of 2011B Bond Proceeds**

Upon receipt of the proceeds of the sale of the 2011B Bonds, and after reserving an amount sufficient to pay all Bond issuance costs, the remainder of the 2011B Bond proceeds will be allocated as follows:

An amount equal to accrued interest, if any, on the 2011B Bonds will be deposited in the Interest Account to be used only for the purpose of paying the interest which thereafter becomes due on the Series 2011B Bonds.

The Refunding Portion will be transferred to the Board of Administration for deposit into the Escrow Deposit Trust Fund to be applied as described under the heading "PURPOSE OF THE ISSUE - Refunding Portion" above.

The New Money Portion will be deposited in the Bond Proceeds Account established by and applied pursuant to Section 4.04 of the Resolution.

The Bond Proceeds Account will be used only for payment of the Costs of the Projects. Moneys in the Bond Proceeds Account, until applied in payment of any item of the Cost of a Project in the manner described in the Resolution, will be held in trust and will be subject to a lien and charge in favor of the Holders of the 2011B Bonds and for the further security of such Holders. The amounts required to be paid by the provisions of the Resolution will be paid into the Bond Proceeds Account. Separate subaccounts will be established within the Bond Proceeds Account from the proceeds of each Series of Bonds.

Notwithstanding any other provisions of the Resolution, to the extent that other moneys are not available, amounts in the Bond Proceeds Account will be applied to the payment of principal and interest on Bonds when due.

Unencumbered funds remaining in the Bond Proceeds Account after completion of the Project for which a Series of Bonds was issued will be deposited in the following order of priority into (1) another subaccount of the Bond Proceeds Account for which the Authorized Officer of the Department has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, and (3) such other fund or account established under the Resolution as will be determined by the Board of Administration, provided the Board of Administration has received an opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation. See "SECURITY FOR THE SERIES 2011B BONDS - Reserve Account" below. See "MISCELLANEOUS - Investment of Funds" herein for policies governing the investment of various funds.

### **SECURITY FOR THE 2011B BONDS**

The 2011B Bonds are payable primarily from and are secured by the Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund (the "STTF") and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund, and are additionally secured by the full faith and credit of the State. The 2011B Bonds are payable and secured on a parity with several series of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2011B Bonds is \$2,119,980,000\*, including the principal amount of \$273,560,000\* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

No Holders of the 2011B Bonds will be entitled to require the payment of the principal of or interest on the 2011B Bonds from any funds of the State, the Department of Transportation, or any other political subdivision or agency of said State, except from the Pledged Gas Taxes pledged for the payment thereof and moneys appropriated for such purpose pursuant to the pledge of the full faith and credit of the State.

#### **Pledged Gas Taxes**

Article VII, Section 17 of the Florida Constitution provides that bonds issued to finance or refinance the acquisition of real property or right-of-way for State roads and State bridge construction are to be secured by and payable from motor fuel or special fuel (now called diesel fuel) taxes, as provided by law, except those taxes defined in Article XII, Section 9(c) of the Florida Constitution. The Pledged Gas Taxes consist primarily of motor fuel and diesel fuel sales taxes levied pursuant to Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes, transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund.

Pursuant to Section 206.46(2), Florida Statutes, in each Fiscal Year a maximum of 7% of the revenues deposited into the State Transportation Trust Fund, payable from motor fuel and diesel fuel sales taxes, is transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund as needed to meet the debt service requirements on Outstanding Bonds. Notwithstanding the 7% annual transfer of funds authorized, revenues transferred shall not exceed the greater of an amount necessary to provide the required debt service coverage levels for annual debt service or \$275 million. The limits on the transfer of funds for such purpose have been increased by the Legislature from time to time. See "HISTORY OF MOTOR AND DIESEL FUEL (FORMERLY SPECIAL FUEL) TAX RATES AND DISTRIBUTION" herein.

The Resolution provides that payment of the principal (including Amortization Installments, if any) of and interest on all of the Bonds issued thereunder, including any Additional Bonds, will be secured equally and ratably by a lien on the Pledged Gas Taxes and that all such Pledged Gas Taxes are irrevocably pledged to the payment of the principal of and interest on the Bonds. See "PLEDGED GAS TAXES AND DEBT SERVICE COVERAGE" below.

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\* Preliminary, subject to change.

## **Full Faith and Credit of the State**

The 2011B Bonds are additionally secured by a pledge of the full faith and credit of the State, and the State is unconditionally and irrevocably required to make all payments of the principal of and interest on the 2011B Bonds as the same mature and become due to the full extent that the Pledged Gas Taxes on deposit in the Sinking Fund are insufficient for such payments.

The Florida Constitution requires the Legislature to appropriate moneys sufficient to pay debt service on bonds pledging the full faith and credit of the State as the same become due. All State tax revenues, other than trust funds dedicated by the Florida Constitution for other purposes, would be available for such an appropriation, if required. Amounts of such State tax revenues in recent years are shown in Appendices A and B. See "RECENT STATE FINANCIAL DEVELOPMENTS" below.

## **Reserve Account**

The Resolution establishes a Reserve Account and subaccounts therein for individual series of Bonds to be funded at the discretion of the Division of Bond Finance. There are no funded subaccounts for any of the Outstanding Series of Bonds and the Division of Bond Finance has determined that there will be no funded subaccount for the 2011B Bonds.

## **Flow of Funds**

*Collection of Gas Tax Funds.* Pledged Gas Taxes consist of those motor fuel and diesel fuel taxes transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund.

The Department makes monthly transfers from the Trust Fund to the Board of Administration for deposit into the Debt Service Fund.

### *Application of Gas Tax Funds.*

(A) All revenues in the Debt Service Fund will be applied in the following manner and order of priority:

- (1) to the Board of Administration for deposit to the Interest Account to pay interest on the Bonds;
- (2) to the Board of Administration for deposit to the Principal Account to pay the principal of the Bonds;
- (3) to the Board of Administration for deposit to the Bond Amortization Account for Amortization Installments on the Bonds Outstanding, such payments to be on a parity with payments to the Principal Account;
- (4) to the Board of Administration to each subaccount of the Reserve Account, if any, a sum if necessary to immediately restore any funds on deposit in each subaccount (No funded Reserve Subaccounts exist or are anticipated to be created. See "Reserve Account" above);
- (5) for reimbursement to the State if moneys from its General Revenue Fund were used to satisfy debt service on the Bonds;
- (6) moneys remaining after the required payments and deposits may be used for right-of-way acquisition or bridge construction, as provided by law.

See "MISCELLANEOUS - Investment of Funds" for policies governing the investment of various funds.

## **Additional Bonds**

The Resolution provides that no Additional Bonds, payable on a parity with the Bonds then Outstanding, will be issued except upon the conditions and in the manner therein provided. The Division of Bond Finance may issue Additional Bonds in accordance with the Act for the following purposes: financing the cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds.

The Act and the Resolution provide that no Additional Bonds will be issued unless the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, will not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service in any fiscal year. No Additional Bonds will be issued under the Resolution if any Event of Default will have occurred and continues thereunder. Additional Bonds, including the 2011B Bonds, will be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith) will be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Resolution. Except as provided in the Resolution, all Bonds, regardless of the time or times of their issuance, will rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

## **Future Financings**

Based upon the current work plan and economic conditions, the Department tentatively plans to issue \$670 million of Additional Bonds in various series over the next six years. The actual timing and amounts of these issues will be determined by the Department based upon the need for proceeds. The need for proceeds is based upon various factors including availability of revenues, current economic conditions and prevailing interest rates, all of which are continuously monitored by the Department to evaluate the need for revisions to the work plan. It is anticipated that issuance of the \$670 million in Additional Bonds during the next six years will generate maximum annual debt service of \$189 million in Fiscal Year 2020-21, assuming the Refunded Bonds are called for redemption on July 1, 2012, which is below the allowable maximum annual debt service of \$275 million; if the Refunded Bonds were treated as outstanding the maximum annual debt service would be \$212 million. **The projections are based on the best information available when the estimates are made, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

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## PLEDGED GAS TAXES AND DEBT SERVICE COVERAGE

### Levy of Motor Fuel and Diesel Fuel Sales Taxes

Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes, impose fuel sales taxes on the sale of motor fuel and diesel fuel (formerly “special fuel”), respectively. For purposes of Chapter 206, Florida Statutes, motor fuel is defined to mean all gasoline products or any product blended with gasoline or any fuel placed in the storage supply tank of a gasoline-powered motor vehicle. Diesel fuel is defined to mean all petroleum distillates commonly known as diesel #2, biodiesel, or any other product blended with diesel or any product placed into the storage supply tank of a diesel-powered motor vehicle.

Each year the Department of Revenue is required to determine the tax rate applicable to the sale of motor and diesel fuel for the forthcoming 12-month period beginning January 1, rounded to the nearest tenth of a cent, by adjusting an initially established tax rate of six and nine-tenth cents per gallon by the percentage change in the average of the Consumer Price Index for the most recent 12-month period ending September 30, compared to the base year average, which is the average for the 12-month period ending September 30, 1989. By statute, the tax rate may not be lower than six and nine-tenth cents per gallon. The Department of Revenue has determined that the sales tax on motor fuel and diesel fuel will be twelve and six-tenths cents per gallon for the period of January 1, 2012, to December 31, 2012.

The table below shows the sales tax rates and the gallons of motor fuel and diesel fuel sold in Florida.

**State of Florida**  
**Historical Motor Fuel and Diesel Fuel Sales Tax Rates and Consumption**

<u>Fiscal</u> <u>Year</u>	<u>Fuel Sales Tax Rate<sup>1,2</sup></u> <u>(cents per gallon)</u>	<u>Consumption (gallons in millions)</u>		
		<u>Motor Fuel</u>	<u>Diesel Fuel</u>	<u>Total</u>
2000-01	9.3 & 9.6	7,614.9	1,300.5	8,915.4
2001-02	9.6 & 9.9	7,835.9	1,330.6	9,166.5
2002-03	9.9 & 10.1	8,031.4	1,367.9	9,399.3
2003-04	10.1 & 10.3	8,348.9	1,474.5	9,823.4
2004-05	10.3 & 10.5	8,633.6	1,646.6	10,280.2
2005-06	10.5 & 10.9	8,648.2	1,809.3	10,457.5
2006-07	10.9 & 11.3	8,644.1	1,770.7	10,414.8
2007-08	11.3 & 11.6	8,440.1	1,639.0	10,079.1
2008-09	11.6 & 12.1	8,187.2	1,436.8	9,624.0
2009-10	12.1 & 12.0	8,248.7	1,356.8	9,605.6
2010-11	12.0 & 12.2	8,218.2	1,392.5	9,610.7

Source: State of Florida Department of Revenue.

<sup>1</sup> Includes only the motor fuel and diesel fuel sales taxes levied pursuant to Subsections 206.41(1)(g) and 206.87(1)(e), Florida Statutes. State law also imposes various other fuel taxes upon the sale of motor and diesel fuels. Although certain of these other fuel taxes are deposited into the Fuel Tax Collection Trust Fund or the State Transportation Trust Fund, they are not transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund from which debt service on the 2011B Bonds will be paid.

<sup>2</sup> Two rates are shown for each Fiscal Year because the annual rate adjustment that is made to reflect the change in the Consumer Price Index is made on January 1 of each year.

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The table below shows the latest projections of motor fuel and diesel fuel sales tax rates and consumption.

**State of Florida  
Projected Motor Fuel and Diesel Fuel Sales Tax Rates and Consumption<sup>1</sup>**

<b>Fiscal Year</b>	<b>Fuel Sales Tax Rate (cents per gallon)<sup>2,3</sup></b>	<b>Consumption (gallons in millions)</b>
2011-12	12.2 & 12.5	9,418.0
2012-13	12.5 & 12.8	9,576.7
2013-14	12.8 & 13.1	9,791.1
2014-15	13.1 & 13.3	10,049.0
2015-16	13.3 & 13.6	10,327.9
2016-17	13.6 & 13.9	10,558.7
2017-18	13.9 & 14.2	10,770.6
2018-19	14.2 & 14.4	10,972.4
2019-20	14.4 & 14.7	11,166.9
2020-21	14.7 & 15.0	11,355.9

Source: Florida Consensus Estimating Conference on Transportation Revenues, October, 2011.

<sup>1</sup> The projected fuel sales taxes and other STTF revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see “STATE FINANCIAL OPERATIONS - Budgetary Process” in Appendix A for a description of the conference). **The projections are based on the best information available when the estimates are made, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

<sup>2</sup> This rate includes only the motor fuel and diesel fuel sales tax levied pursuant to Subsections 206.41(1)(g) and 206.87(1)(e), Florida Statutes.

<sup>3</sup> Two rates are shown for each Fiscal Year because the annual rate adjustment that is made to reflect the change in the Consumer Price Index is made on January 1 of each year.

### **Collection and Distribution of Motor Fuel and Diesel Fuel Sales Taxes**

Motor fuel and diesel fuel sales taxes deposited to the Fuel Collection Trust Fund are distributed monthly to the State Transportation Trust Fund (“STTF”) after deducting administrative costs, refunds, and other distributions. Since July 2000, the motor fuel and diesel fuel sales taxes so deposited have not been subject to the service charges (totaling 7.3%) which were previously charged.

Subsection 206.41(4), Florida Statutes, provides for certain refunds or credits of the motor and diesel fuel sales taxes for the purposes described generally as follows: (1) for fuel used for local mass transit operations; (2) for fuel used by municipalities and counties; (3) for fuel used by school districts and nonpublic schools; and (4) for agricultural, aquacultural, commercial fishing, or commercial aviation purposes. Section 213.055, Florida Statutes, also provides for the refund of state and local taxes on motor and diesel fuel in certain cases during a declared State emergency.

Subsection 206.606(1), Florida Statutes, provides for distribution of specified amounts of motor fuel and diesel fuel sales taxes to various state trust funds, including the Invasive Plant Control Trust Fund, the State Game Trust Fund, the Agricultural Emergency Eradication Trust Fund and the Marine Resources Conservation Trust Fund, and provides for the deduction of administrative costs of up to 2% of collections.

Transfers of motor fuel and diesel fuel sales tax collections to the STTF grew from \$803 million in Fiscal Year 2001 to \$1.1 billion in Fiscal Year 2007 as tax rates and fuel consumption increased. Beginning in Fiscal Year 2007, consumption of motor and diesel fuel began to decline, followed by declines in motor and diesel fuel sales tax collections beginning in Fiscal Year 2008. Consumption and the amount of motor fuel and diesel fuel taxes collected are impacted by economic factors including lower numbers of registered vehicles, flat population growth, high unemployment, decreased tourism and decreased construction in the State. Motor fuel and diesel fuel consumption continue to decline with positive growth projected to return slowly over the next few years.



The table below shows historical collections of motor and diesel fuel sales taxes after the deductions described above, resulting in net deposits to the State Transportation Trust Fund.

**State of Florida**  
**Historical Motor Fuel and Diesel Fuel Sales Tax**  
**Collections and Distributions**  
**Accrual Basis<sup>1</sup>**

<b>Fiscal Year</b>	<b>Motor &amp; Diesel Fuel Sales Tax Collections</b>	<b>Deductions</b>	<b>Total Transferred to the STTF</b>	<b>Percentage Change</b>
2000-01 <sup>2</sup>	\$849,191,223	\$46,236,026 <sup>2</sup>	\$802,955,197	10.41%
2001-02	900,827,192	41,904,211	858,922,981	6.97
2002-03	946,516,959	45,242,765	901,274,194	4.93
2003-04	1,018,631,016	48,563,874	970,067,143	7.63
2004-05 <sup>3</sup>	1,025,838,063	47,341,126	978,496,937	0.87
2005-06	1,140,479,180	61,081,663 <sup>4</sup>	1,079,397,517	10.31
2006-07	1,176,146,178	63,060,724	1,113,085,454	3.12
2007-08	1,174,241,074	71,274,608	1,102,966,466	(0.91)
2008-09	1,158,232,973	67,019,229	1,091,213,744	(1.07)
2009-10	1,178,458,421	74,190,746	1,104,267,676	1.20
2010-11	1,176,565,161	69,992,198	1,107,572,964	0.30

Source: State of Florida Department of Revenue.

<sup>1</sup> This table shows the motor fuel taxes collected pursuant to Section 206.41(1)(g), and the diesel fuel taxes collected pursuant to Section 206.87(1)(e), Florida Statutes, deposited into the Fuel Tax Collection Trust Fund and subsequently transferred to the State Transportation Trust Fund. These figures represent actual distributions after all adjusting entries have been made at the end of each fiscal year.

<sup>2</sup> A portion of the increase in net deposits to the STTF for Fiscal Year 2000-2001 is attributable to the elimination of the 7.3% service charges effective July 1, 2000.

<sup>3</sup> As a result of legislation during the 2004 Legislative session, motor fuel taxes in Florida were reduced by 8 cents per gallon from August 1, 2004 through August 31, 2004. Diesel fuel tax rates did not change. The reduction in motor fuel taxes equaled \$60.6 million during this period; an appropriation of \$58 million was made from the General Revenue Fund to the State Transportation Trust Fund to compensate for the reduction in revenues.

<sup>4</sup> An additional distribution of a portion of the motor fuel tax collections to the Marine Resource Conservation Trust Fund pursuant to Chapter 206.606(1), Florida Statutes, began in Fiscal Year 2003-04.

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The table below shows the forecast of motor and diesel fuel sales taxes and other State revenues which fund the State Transportation Trust Fund, as well as their respective percentage of total State Transportation Trust Fund revenues. Total State Transportation Trust Fund Revenues are used in calculating the maximum transfer for debt service in accordance with Section 206.46(2), Florida Statutes. See “SECURITY FOR THE 2011B BONDS -Pledged Gas Taxes” above.

**State of Florida**  
**Projected Motor Fuel and Diesel Fuel Sales Tax and Other STTF State Revenues**

<b>Fiscal Year</b>	<b>STTF State Revenues<sup>1</sup></b>				
	<b>Motor and Diesel Fuel Sales Tax (millions)</b>	<b>Percent of Total STTF Revenues</b>	<b>Other State Revenues (millions)<sup>2</sup></b>	<b>Percent of Total STTF Revenues</b>	<b>Total STTF Revenues (millions)</b>
2011-12	\$1,094.1	41%	\$1,601.8	59%	\$2,695.9
2012-13	1,135.5	41%	1,644.6	59%	2,780.1
2013-14	1,189.9	40%	1,822.0	60%	3,011.9
2014-15	1,248.2	40%	1,899.4	60%	3,147.6
2015-16	1,306.9	40%	1,992.2	60%	3,299.1
2016-17	1,367.5	40%	2,083.7	60%	3,451.2
2017-18	1,426.9	40%	2,163.4	60%	3,590.3
2018-19	1,482.5	40%	2,235.5	60%	3,718.0
2019-20	1,534.5	40%	2,314.0	60%	3,848.5
2020-21	1,594.0	40%	2,378.2	60%	3,972.2

Source: Florida Consensus Estimating Conferences on Transportation and Documentary Stamp Tax Revenues held in October, 2011.

<sup>1</sup> The projected fuel sales taxes and other STTF revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see “State Financial Operations - Budgetary Process” in Appendix A for a description of the conference). **The projections are based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

<sup>2</sup> Includes all State revenues deposited to the State Transportation Trust Fund (except motor fuel and diesel fuel sales taxes levied pursuant to Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes), including documentary stamp tax revenues distributed to the State Transportation Trust Fund pursuant to Section 201.15(1)(c), Florida Statutes. Such moneys are not pledged to pay debt service on the 2011B Bonds.

**Historical and Pro Forma Debt Service Coverage**

The following table shows the historical debt service coverage for Outstanding Bonds.

**State of Florida**  
**Historical Debt Service Coverage**  
**Right-of-Way Acquisition and Bridge Construction Bonds**

<b>Fiscal Year</b>	<b>Motor Fuel and Diesel Fuel Sales Tax</b>	<b>Actual Debt Service<sup>2</sup></b>	<b>Debt Service Coverage</b>
	<b>Transferred to STTF<sup>1</sup></b>		
2005-06	\$1,079,397,517	\$122,233,684	8.83x
2006-07	1,113,085,454	120,096,136	9.27x
2007-08	1,102,966,466	124,446,825	8.86x
2008-09	1,091,213,744	130,721,359	8.35x
2009-10	1,104,267,676	134,261,668	8.22x
2010-11	1,107,572,964	142,306,522 <sup>3</sup>	7.78x

<sup>1</sup> These amounts indicate the distribution made to the State Transportation Trust Fund, as provided by the State of Florida Department of Revenue.

<sup>2</sup> Source: State Board of Administration of Florida Annual Reports for Fiscal Years 2006 through 2010.

<sup>3</sup> Includes \$2,047,807.65 of accrued debt service on the previously refunded 2002 and 2002A Bonds.

The following table shows the pro forma debt service coverage for the Outstanding Bonds and the 2011B Bonds, as well as the projected coverage on the currently allowed maximum amount of debt service.

**State of Florida**  
**Pro Forma Debt Service Coverage**  
**Right-of-Way Acquisition and Bridge Construction Bonds**  
**Current and Next Nine Years**

<b>Fiscal Year</b>	<b>Projected Motor &amp; Diesel Fuel Sales Tax Available for Debt Service<sup>1, 2</sup> (000's)</b>	<b>Estimated Debt Service<sup>3</sup> (000's)</b>	<b>Pro Forma Debt Service Coverage<sup>4</sup></b>	<b>Maximum Allowable Debt Service<sup>5</sup> (000's)</b>	<b>Pro Forma Debt Service Coverage<sup>6</sup></b>
2011-12	\$1,094,100	\$140,973	7.76x	\$188.71	5.80x
2012-13	1,135,500	147,380	7.70x	194.61	5.83x
2013-14	1,189,900	147,354	8.08x	210.83	5.64x
2014-15	1,248,200	147,419	8.47x	220.33	5.67x
2015-16	1,306,900	147,403	8.87x	230.94	5.66x
2016-17	1,367,500	147,456	9.27x	241.58	5.66x
2017-18	1,426,900	147,518	9.67x	251.32	5.68x
2018-19	1,482,500	147,438	10.06x	260.26	5.70x
2019-20	1,534,500	147,539	10.40x	269.40	5.70x
2020-21	1,594,000	147,534	10.80x	275.00	5.80x

<sup>1</sup> The projected fuel sales taxes are as adopted by the Florida Consensus Estimating Conference on Transportation Revenues, October 2011, and are rounded to the nearest hundred thousand dollars.

<sup>2</sup> The projected fuel sales taxes and other STTF state revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see "State Financial Operations - Budgetary Process" in Appendix A for a description of the conference). **The projections are based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

<sup>3</sup> Excludes debt service of approximately \$13.7 million in 2011-12 and \$23.3 million annually in 2012-13 through 2022-23, \$20.1 million annually in 2023-24 through 2030-31 and \$10.2 million in 2031-32 for the 2002 and 2002A Bonds which either were or will be refunded by the 2011A and 2011B Bonds and will be called for redemption on July 1, 2012. The Refunded Bonds are not anticipated to be legally defeased.

<sup>4</sup> Coverage has been calculated by dividing the amount of Projected Motor and Diesel Fuel Sales Tax Available for Debt Service by the Estimated Debt Service. The Pro Forma Debt Service Coverage on Estimated Debt Service on Outstanding Bonds and 2011B Bonds would total 7.37x, 7.33x, 7.68x, 8.05x, 8.43x, 8.82x, 9.20x, 9.56x, 9.89x, and 10.28x for Fiscal Years 2011-12 through 2020-2021, respectively, if debt service on the refunded Series 2002 and 2002A Bonds is included in Estimated Debt Service.

<sup>5</sup> Under current statutory provisions, a maximum of 7% of STTF revenues are transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund for payment of annual debt service, not to exceed \$275 million.

<sup>6</sup> Coverage has been calculated by dividing the amount of Projected Motor and Diesel Fuel Sales Tax Available for Debt Service by Maximum Allowable Debt Service.

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## SCHEDULE OF ESTIMATED DEBT SERVICE

The following table shows the debt service on the Outstanding Right-of-Way Acquisition and Bridge Construction Bonds which will be Outstanding subsequent to the refunding accomplished with the proceeds of the 2011B Bonds, the estimated debt service on the 2011B Bonds and estimated total debt service. Payments due on July 1 are deemed to accrue in the preceding Fiscal Year.

Fiscal Year Ended	Outstanding	Series 2011B Estimated Debt Service <sup>3</sup>			Total
June 30	Debt Service <sup>1,2</sup>	Principal	Interest	Total	Estimated Debt Service <sup>2</sup>
2012	\$135,348,106	\$650,000	\$4,974,534	\$5,624,534	\$140,972,640
2013	133,879,303	1,595,000	11,906,000	13,501,000	147,380,303
2014	133,852,440	1,675,000	11,826,250	13,501,250	147,353,690
2015	133,916,859	1,760,000	11,742,500	13,502,500	147,419,359
2016	133,903,903	1,845,000	11,654,500	13,499,500	147,403,403
2017	133,959,153	1,935,000	11,562,250	13,497,250	147,456,403
2018	134,017,178	2,035,000	11,465,500	13,500,500	147,517,678
2019	133,939,615	2,135,000	11,363,750	13,498,750	147,438,365
2020	134,036,884	2,245,000	11,257,000	13,502,000	147,538,884
2021	134,033,753	2,355,000	11,144,750	13,499,750	147,533,503
2022	130,696,765	2,475,000	11,027,000	13,502,000	144,198,765
2023	116,119,260	16,965,000	10,903,250	27,868,250	143,987,510
2024	115,338,583	14,820,000	10,055,000	24,875,000	140,213,583
2025	104,946,195	15,555,000	9,314,000	24,869,000	129,815,195
2026	104,985,613	16,335,000	8,536,250	24,871,250	129,856,863
2027	95,337,669	17,155,000	7,719,500	24,874,500	120,212,169
2028	73,485,456	18,015,000	6,861,750	24,876,750	98,362,206
2029	64,959,588	18,915,000	5,961,000	24,876,000	89,835,588
2030	64,931,125	19,860,000	5,015,250	24,875,250	89,806,375
2031	64,890,550	20,850,000	4,022,250	24,872,250	89,762,800
2032	64,854,163	12,955,000	2,979,750	15,934,750	80,788,913
2033	62,130,675	4,230,000	2,332,000	6,562,000	68,692,675
2034	42,653,050	4,440,000	2,120,500	6,560,500	49,213,550
2035	23,023,988	4,665,000	1,898,500	6,563,500	29,587,488
2036	22,982,950	4,895,000	1,665,250	6,560,250	29,543,200
2037	22,939,888	5,140,000	1,420,500	6,560,500	29,500,388
2038	12,987,500	5,400,000	1,163,500	6,563,500	19,551,000
2039	12,988,500	5,670,000	893,500	6,563,500	19,552,000
2040	-	5,950,000	610,000	6,560,000	6,560,000
2041	-	6,250,000	312,500	6,562,500	6,562,500
	<u>\$2,541,138,706</u>	<u>\$238,770,000</u>	<u>\$203,708,284</u>	<u>\$442,478,284</u>	<u>\$2,970,494,490</u>

<sup>1</sup> The 2011B Bonds are issued on a parity as to lien and security for payment from the Pledged Gas Taxes with the Outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2002 through Series 2011A.

<sup>2</sup> Excludes debt service of approximately \$13.7 million in 2012, \$23.3 million annually in 2013-2023, \$20.1 million annually in 2024-2031 and \$10.2 million in 2032, for the 2002 and 2002A Bonds which either were or will be refunded by the 2011A and 2011B Bonds and will be called for redemption on July 1, 2012. The Refunded Bonds are not anticipated to be legally defeased.

<sup>3</sup> Preliminary, subject to change.

<sup>4</sup> Includes approximately \$630,000 in accrued debt service on the Refunded Bonds that will be paid from escrow.

Note: Numbers may not add due to rounding.

## **PROVISIONS OF STATE LAW**

### **Bonds Legal Investment for Fiduciaries**

The State Bond Act provides that all bonds issued by the Division of Bond Finance are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

### **Negotiability**

The 2011B Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

## **TAX MATTERS**

### **General**

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Division of Bond Finance, the Board of Administration and the Department must continue to meet after the issuance of the 2011B Bonds in order that interest on the 2011B Bonds not be included in gross income for federal income tax purposes. The failure by the Division of Bond Finance, the Board of Administration or the Department to meet these requirements may cause interest on the 2011B Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Division of Bond Finance, the Board of Administration and the Department have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the 2011B Bonds from gross income for federal income tax purposes.

In the opinion of Bond Counsel, assuming continuing compliance by the Division of Bond Finance, the Board of Administration and the Department with the tax covenant referred to above, under existing statutes, regulations, rulings and court decisions interest on the 2011B Bonds is excluded from gross income for federal income tax purposes. Interest on the 2011B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2011B Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that the 2011B Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Except as described herein, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the 2011B Bonds. Prospective purchasers of 2011B Bonds should be aware that the ownership of 2011B Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2011B Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a 2011B Bond, (ii) the reduction of loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2011B Bonds, (iii) the inclusion of interest on the 2011B Bonds in the effectively connected earnings and profits (with adjustments) of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the 2011B Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2011B Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits.

### **Original Issue Premium and Discount**

The 2011B Bonds maturing on July 1 in the years \_\_\_\_\_ (the "Noncallable Premium Bonds") and the 2011B Bonds maturing on July 1, \_\_\_\_\_ (the "Callable Premium Bonds") were sold at a price in excess of the amount payable at maturity in the case of the Noncallable Premium Bonds or their earlier call date in the case of the Callable

Premium Bonds. Under the Code, the difference between the amount payable at maturity of the Noncallable Premium Bonds and the tax basis to the purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (other than a purchaser who holds a Noncallable or Callable Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is “bond premium”. Bond premium is amortized for federal income tax purposes over the term of a Noncallable Premium Bond and over the period to the call date of a Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond. A purchaser of a Noncallable or Callable Premium Bond is required to decrease his adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year is determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Noncallable or Callable Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Noncallable or Callable Premium Bonds and with respect to the state and local consequences of owning and disposing of Noncallable or Callable Premium Bonds.

Under the Code, the difference between the principal amount of the 2011B Bonds maturing July 1 in the years \_\_\_\_\_ (the “Discount Bonds”) and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount. Original issue discount represents interest which is excluded from gross income to the same extent, and subject to the same considerations discussed above, as other interest on the 2011B Bonds. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded actuarially. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the cover page of the Official Statement for the Bonds will be treated as receiving an amount of interest excludable from gross income equal to the original issue discount accruing during the period he holds the Discount Bond, and will increase his adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Discount Bonds, which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

**Information Reporting and Backup Withholding.** Interest paid on tax-exempt bonds such as the 2011B Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2011B Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2011B Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the 2011B Bonds and proceeds from the sale of 2011B Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2011B Bonds. This withholding generally applies if the owner of 2011B Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2011B Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **State Taxes**

The 2011B Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2011B Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2011B Bonds for estate tax purposes.

The 2011B Bonds and the income thereon are subject to the tax imposed by Chapter 220, Florida Statutes, on interest, income, or profits on debt obligations owned by corporations and other specified entities.

## **RECENT STATE FINANCIAL DEVELOPMENTS**

The State's budget is required to be kept in balance with current revenues each State fiscal year, with the final budget subject to adjustment during the fiscal year if necessary to ensure that no shortfall occurs. See "Appendix A - STATE FINANCIAL OPERATIONS - Financial Control" herein for more detailed information.

### **Fiscal Year 2009-10**

*Revenues.* General revenue collections for Fiscal Year 2009-10 were \$21.5 billion, which was approximately \$500 million over actual collections for Fiscal Year 2008-09 of \$21.0 billion.

*Budget.* The final budget for Fiscal Year 2009-10 totaled \$67.8 billion, which included an estimated \$5.5 billion from moneys received under the Federal Stimulus Bill. Approximately \$2.7 billion available under the Federal Stimulus Bill was budgeted for education, and approximately \$2.1 billion was budgeted for health and human services.

The final General Fund budget of \$21.6 billion for Fiscal Year 2009-10 was \$3.2 billion or 12.9% less than that for Fiscal Year 2008-09. However, the reduced General Fund budgeted spending was offset by approximately \$1.7 billion of moneys available for health and human services under the Federal Stimulus Bill and \$599.1 million in transfers from various trust funds. Also, approximately \$2.0 billion in additional fees and surcharges were authorized by the State Legislature and included in the budget: tobacco surcharges of \$940 million, automobile registration and drivers license fees of \$800 million, court-related fees of \$245 million and other miscellaneous fees of \$30 million. Recurring revenues expected in future years from the increased fees and surcharges total approximately \$2.3 billion and are intended to mitigate the revenue decline when funding prescribed under the Federal Stimulus Bill ends.

*Reserves.* The Fiscal Year 2009-10 ending balance in the General Fund was \$1.6 billion. The Budget Stabilization Fund balance of \$281.3 million increased the General Fund reserves to \$1.9 billion, or 8.7% of General Fund expenditures. Total General Fund reserves of \$1.9 billion were up approximately \$1.0 billion from the \$912.7 million balance at the end of Fiscal Year 2008-09. Additional reserve balances increased from \$1.9 billion for Fiscal Year 2008-09 to \$2.2 billion at fiscal year end, including \$627.0 million in the Lawton Chiles Endowment Fund and \$1.6 billion in various trust fund balances. The inclusion of the trust fund reserve balances increased the total reserves to approximately \$4.0 billion, or 18.7% of general revenues at fiscal year end.

### **Fiscal Year 2010-11**

*Revenues.* Actual general revenue collections of \$22.6 billion for Fiscal Year 2010-11 came in approximately \$139 million above the March 2011 REC estimate of \$22.4 billion and were up approximately \$1.0 billion (4.7%) over Fiscal Year 2009-10 collections.

*Budget.* During the fiscal year, the budget for Fiscal Year 2010-11 was adjusted for trust fund activities, resulting in an adjusted total budget of \$70.7 billion, an increase of \$2.9 billion or 4.3% over the prior fiscal year final budget of \$67.8 billion. The increase in the total budget primarily consisted of increased spending for health and human services in the amount of \$1.5 billion and approximately \$1.0 billion of unexpended and reauthorized education funding from the Fiscal Year 2009-10 budget. The budget included an estimated \$2.6 billion available under the Federal Stimulus Bill, with approximately \$1.1 billion for health and human services and \$1.4 billion for education.

*Reserves.* Based on higher than expected year-end revenue collections and lower than expected year end expenditures, the Fiscal Year 2010-11 Retrospect increased the General Fund balance at year end to \$746.4 million, which was \$313.4 million over the year end General Fund Balance reflected in the July 2011 Outlook Statement. Taking into account the Budget Stabilization Fund balance of \$281.3 million, General Fund reserves total \$1.03 billion or 4.6% of general revenues at fiscal year end. Trust fund reserve balances are estimated to total \$2.4 billion, including \$769 million in the Lawton Chiles Endowment Fund and \$1.6 billion in various other trust funds. The inclusion of trust fund reserve balances increases the total reserves at fiscal year end to approximately \$3.4 billion or 15% of general revenues.

## **Fiscal Year 2011-12**

*Revenues.* The October 2011 REC reduced estimated general revenue collections for Fiscal Year 2011-12 by \$600 million or 2.5% to \$23.2 billion and reduced Fiscal Year 2012-13 estimated general revenue collections by \$968 million or 3.8% to \$24.5 billion. Although general revenue estimates were revised downward, the forecast projects year-over-year growth of 2.9% and 5.7% for Fiscal Years 2011-12 and 2012-13, respectively. The adjustments to the general revenue forecasts reflect the continued slowed pace of improvements in the housing market and employment rate and are indicative of an economy that is still in the early stages of an abnormally slow recovery.

General revenue collections of \$7.03 billion for the first four months of the fiscal year were consistent with the October 2011 REC estimate and were \$151 million (2.2%) more than collections during the same period of the prior fiscal year.

*Budget.* In the 2011 legislative session that ended May 7, 2011, the State Legislature adopted the General Appropriations Act (the “Budget”) for Fiscal Year 2011-12. After the Governor’s \$615 million in vetoes, the Budget totals \$69.2 billion, a decrease of approximately \$1.5 billion or 2.1% less than the adjusted prior fiscal year budget. The projected budget gap for Fiscal Year 2011-12 was addressed primarily through spending reductions (\$1.2 billion), generally not replacing spending of federal stimulus funds (\$0.9 billion), and requiring employee pension contributions (\$1.3 billion). The General Fund budget totals \$23.4 billion and will be primarily funded with general revenue collections and \$392 million from trust fund transfers.

*Reserves.* Based on the October 2011 REC revenue estimates, the spending levels established by the Budget would generate an operating surplus for Fiscal Year 2011-12, and a General Fund balance of approximately \$948 million by the end of Fiscal Year 2011-12. The Budget Stabilization Fund is estimated to increase to \$496 million, with a \$214.5 million transfer to the fund authorized in the Budget. Taking the Budget Stabilization Fund into account, projected General Fund reserves would total \$1.4 billion at fiscal year end. At the end of Fiscal Year 2011-12, trust fund reserve balances are estimated to total \$1.5 billion, including an estimated \$795 million in the Lawton Chiles Endowment Fund and \$713 million in various other trust funds. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately \$2.9 billion or 12.5% of general revenues at fiscal year end. The State recently projected year end shortfalls in the Medicaid and Courts Trust Funds of \$67 million and \$110 million, respectively, which are not included in the above estimated year end reserve balances. It is expected that the 2012 Legislature will take actions to fund these deficits with general revenues, which will reduce the projected General Fund balance at the end of Fiscal Year 2011-12 by an estimated \$177 million.

*Long-Range Financial Outlook.* The Long-Range Financial Outlook for Fiscal Years 2012-13 through 2014-15, Fall 2011 Report (the “Outlook”) was adopted by the Legislative Budget Commission on September 7, 2011. The report was prepared pursuant to Article III, Section 19(c)(1) of the Florida Constitution and in accordance with Section 216.012, Florida Statutes. The report evaluates anticipated recurring and non-recurring general revenues for the periods, and subtracts the State’s base budget, critical needs, and other high priority needs projected to be funded from general revenues. Legislative actions taken during the 2011 Session to close the projected budget gap for Fiscal Year 2011-12 through recurring means positively impacted the State’s bottom line in subsequent years and improved the Long-Range Financial Outlook from the prior fiscal year. The Outlook indicated that sufficient funds would be available to meet all critical and other high priority needs identified for the three years contained in the Outlook and stated that no fiscal strategies would be needed since there was no forecasted budget gaps. However, the Outlook results were based on the general revenue estimates contained in the July 27, 2011 post-legislative session Outlook Statement, which were revised downward by the October 2011 REC. The decreased revenue estimates create a projected budget gap of \$1.2 billion for Fiscal Year 2012-13, assuming a minimum reserve of \$1.0 billion is maintained in the General Fund at year end.



**Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that actual results will not differ materially from the estimates provided above.**

*Unemployment Compensation Trust Fund.* To help fund its unemployment compensation program, the State began taking advances from the Federal Government in August 2009. Repayment of the advances will likely result in Florida employers experiencing increased State unemployment taxes and decreased federal unemployment tax credits. The balance of federal advances at the end of Fiscal Year 2010-11 was approximately \$1.6 billion. In November 2011, as a result of lower than estimated benefits paid from June 2011 through September 2011, the estimated balance of federal advances at the end of Fiscal Year 2011-12 decreased from \$844 million to \$634 million. Total repayment of the advances is projected to occur in Fiscal Year 2012-13. Interest began accruing on the outstanding federal advances on January 1, 2011. By way of a special annual assessment, contributing Florida employers are responsible for a proportionate share of the interest due. Accrued interest in the amount of \$56.1 million was paid in September 2011, and it is estimated that \$38.3 million in interest will be due in September 2012. The State is expected to begin replenishing its Unemployment Compensation Trust Fund during Fiscal Year 2012-13, with a projected balance of approximately \$868 million in the fund at June 30, 2013. For further information on the Unemployment Compensation Trust Fund, see “Appendix A, Unemployment Compensation Trust Fund.”

### **Fiscal Year 2012-13**

*Recommended Budget.* The Governor recommended a budget for Fiscal Year 2012-13 totaling \$66.4 billion, a decrease of \$2.8 billion or 4.05% less than the \$69.2 billion budget adopted for Fiscal Year 2011-12. The details of the Governor’s recommended budget can be found at <http://letsgettowork.state.fl.us>. The State Legislature will consider the Governor’s recommendations when adopting the State’s budget during the 2012 legislative session which commences January 10, 2012.

## **MISCELLANEOUS**

### **Variable Rate Debt and Derivatives**

The Division of Bond Finance does not generally issue variable rate debt or enter into derivative contracts in connection with its bond issues. The Division of Bond Finance has not entered into any derivative transactions on behalf of the state or any of its agencies. The Division of Bond Finance currently has only one issue of outstanding variable rate debt, the State of Florida, Department of Environmental Protection Everglades Restoration Revenue Bonds, Series 2007A-B (Multi-Modal), outstanding in the amount of \$86,760,000 (the “Everglades Restoration Bonds”). The Everglades Restoration Bonds are insured by Assured Guaranty and internal liquidity is provided through a standby bond purchase agreement with the State Treasury.

### **Investment of Funds**

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2011B Bond proceeds (net of issuance costs) will be deposited in the Bonds Proceeds Account of the Trust Fund in the State Treasury before being distributed by, and the Refunding Portion of the 2011B Bond proceeds (net of issuance costs) will be deposited as described above under the heading “PURPOSE OF THE ISSUE- Refunding Portion”.

After collection by the Department of Revenue, the pledged motor fuel and diesel fuel taxes are deposited into the Fuel Tax Collection Trust Fund and are then transferred to the State Transportation Trust Fund and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund, all of which are in the State Treasury. Amounts required for debt service are transferred monthly to the Debt Service Fund held by the Board of Administration. Investment of Debt Service Fund moneys is controlled by Section 4.08 of the Resolution, which provides for temporary investment in the securities authorized by law; however, see “*Investment by the Board of Administration*” below for the Board of Administration’s investment policy with respect to sinking fund investments.

*Investment by the Chief Financial Officer* - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2011, the ratio was approximately 54% internally managed funds, 32% externally managed funds, and 14% Certificates of Deposit and Security Lending. The total portfolio market value was \$20,646,352,705.79 on June 30, 2011.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2011, \$11.320 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury. An additional \$6.356 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's investment policies. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. The majority of investments managed for a maximum return are managed by "external" investment managers not employed by the State, although a portion (approximately \$2.7 billion) of such investments is managed internally by Treasury personnel.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, negotiable certificates of deposit, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, covered options, and interest rate futures.

*Investment by the Board of Administration* - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the "FRS") Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2011, the Board of Administration directed the investment/administration of 38 funds in over 450 portfolios.

As of June 30, 2011, the total market value of the FRS (Defined Benefit) Trust Fund was \$128,532,863,218. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 37 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2011, the total market value of these funds equaled \$28,271,579,380. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so

investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

### **Bond Ratings**

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of \_\_\_, \_\_\_ and \_\_\_, respectively, to the 2011B Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The State furnished to such Rating Agencies certain information and material in respect to the State and the 2011B Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2011B Bonds.

### **Verification of Mathematical Calculations**

The arithmetical accuracy of the mathematical computations supporting the adequacy of the funds deposited to redeem the Refunded Bonds to pay the principal of, redemption premium and interest on the Refunded Bonds and the arithmetical accuracy of the mathematical computations relating to the investment of funds in the Escrow Deposit Trust Fund, supporting the conclusion that the 2011B Bonds will not be "arbitrage bonds" under the Internal Revenue Code of 1986 will be verified by Causey Demgen & Moore, Inc., Certified Public Accountants, as a condition of the delivery of the 2011B Bonds.

### **Litigation**

Currently there is no litigation pending, or to the knowledge of the Department or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2011B Bonds or questioning or affecting the validity of the 2011B Bonds or the proceedings and authority under which such 2011B Bonds are to be issued. The Department and the Division of Bond Finance from time to time engage in certain routine litigation the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2011B Bonds.

### **Legal Opinion and Closing Certificates**

The legal opinion of Greenberg Traurig, P.A., Miami, Florida, approving certain legal matters, will be provided on the date of delivery of the 2011B Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2011B Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading will also be provided on the date of delivery of the 2011B Bonds. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix M.

## **Continuing Disclosure**

The Department will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2011B Bonds to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the “MSRB”) using its Electronic Municipal Market Access System (“EMMA”). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix L, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Department nor the Division of Bond Finance has failed to make any disclosures required by Rule 15c2-12.

## **Underwriting**

\_\_\_\_\_ (the “Underwriters”) have agreed to purchase the 2011B Bonds at an aggregate purchase price of \$\_\_\_\_\_ (which represents the par amount of the 2011B Bonds [plus][minus] an original issue [premium][discount] of \$\_\_\_\_\_ and minus the Underwriters’ discount of \$\_\_\_\_\_) plus accrued interest from the date of delivery thereof. The Underwriters may offer and sell the 2011B Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering prices. The offering prices or yields on the 2011B Bonds set forth on the inside front cover may be changed after the initial offering by the underwriters.

## **Execution of Official Statement**

This execution and delivery of this Official Statement have been duly authorized by the Department and the Division of Bond Finance.

DIVISION OF BOND FINANCE of the STATE  
BOARD OF ADMINISTRATION

RICK SCOTT  
Governor, as Chairman of the Governing Board

J. BEN WATKINS III  
Director, Division of Bond Finance

## HISTORY OF MOTOR AND DIESEL FUEL (FORMERLY SPECIAL FUEL) TAX RATES AND DISTRIBUTION

- 1981 - Motor and special fuels are subject to excise taxes levied pursuant to the provisions of Chapter 206, Florida Statutes. Motor fuels are taxed at the rate of six cents per gallon pursuant to Section 206.41, Florida Statutes, consisting of the “first gas tax” of four cents and the “second gas tax” of two cents. Motor fuels are subject to an additional one cent of tax pursuant to Section 206.60 (the “seventh cent”), and another one cent of tax pursuant to Section 206.605 (the “eighth cent”) (the seventh cent and the eighth cent are together referred to as the “second gas tax”). Special fuels are taxed pursuant to the provisions of Section 206.87 at the rate of eight cents per gallon. Gasohol, which is a motor fuel, is exempt from the “first gas tax” pursuant to Section 206.415 and from the seventh cent pursuant to Section 206.60. The proceeds of the “first gas tax” are distributed to the Department of Transportation. The proceeds of the “second gas tax” are distributed pursuant to Article XII, Section 9(c) of the Florida Constitution of 1968. Pursuant to Section 215.20, Florida Statutes, certain moneys (including some motor and special fuel tax moneys) and trust funds are subject to a service charge that contributes to the cost of general government paid from the General Revenue Fund.
- 1983 - The “first gas tax” is abolished and the “second gas tax” is renamed the “constitutional gas tax.” The motor fuel tax imposed pursuant to Section 206.41 is reduced from four cents to two cents. The special fuels tax imposed pursuant to Section 206.87 is reduced to four cents. Part II of Chapter 212 is created pursuant to Chapter 83-3, Laws of Florida, which imposes sales taxes on motor and special fuels. The tax is imposed on motor and special fuels at the rate of 5% of the total retail price, which is initially determined by the Legislature to be \$1.148 per gallon. The total retail price is to be adjusted on June 1 of each year, beginning June 1, 1985, based on the percentage change in the average monthly gasoline price component of the Consumer Price Index for the most recent 12 month period ending March 31, compared to said average for the 12 month period ending March 31, 1984. Chapter 83-3 exempted gasohol from the payment of the entire tax imposed by Part II of Chapter 212 from April 1, 1983, through June 30, 1985, and from 50% of such tax from July 1, 1985, through June 30, 1987. Taxes collected pursuant to Part II of Chapter 212 are to be deposited in the Gas Tax Collection Trust Fund created by Section 206.45. Said moneys, exclusive of the service charge imposed by Section 215.20 and of any refunds granted by Section 212.92, shall be distributed to the State Transportation Trust Fund, except that \$2.8 million shall be transferred to the Department of Natural Resources. Not less than 10% of the moneys transferred to the State Transportation Trust Fund pursuant to Section 212.95 shall be allocated by the Department of Transportation for public transit and rail capital projects.
- 1984 - Section 212.63, Florida Statutes, was amended to provide that the exemption from the tax imposed pursuant to Part II of Chapter 212 for gasohol shall be repealed on July 1, 1987. Section 212.69 was amended to provide that the distribution of the proceeds of the tax collected pursuant to Part II of Chapter 212 to the Department of Natural Resources was increased from \$2.8 million to \$3.8 million.
- 1985 - Section 212.62, Florida Statutes was amended to provide that the tax collected thereunder shall not be less than 5.7¢ per gallon and provides that the appropriate sales tax shall be calculated by July 1 of each year.
- 1987 - Chapter 87-6, Laws of Florida, added paragraph (1)(b) to Section 206.87, Florida Statutes, which imposed an additional five cents excise tax on special fuels, beginning July 1, 1987. This tax was repealed by Chapter 87-548, Laws of Florida, as of January 1, 1988.
- 1988 - Section 206.46, Florida Statutes, was amended by Chapter 88-247, Laws of Florida, to provide that \$30 million in Fiscal Year 1988-1989 and \$50 million in each fiscal year thereafter shall be transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund to pay debt service on bonds issued pursuant to Section 215.605, Florida Statutes.
- 1990 - Part II of Section 212, Florida Statutes, was amended by Chapter 90-136, Laws of Florida, to provide that the adjustment to the sales tax on motor and special fuels based on the change in the average of the Consumer Price Index (no longer just the monthly gasoline price component) would be made on January 1, beginning January 1, 1991, based on the most recent 12 month period ending on September 30, compared to the base year average, which is the average for the 12 month period ending September 30, 1989. Section 212.62, was also amended to increase the sales tax rate to 6%, with a minimum rate of six and nine-tenth cents per gallon. In addition, Chapter 90-136, Laws of Florida, created the State Comprehensive Enhanced Transportation System tax, which is levied in counties which levy a voted or local option gas tax.
- 1992 - Section 212.69, Florida Statutes, was amended by Chapters 92-152 and 92-308, Laws of Florida, to increase the annual transfers of taxes to the Department of Environmental Protection from \$3.8 million to \$7.55 million and to require an annual transfer of \$1.25 million to the Game and Freshwater Fish Commission. Effective July 1, 1993, Section 212.69 was amended to additionally require an annual transfer of \$1.5 million to the Board of Regents.

- 1995 - Chapter 95-417, Laws of Florida, consolidated the imposition of taxes on motor fuel into a single statutory section; amended statutes referring to “special fuel” to refer to the term “diesel fuel” instead; consolidated the imposition of taxes on diesel fuel primarily into a single statutory section; and amended statutory references to “gas taxes” to refer to “fuel taxes” instead, including references to the Gas Tax Collection Trust Fund, which is now the Fuel Tax Collection Trust Fund. Section 206.46, Florida Statutes, was amended by Chapter 95-257, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from \$50 million to an amount not exceed to \$100 million or an amount equal to 5% of the revenues deposited into the State Transportation Trust Fund, whichever is less.
  
- 1996 - Section 206.46, Florida Statutes, was amended by Chapters 96-320 and 96-323, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from \$100 million to an amount not to exceed \$115 million or an amount equal to 6% of the revenues deposited into the State Transportation Trust Fund if such percentage is less than the \$115 million.
  
- 1999 - Section 206.46, Florida Statutes, was amended by Chapter 99-385, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds. The annual amount transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund may not exceed an amount necessary to provide the required debt service coverage levels for a maximum debt service not to exceed \$135 million. The amendment also raised to 7% the percentage of STTF funds which can be transferred, in order to provide for constitutional coverage requirements.
  
- 2000 - Section 215.211, Florida Statutes, created by Chapter 2000-257, Laws of Florida, eliminated the 7% and 0.3% service charges which were previously deducted from the diesel fuel sales tax and the fuel sales tax prior to distribution to the STTF.
  
- 2002- Section 206.46, Florida Statutes, was amended by Chapter 2002-20, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from \$135 million to \$200 million.
  
- 2003- Section 206.606, Florida Statutes, was amended by Chapter 2003-156, Laws of Florida, to provide for a distribution of moneys from the Fuel Tax Collection Trust Fund to the Marine Resources Conservation Trust Fund, in the amount of \$2.5 million in Fiscal Year 2003-04; \$5.0 million in Fiscal Year 2004-05; \$8.5 million in Fiscal Year 2005-06; \$10.9 million in Fiscal Year 2006-07; and \$13.4 million in Fiscal Year 2007-08 and each year thereafter. The transferred taxes are attributable to taxes from a portion of the sale of motor and diesel fuel at marinas.
  
- 2004- As a result of legislation during the 2004 Legislative session, motor fuel taxes in Florida were reduced by 8 cents per gallon from August 1, 2004 through August 31, 2004. Diesel fuel tax rates did not change. An appropriation of \$58 million was made from the General Revenue Fund to the State Transportation Trust Fund to compensate for the reduction in revenues.
  
- 2005- Section 206.46, Florida Statutes, was amended by Chapter 2005-290, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from \$200 million to \$275 million. Chapter 2005-290, Laws of Florida, also amended Section 201.15(1), Florida Statutes, to require the transfer of \$541,750,000 from documentary stamp tax collections to the STTF in each Fiscal Year, beginning in Fiscal Year 2005-2006, as well as a one time transfer of \$575,000,000 in Fiscal Year 2005-2006.
  
- 2007- Section 206.41, Florida Statutes, was amended by Chapter 2007-31, Laws of Florida, to provide for refunds of motor fuel taxes collected on sales of motor fuel for commercial aviation purposes.
  
- 2008- Section 201.15(1), Florida Statutes, was amended by Chapter 2008-114, Laws of Florida, to provide that the amount of documentary stamp moneys to be transferred to the STTF shall be changed from \$541,750,000 in each Fiscal Year to a variable amount based on documentary stamp tax collections, with a maximum transfer of \$541,750,000 in each Fiscal Year.
  
- 2011- Subsection 201.15(1)(c)1, Florida Statutes, was amended by Chapter 2011-142, Laws of Florida, to provide that, of the documentary stamp taxes designated to be distributed to the State Transportation Trust Fund pursuant to that subsection, \$50 million shall first be transferred to the State Economic Enhancement and Development Trust Fund within the Department of Economic Opportunity prior to any distribution to the State Transportation Trust Fund, beginning in Fiscal Year 2012-13. The amount so transferred shall be increased to \$65 million in Fiscal Year 2013-14 and the to \$75 million in Fiscal Years 2014-15 and thereafter.

**STATE OF FLORIDA**  
***STATISTICAL, DEMOGRAPHIC***  
***AND***  
***FINANCIAL INFORMATION***

The information contained in this Appendix is intended to provide an overview of the organization of the State's government, as well as general economic, financial and demographic data which might be of interest in connection with the foregoing Official Statement. All information contained herein has been obtained from sources believed to be accurate and reliable. Estimates of future results are statements of opinion based on the most recent information available, which is believed to be accurate. Such estimates are subject to risks and uncertainties which may cause actual results to differ materially from those set forth herein.

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# STATE OF FLORIDA

## GENERAL HISTORY AND GEOGRAPHY

Juan Ponce de Leon made the first recorded landing in Florida in 1513, and subsequently claimed the territory for Spain. The Spaniards founded the first permanent settlement, St. Augustine, in 1565. Florida was acquired by the United States from Spain in 1821, became a territory of the United States in 1822, and was admitted to statehood in 1845 as the 27th state. The State capital is the city of Tallahassee.

Florida is the 26th largest state with land area of 54,252 square miles and a water area of 4,308 square miles, with tidal shoreline in excess of 2,200 miles.

Florida has 67 counties and approximately 405 municipalities.

## STATE GOVERNMENT

Florida's governmental powers are divided among the executive, legislative and judicial branches.

### **Executive Branch**

In 1998, voters approved amendments to the State constitution which restructured the State Cabinet. Since adoption of the amendments, the State legislature has adopted several measures to implement the constitutional changes and to otherwise reorganize the executive branch of the State government.

The supreme executive power is vested in the Governor. The Lieutenant Governor acts as Governor upon a vacancy in the office or incapacity of the Governor. The executive branch consists of the Governor and Cabinet, which is comprised of the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, each of whom is elected for four years. All executive functions are allotted among not more than 25 departments under the direct supervision of the Governor, Lt. Governor, Governor and Cabinet, or a Cabinet Member. The State Constitution limits cabinet members to eight consecutive years in office. A governor who has served for more than 6 years in two consecutive terms may not be re-elected for the succeeding term.

### **Legislative Branch**

The legislative power of the State is vested in a bicameral legislature, consisting of a senate and a house of representatives. There are 40 senatorial districts and 120 representative districts within the State. Senators are elected for four-year terms and representatives for two-year terms. The State Constitution also limits legislators to eight consecutive years in office.

Regular sessions of the legislature convene on the first Tuesday after the first Monday in March of each odd-numbered year, and on the first Tuesday after the first Monday in March, or such other date as may be fixed by law, of each even-numbered year, and shall not exceed 60 days. Special sessions may be called by the Governor or by joint proclamation of the President of the Senate and the Speaker of the House of Representatives.

### **Judicial Branch**

The judicial power is vested in a supreme court, 5 district courts of appeal, 20 circuit courts and 67 county courts. As a result of a constitutional amendment adopted in 1998, as of July 1, 2004 the legislature began funding certain costs of the judicial system previously borne by the counties.

### **Services Provided by State Government**

The State provides a wide range of services to its residents and to its local government units. The education system is the most extensive service provided by the State. On November 5, 2002, voters approved constitutional amendments requiring class size

reductions and providing for a free, voluntary pre-kindergarten program for 4-year-olds.

Over half of the State's general revenue appropriations are for education. All tax supported schools, from kindergarten through postsecondary, constitute a single, unified system of public education under the State Board of Education. Each of Florida's 67 counties comprises a single school district operating under an elected district school board. In addition, there are 49 area vocational-technical centers administered by the local school boards. The State's 28 Florida College System institutions (formerly community colleges) and eleven State universities are operated by local boards of trustees, under the oversight of the State Board of Education.

Government services are generally organized along functional or program lines into departments, which constitute the principal administrative units within the executive branch. Listed below are the departments and a brief summary of their respective responsibilities.

*Agency for Health Care Administration* is the State's chief health policy and planning entity, and oversees the health care industry in the State.

*Department of Agriculture and Consumer Services* inspects food and other consumer products to assure public safety, and assists in producing and promoting agricultural products as well as conserving agricultural resources. It also protects consumers against unfair and deceptive business practices and licenses private security, investigative and repossession services.

*Department of Business and Professional Regulation* ensures that regulated industries and certain non-medical professionals meet prescribed standards of education, competency and practice. It also administers the State's child and farm labor laws and oversees workplace regulation and enforcement.

*Department of Children and Family Services* provides family and health services to promote self sufficiency. The department addresses neglect, abuse or exploitation of children and adults unable to protect themselves, and provides services to preserve families, prevent inappropriate institutional care and improve quality of life for people with mental illnesses. The *Agency for Persons With Disabilities*, an independent entity housed within the department, is responsible for providing services to developmentally disabled persons.

*Department of Citrus* exercises its powers to stabilize and protect the citrus industry of the State.

*Department of Corrections* is responsible for the incarceration, supervision and rehabilitation of criminal offenders. The *Florida Corrections Commission* monitors the State's correctional system and makes correctional policy recommendations.

*Department of Economic Opportunity* oversees and coordinates economic development, housing, growth management, and community development programs, and unemployment compensation. The department was created by Chapter 2011-142, L.O.F. The department is required to develop a statewide five-year strategic plan to address the promotion of business formation, expansion, recruitment, and retention in order to create jobs for all regions of the state. The first strategic plan is due September 1, 2011. The new department will include the Office of Tourism, Trade, and Economic Development as well as portions of the Department of Community Affairs (DCA) and the Agency for Workforce Innovation (AWI), and the Ready to Work Program from the Department of Education. Remaining portions of DCA and AWI will be transferred to several other existing state agencies.

*Department of Education*, under the direction of the State Board of Education, implements education policy and oversees Florida's education system through curriculum development, student assessment, teacher standards and certification, financial assistance, instructional support, community services, and workforce development and vocational rehabilitation programs. It also participates in oversight of higher education by providing support for the State's Florida College System institutions (formerly community colleges) and the State University System.

*Department of Elderly Affairs* (also, Elder Affairs) administers services to assist the elderly in maintaining independence and quality of life, and to support their families and caregivers. The department also develops policy recommendations for long-term care.

*Department of Environmental Protection* implements programs to protect against air and water pollution, ensure domestic water supplies, and coordinate the State's stormwater program. This department also oversees Florida's 160 State parks and other outdoor recreational facilities.

*Department of Financial Services*, under the Chief Financial Officer, administers the State treasury and oversees accounting and auditing of State agencies. It also administers the State's risk management and fire marshal offices, regulates insurance agents and investigates insurance fraud, and participates in administration of the workers compensation system. *The Financial Services Commission*, an independent agency housed within the Department but consisting of the Governor and Cabinet, regulates securities transactions, financial institutions and insurers operating in the State.

*Department of Health* oversees a State health plan, as well as a wide range of State and community efforts to prevent diseases and disabilities. The department monitors disease trends, provides health care and early intervention services, gives medical direction for child protection and sexual abuse treatment, promotes innovative and cost effective health care delivery systems, and serves as statewide repository of health data.

*Department of Highway Safety and Motor Vehicles* promotes safe driving through law enforcement, public education, titling and registering motor vehicles and vessels, licensing drivers, and regulating vehicle exhaust.

*Department of Juvenile Justice* coordinates the State's programs for juvenile offenders including prevention, diversion, residential and non-residential commitment, delinquency institutions, training, reentry and aftercare.

*Department of Law Enforcement* conducts criminal investigations, provides criminal analysis laboratories, offers criminal justice training, and compiles statistics and maintains records of criminal activities.

*Department of Legal Affairs* represents the State in civil lawsuits and in criminal appeals. It also issues formal advisory opinions and is the chief enforcement agency for antitrust, consumer protection, and civil racketeering laws.

*Department of the Lottery* manages Florida's state lottery as a self-supporting, revenue producing department designed to generate additional funding for public education.

*Department of Management Services* is responsible for various administrative functions of State government, including facilities management, information technology, administrative hearings, retirement, and state group insurance programs.

*Department of Military Affairs* implements the National Defense Act as it applies to Florida, and administers the Florida National Guard with the Governor as Commander in Chief.

*Department of Revenue* administers the collection, enforcement and auditing of taxes, manages tax information systems, provides taxpayer assistance, and administers the federal child support enforcement program in the State.

*Department of State* oversees the elections process, corporate records, Florida's international relations, cultural entities, libraries and historic preservation.

*Department of Transportation* is charged with providing a safe, interconnected statewide transportation system. Its responsibilities include planning and implementing transportation policies, designing and constructing facilities, and administering motor carrier compliance and toll operations.

*Department of Veterans' Affairs* assists military veterans and their dependents in securing benefits to which they are entitled under federal or State law by virtue of their military service.

*The Public Employees Relations Commission* is a neutral adjudicatory body which resolves public sector labor disputes, career service appeals, veteran's preference appeals, drug testing cases, certain age discrimination cases, and whistle blower appeals.

*The Public Service Commission*, an arm of the legislature, regulates the operation of electric utilities, telecommunications and telephone companies, and water or wastewater utilities within the State.

The State is divided into five *water management districts* to provide water resource planning and development.

In addition to statutorily created departments and commissions, there are several constitutional boards responsible for governmental functions.

A 17-member *Board of Governors* is responsible for managing the State University System. The Board consists of 14 members appointed by the governor, plus the commissioner of education, a faculty representative and a student representative.

*Fish and Wildlife Conservation Commission*, comprised of seven members appointed by the Governor, exercises the State's regulatory and executive powers with respect to wild animal life, fresh water aquatic life, and marine life.

*Government Efficiency Task Force*, comprised of members of the public and private sectors, develops recommendations to improve government operations and reduce costs, beginning in 2007 and each fourth year thereafter.

*Florida Commission on Ethics* enforces the State's code of ethics for public employees and officers not under the jurisdiction of the Judicial Qualification Commission.

*Joint Legislative Budget Commission*, composed of an equal number of members of the respective houses of the legislature, develops the State's long-range financial outlook and reviews certain proposed budget amendments.

*Judicial Qualification Commission* investigates and makes recommendations to the Supreme Court with respect to action against any justice or judge whose conduct may warrant disciplinary measures.

*Parole Commission* is made up of three members appointed by the Governor. It is responsible for determining which prisoners will be granted parole and the terms of conditional release, whether a person has violated parole, and for reporting on persons under consideration for clemency.

*Taxation and Budget Reform Commission*, established in 2007 and each 20th year thereafter to examine the State's budgetary process, revenue needs and tax policy, to determine funding methods favored by citizens, and to recommend changes.

*State Board of Administration*, comprised of the Governor, Attorney General and Chief Financial Officer, is the long-term investment body for the State. It also serves as fiscal agent or trustee with respect to bonds issued by the State or its agencies, and manages investment of Florida's retirement system monies.

*State Board of Education* is the chief policy making and coordinating body of public education and vocational rehabilitation in Florida. It consists of seven members appointed by the Governor.

## **DEMOGRAPHIC & ECONOMIC INFORMATION**

### **Population**

Florida ranks as the fourth most populous state, with a population of 18.80 million as of April 1, 2010. This represents a 0.61% increase from April 1, 2009.

While the State's population has grown by 17.6% between 2000 and 2010, annual population growth has slowed considerably in recent years. Florida's average annual population growth rate was 2.13% from 2000 to 2007, which exceeded the nation's average annual population growth rate of 0.95% over the same period. However, Florida's population growth has slowed recently, with the average annual growth rate decreasing to 0.64% between 2008 and 2010, compared to the relatively stable average annual growth rate for the US of .79% for the three year period. Typically there are two drivers of population growth – natural increases (births minus deaths) and net migration (people moving into the state minus people moving out of the State). Historically, Florida's population

growth has been driven by positive net migration, but the State has experienced record low levels of net migration in recent years, resulting in the slowed population growth.

The age distribution of Florida's population differs from that of the nation because Florida has a somewhat larger elderly population and a slightly smaller working age population than the nation. Florida's 2010 population aged 65 or older is 17.6% of the State's population and is projected to increase to 21.3% by 2020. Whereas the nation's population aged 65 or older is approximately 12.9% and is expected to increase to 16.0% by 2020. Florida's working age population (18-64) is currently 60.4% of total population and is expected to decline to 57.6% in 2020, and by comparison, the working age population (18-64) in the US is 62.7% of total population currently and projected to decline to 60.0%

### **Population Change Florida and U.S., 1980 - 2020 (April 1 census day figures)**

<u>Year</u>	<u>Florida</u>		<u>U. S.</u>	
	<u>(in thousands)</u>	<u>% change</u>	<u>(in thousands)</u>	<u>% change</u>
1980	9,747	-	226,546	-
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,422	13.2
2010	18,801	17.6	308,746	9.7
2020 (projected)	21,327	13.4	341,387	10.6

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2011), and U.S. Census Bureau.

### **Florida Population Age Trends, 2000-2030**

Age	2000		2010		2020		2030	
	Population	% of total	Population	% of total	Population	% of total	Population	% of total
0-4	945,853	5.9%	1,136,948	6.1%	1,211,567	5.7%	1,267,834	5.3%
5 to 17	2,700,597	16.9%	2,988,515	15.9%	3,276,517	15.4%	3,532,863	14.8%
18-24	1,330,636	8.3%	1,683,730	9.0%	1,719,808	8.1%	1,931,515	8.1%
25-44	4,569,515	28.6%	4,668,792	24.9%	5,095,519	24.0%	5,462,926	22.9%
45-64	3,628,573	22.7%	4,989,955	26.6%	5,416,732	25.5%	5,431,841	22.8%
65+	<u>2,807,650</u>	17.6%	<u>3,305,416</u>	17.6%	<u>4,526,783</u>	21.3%	<u>6,194,272</u>	26.0%
Total	15,982,824		18,773,356		21,246,926		23,821,251	

Source: Office of Economic and Demographic Research, The Florida Legislature. (Demographic Estimating Conference Database, August, 2010)

### **Florida's Gross Domestic Product**

Florida's Gross Domestic Product ("GDP") represents the value of goods and services produced by the State, and serves as a broad measure of the State's economy. The State's GDP for 2010 is estimated at \$673 billion (in chained 2005 dollars), which is slightly higher than 2009 GDP of \$668 billion.

However, Florida's GDP decreased 4.7% from 2006 to 2010. Private industry accounted for 88% of the State's 2010 GDP and government accounted for the remaining 12%. Real estate was the largest single industry, accounting for 17.3% of Florida's 2010 GDP.

The following table compares the components of the State's GDP over the most recent five-year period available.

### **Florida's Gross Domestic Product by Major Industry 2006 and 2010**

(millions of chained 2005 dollars)<sup>1</sup>

Industry	2006	% of Total	2010	% of Total
Agriculture, forestry, fishing and hunting . . . . .	\$6,295	0.9%	\$4,971	0.7%
Mining . . . . .	967	0.1	779	0.1
Utilities . . . . .	12,688	1.8	12,709	1.9
Construction . . . . .	51,201	7.3	28,588	4.3
Manufacturing . . . . .	37,702	5.3	36,102	5.4
Wholesale trade . . . . .	46,188	6.5	48,007	7.1
Retail trade . . . . .	57,203	8.1	53,801	8.0
Transportation and warehousing, excluding Postal Services . . .	20,830	3.0	19,477	2.9
Information . . . . .	30,696	4.3	33,124	4.9
Finance and insurance . . . . .	49,388	7.0	52,265	7.8
Real estate and rental and leasing . . . . .	119,209	16.9	116,344	17.3
Professional and technical services . . . . .	49,564	7.0	44,120	6.6
Management of companies and enterprises . . . . .	8,170	1.2	7,709	1.1
Administrative and waste services . . . . .	29,931	4.2	24,748	3.7
Educational services . . . . .	5,156	0.7	5,592	0.8
Health care and social assistance . . . . .	49,157	7.0	53,430	7.9
Arts, entertainment and recreation . . . . .	11,086	1.6	11,618	1.7
Accommodation and food services . . . . .	28,640	4.1	25,399	3.8
Other services, except government . . . . .	18,996	2.7	16,658	2.5
Government . . . . .	<u>73,661</u>	10.4	<u>80,452</u>	12.0
Total <sup>2</sup> . . . . .	\$706,600		\$673,375	

Source: U.S. Department of Commerce, Bureau of Economic Analysis, (July 2011).

<sup>1</sup> A measure of real output and prices using 2005 as the base year and applying annual - weighted indexes to allow for changes in relative prices and associated purchasing patterns over time, as developed by the Bureau of Economic Analysis.

<sup>2</sup> May not add, due to chaining formula and rounding.

Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 82.3 million people visited the State in 2010, a 1.7% increase over the final 2009 total. Leisure and hospitality services accounted for 12.8% of the State's non-farm employment in 2010. According to the Florida Department of Business and Professional Regulation, as of July 1, 2010, 45,327 food service establishments were licensed with seating capacity of 3,636,782, and 37,273 lodging establishments were licensed with 1,523,290 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 20,110,021 for Fiscal Year 2009-10, a 6.3% decrease from the prior year. In 2010, accommodation and food services contributed 3.8% of the State's GDP, and arts, entertainment and recreation contributed 1.7%.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. The State has approximately 122,000 miles of roads, 15 freight railroads with 2,796

miles of track, and AMTRAK passenger train service. There are 29 fixed route transit systems. There are 800 aviation facilities, of which 131 are available for public use; 20 provide scheduled commercial service and 14 provide international service. According to Federal Aviation Administration figures, in 2010 eight Florida airports were among the top 100 in the U.S. based on passenger boardings and six were among the top 100 based on cargo weight. In that year, Miami International Airport ranked 12<sup>th</sup> in North America in passenger traffic and ranked 4<sup>th</sup> in North America in cargo volume, according to the Airports Council International. Florida also has 14 deep water ports, 9 major shallow water ports, and 4 significant river ports, many of which are interconnected by the State's inland waterway system.

In 2010, agriculture, forestry and fishing constituted only about 0.7% of GDP. According to the U.S. Department of Agriculture, in 2009 Florida's agricultural cash receipts were 13<sup>th</sup> for all crops, with the State ranking first in oranges, and 2<sup>nd</sup> in greenhouses, tomatoes and strawberries.

Construction activity, which constituted approximately 4.25% of Florida's 2010 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 1999 through 2009.

### ***Florida Housing Starts and Construction Value: 1999-2009***

Year	Housing Starts (thous)		Construction Value (millions of current dollars)						
			Private Residential			Public			
	Single Family	Multi-Family	Single Family	Multi-Family	Other Private	Education	Highways	Other	Total
1999	99.1	68.0	\$12,531.5	\$4,377.6	\$8,986.5	\$1,337.8	\$1,673.3	\$3,361.0	\$32,267.7
2000	97.6	63.1	13,917.8	4,848.6	9,605.2	1,790.0	1,873.5	3,960.9	35,995.9
2001	107.3	60.7	16,182.7	5,318.5	9,468.7	1,673.5	2,363.2	4,096.7	39,103.3
2002	122.4	63.4	19,613.8	5,585.3	8,984.9	1,933.8	2,793.7	5,331.8	44,243.4
2003	146.5	68.7	24,818.0	6,690.5	8,323.9	1,625.9	2,682.9	5,050.0	49,191.3
2004	172.3	80.2	31,581.4	8,927.0	9,888.2	1,799.8	2,727.2	4,458.8	59,382.5
2005	193.1	90.5	38,569.2	11,633.2	9,284.8	2,027.9	3,216.1	4,105.0	68,846.3
2006	132.6	85.8	32,409.0	14,044.8	10,658.7	2,294.9	3,030.1	5,007.1	67,444.5
2007	63.8	57.5	16,468.1	11,040.3	13,137.2	3,168.7	3,643.8	7,013.7	54,471.8
2008	34.3	24.9	9,688.5	5,465.7	12,532.4	2,817.2	3,393.5	6,686.1	40,583.5
2009 <sup>1</sup>	18.1	15.2	4,915.8	2,539.0	9,698.3	2,493.6	2,685.9	7,245.1	29,577.5

Source: F.W. Dodge Statistical Service; Office of Economic and Demographic Research, The Florida Legislature, March, 2009.

Note: Private residential construction includes all residential buildings owned by the private sector. Other private construction includes all non-residential construction owned by the private sector and is made up of manufacturing and non-manufacturing. Public construction includes all projects owned by a governmental entity.

<sup>1</sup> Forecast for 2009 is from the March 2009 Florida Economic Estimating Conference.

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## Employment

The following tables provide employment information for Florida and the U.S. As shown below, despite a slight increase in total employment in Florida from 8.14 million in 2009-10 to 8.17 million in 2010-11, the unemployment rate increased from 11.1% in 2009-10 to 11.9% in 2010-11 because the size of the labor force also increased. Fiscal Year 2010-11 is the third year that Florida's unemployment rate has been higher than the nation's unemployment rate in the past ten years.

The total number of non-agricultural jobs in Florida has decreased over the past five years by 8.0% from 7.8 million in 2005 to 7.2 million in 2010. Total non-agricultural jobs decreased from 7.3 million in 2009 to 7.2 million in 2010. The only industries that saw an increase in the number of jobs between 2009 and 2010 were Retail Trade, Education and Health Services, and Leisure and Hospitality Services.

### Unemployment Rate, Florida vs. U.S. Fiscal Years 2001-2011

Fiscal Year	Total Civilian Labor Force (in thousands)		Total Employment (in thousands)		Annual Average Unemployment Rate (percent)	
	Florida	U.S.	Florida	U.S.	Florida	U.S.
2000-01	7,920.3	143,200.0*	7,606.9	137,300.0*	4.0%	4.1%
2001-02	8,071.4	144,400.0*	7,635.9	136,400.0*	5.4	5.5
2002-03	8,132.5	145,900.0*	7,687.7	137,100.0*	5.5	6.0
2003-04	8,337.4	146,800.0*	7,924.5	138,300.0*	5.0	5.8
2004-05	8,572.4	148,200.0*	8,203.1	140,400.0*	4.3	5.3
2005-06	8,806.6	150,400.0*	8,499.6	143,100.0*	3.5	4.8
2006-07	9,055.5	152,500.0*	8,727.1	145,500.0*	3.6	4.5
2007-08	9,220.9	153,700.0*	8,790.2	146,100.0*	4.7	4.9
2008-09	9,265.0	154,600.0*	8,494.4	142,900.0*	8.3	7.6
2009-10	9,159.3	153,900.0*	8,144.1	138,900.0*	11.1	9.8
2010-11	9,274.3	153,800.0*	8,166.3	139,300.0	11.9	9.4

Source: Florida Office of Economic and Demographic Research, February, 2011 National Economic Estimating Conference and the February, 2011 Florida Economic Estimating Conference.

\* Rounded.

### Composition of Nonagricultural Employment Florida and the Nation 2005 and 2010<sup>1</sup> (thousands)

	2005				2010			
	Florida		United States		Florida		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Natural Resources & Mining .....	7.1	0.1	628.0	0.5	5.4	0.1	705.0	0.5
Construction .....	633.2	8.1	7,336.0	5.5	345.6	4.8	5,526.0	4.3
Manufacturing .....	415.5	5.3	14,226.0	10.6	306.9	4.3	11,524.0	8.9
Transportation & Warehousing .....	223.1	2.9	4,360.9	3.3	201.8	2.8	4,183.5	3.2
Utilities .....	24.2	0.3	554.0	0.4	22.6	0.3	551.9	0.4
Wholesale Trade .....	341.4	4.4	5,764.4	4.3	307.3	4.3	5,456.0	4.2
Retail Trade .....	993.5	12.7	15,279.6	11.4	923.0	12.9	14,413.9	11.1
Information .....	163.2	2.1	3,061.0	2.3	135.4	1.9	2,711.0	2.1
Financial Activities .....	535.8	6.9	8,153.0	6.1	469.7	6.5	7,630.0	5.9
Professional & Business Services .....	1,138.5	14.6	16,954.0	12.7	1,035.5	14.4	16,688.0	12.9
Education & Health Services .....	969.1	12.4	17,372.0	13.0	1,079.0	15.0	19,564.0	15.1
Leisure & Hospitality Services .....	939.5	12.0	12,816.0	9.6	917.7	12.8	13,020.0	10.0
Other Services .....	334.9	4.3	5,395.0	4.0	310.8	4.3	5,364.0	4.1
Government .....	<u>1,081.2</u>	13.9	<u>21,804.0</u>	16.3	<u>1,114.5</u>	15.5	<u>22,482.0</u>	17.3
Total Non-farm .....	7,799.9		133,703.0		7,174.9		129,818.0	

Source: US Department of Labor, Bureau of Labor Statistics. (August 2011)

<sup>1</sup> Not Seasonally adjusted.



## Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2000 to 2008, Florida's total personal income grew by 58.5% and per capita income expanded approximately 34.3%. For the nation, total and per capita personal income increased by 44.7% and 32.5%, respectively, over the same time period. Between 2008 and 2009, total personal income decreased in Florida (2.3%), the Southeast (1.2%), and the nation (1.7%), and per capita personal income decreased in Florida (3.3%), the southeast (2.0%), and the nation (2.6%). Total personal income increased in 2010 in Florida

(2.2%), the Southeast (3.0%), and the nation (3.0%), and per capita personal income increased in 2010 in Florida (3.9%), the Southeast (3.9%) and the nation (3.7%). Florida per capita income remains above the Southeast region, but below the nation.

Because Florida has an older and proportionally larger retirement population than most states, property income (dividends, interest, and rent) and transfer payments (social security, retirement, disability, unemployment insurance, workers' compensation and veterans benefits) are major sources of income.

### **Total and Per Capita Personal Income U.S., Florida and Southeast**

Year	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2000	8,554,866	9.7	1,879,680	9.5	466,644	10.1	30,318	8.5	27,049	8.1	29,080	8.1
2001	8,878,830	3.8	1,968,292	4.7	487,499	4.5	31,145	2.7	27,984	3.5	29,810	2.5
2002	9,054,702	2.0	2,025,058	2.9	508,400	4.3	31,462	1.0	28,453	1.7	30,479	2.2
2003	9,369,072	3.5	2,103,566	3.9	531,218	4.5	32,271	2.6	29,218	2.7	31,283	2.6
2004	9,928,790	6.0	2,249,054	6.9	582,766	9.7	33,881	5.0	30,804	5.4	33,540	7.2
2005	10,476,669	5.5	2,403,753	6.9	633,193	8.7	35,424	4.6	32,442	5.3	35,605	6.2
2006	11,256,516	7.4	2,580,723	7.4	690,268	9.0	37,698	6.4	34,426	6.1	38,161	7.2
2007	11,900,562	5.7	2,728,855	5.7	721,052	4.5	39,932	5.9	35,695	3.7	39,036	2.3
2008	12,380,225	4.0	2,836,634	3.9	739,403	2.5	40,166	0.6	36,196	1.4	39,064	0.1
2009	12,168,161	(1.7)	2,803,393	(1.2)	722,328	(2.3)	39,138	(2.6)	35,458	(2.0)	37,780	(3.3)
2010	12,530,101	3.0	2,888,554	3.0	738,373	2.2	40,584	3.7	36,851	3.9	39,272	3.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis (August, 2011).

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# Florida Personal Income and Earnings by Major Source: 2005 vs. 2010

(thousands of current dollars)

	<u>2005</u>	<u>% Total</u>	<u>2010</u>	<u>% Total</u>
<b>Earnings:</b>				
<b>Wages and Salaries:</b>				
<b>Farm</b>	\$2,701,312	0.4%	\$2,040,710	0.2%
<b>Non Farm</b>	420,630,558	56.4%	441,505,560	51.6%
<b>Private:</b>				
Forestry, fishing and other	1,372,488	0.2%	1,468,853	0.2%
Mining	549,382	0.1%	669,253	0.1%
Utilities	2,399,585	0.3%	2,852,570	0.3%
Construction	37,096,584	5.0%	23,884,490	2.8%
Manufacturing	23,989,408	3.2%	22,735,357	2.7%
Wholesale Trade	23,486,555	3.1%	24,956,657	2.9%
Retail Trade	34,853,115	4.7%	34,120,995	4.0%
Transportation & Warehousing	13,357,378	1.8%	14,141,995	1.7%
Information	13,116,101	1.8%	13,399,366	1.6%
Finance and insurance	28,833,169	3.9%	27,587,173	3.2%
Real estate and rental and leasing	13,277,656	1.8%	9,935,132	1.2%
Professional and technical services	34,359,685	4.6%	40,802,290	4.8%
Management of companies and enterprises	7,028,033	0.9%	8,250,526	1.0%
Administrative and waste services	27,603,798	3.7%	24,071,313	2.8%
Educational services	4,615,606	0.6%	6,710,746	0.8%
Health care and social assistance	43,986,961	5.9%	57,490,482	6.7%
Arts, entertainment and recreation	8,104,581	1.1%	9,685,370	1.1%
Accommodation and food services	17,982,564	2.4%	19,790,895	2.3%
Other services, except public administration	<u>17,692,038</u>	2.4%	<u>18,842,305</u>	2.2%
<b>Total Private</b>	353,704,687	47.4%	361,395,768	42.3%
Government & government enterprises	66,925,371	9.0%	80,109,792	9.4%
<b>Total Wages &amp; Salaries</b>	423,331,370	56.7%	443,546,270	51.9%
<b>Other Income:</b>				
plus: Dividends, Interest & Rent	156,369,174	21.0%	194,159,299	22.7%
plus: Personal current transfer receipts	98,055,222	13.1%	149,265,512	17.5%
plus: Adjustment for residence	1,635,830	0.2%	1,906,330	0.2%
Less: Contributions for social insurance	<u>(46,199,421)</u>	(6.2)%	<u>(50,504,420)</u>	(5.9)%
<b>Total Other Income:</b>	209,860,805	28.1%	294,826,721	34.5%
<b>Total Personal Income</b>	633,192,175	84.9%	738,372,991	86.3%
<b>Other Earnings:</b>				
Supplements to wages and salaries	69,515,129	9.3%	75,691,703	8.9%
Proprietors' income:	<u>43,473,268</u>	5.8%	<u>41,129,781</u>	4.8%
<b>Total Earnings:</b>	112,988,397	15.1%	116,821,484	13.7%
<b>TOTAL INCOME</b>	\$746,180,572	100.0%	\$855,194,475	100.0%

Source: US Department of Commerce, Bureau of Economic Analysis (August, 2011).

## International Trade

Florida's location lends itself to international trade and travel. Florida was the 4<sup>th</sup> largest exporter in the nation in 2010, accounting for 4.3% of total U.S. exports of goods. The State's international merchandise trade (imports and exports) totaled \$126.2 billion in 2010, an increase of nearly 23% over 2009. The State's merchandise exports increased by 22.0% between 2009 and 2010, and imports increased by 23%. During the same period, the nation's exports increased by 19.0% and imports increased by 22.0%.

The State's top five exports for 2010 were vehicles, aircraft, precious metals, telecommunications equipment, and computers. The top imports were oil, vehicles, gold, refined copper and alloys, and telecommunications equipment. Florida's top trading partners for 2010 were Brazil, Colombia, China, Japan and Switzerland.

(Source: Enterprise Florida, March 2011)

### **Florida's International Trade: 2000-2010** (millions of U.S. dollars)

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>
2000	\$35,851	5.0	\$37,901	7.0
2001	34,530	(3.7)	36,430	(3.9)
2002	32,241	(6.6)	36,955	1.4
2003	32,404	0.5	40,462	9.5
2004	37,501	15.7	43,896	8.5
2005	44,115	17.6	51,169	16.6
2006	51,767	17.3	57,399	12.2
2007	58,915	13.8	55,925	(2.6)
2008	73,022	23.9	57,525	2.9
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3

Source: Enterprise Florida. (March 2011)

## Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five

types of businesses generating sales tax revenues in Fiscal Year 2006 and 2011.

### **Florida Taxable Sales and Sales Tax Liability by Category** **Fiscal Years ended June 30, 2001-2011** (Millions of current dollars)

<u>Fiscal</u> <u>Year</u>	<u>Consumer Non-durables</u>				<u>Consumer Durables</u>				<u>Building</u>		<u>Business</u>	
	<u>Recreation/Tourism</u>		<u>Other</u>		<u>Autos &amp; Accessories</u>		<u>Other</u>		<u>Investment</u>		<u>Investment</u>	
	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>
2001 <sup>1</sup>	51,012	3,050.3	78,816	4,853.9	48,336	2,890.3	21,243	1,270.2	16,082	961.7	45,927	2,690.8
2002	49,685	2,971.0	72,898	4,434.7	52,150	3,118.4	20,681	1,236.7	15,924	952.2	47,119	2,760.6
2003	50,100	2,995.8	70,959	4,287.3	52,410	3,133.9	20,834	1,245.8	17,541	1,048.9	48,181	2,822.9
2004	53,924	3,224.5	77,387	4,675.7	56,017	3,349.6	23,003	1,375.5	18,455	1,103.5	55,027	3,223.9
2005	58,821	3,517.3	84,393	5,099.0	60,332	3,607.6	25,735	1,538.9	22,868	1,367.4	63,723	3,733.4
2006	63,247	3,781.9	92,961	5,616.7	64,883	3,879.9	28,704	1,716.4	26,525	1,586.1	71,783	4,205.0
2007	65,019	3,887.9	97,809	5,909.6	62,511	3,737.9	27,831	1,664.2	23,745	1,419.8	72,464	4,245.5
2008	65,772	3,932.9	98,075	5,925.7	54,885	3,281.9	24,363	1,456.8	20,319	1,215.0	66,612	3,902.7
2009	61,767	3,693.4	92,760	5,604.6	43,547	2,603.9	19,938	1,192.2	16,362	978.4	59,961	3,513.0
2010	60,407	3,610.5	91,404	5,515.3	43,641	2,608.7	18,299	1,094.1	14,845	888.2	55,154	3,233.9
2011	63,818	3,816.1	94,741	5,724.3	45,889	2,744.0	19,271	1,152.3	15,129	904.6	56,836	3,329.9

<sup>1</sup> Beginning in October 2001, telecommunications services became taxable under Communications Services Tax (CST). Prior to the implementation of the CST, these sales were included in the "Other Consumer Nondurables" category.

Source: Office of Economic and Demographic Research, (November 2011).

**State Sales Tax Collections by Top 25 Business Types  
Fiscal Years Ended June 30, 2006 vs. 2011 <sup>1</sup>**

<u>Type of Business</u>	<u>2006</u>	<u>2011</u>
General Miscellaneous Merchandise Stores	\$2,597,130,166	\$2,551,303,526
Automotive Dealers	3,298,185,599	2,207,277,779
Restaurants, Lunchrooms, Catering Services	1,661,045,789	1,743,301,214
Leased or Rental of Commercial Real Property	1,202,365,292	1,324,884,838
Hotels/Motels Accommodations & Other Lodging Places	888,945,371	934,930,602
Food & Beverage Stores	883,381,433	916,629,337
Apparel & Accessory Stores	570,596,579	710,397,511
Lumber and Other Building Materials Dealers	1,144,331,253	661,407,399
Admissions, Amusement & Recreation Services	457,762,354	640,623,369
Radio, Television, Consumer Electronics, Computers, Music Stores	614,815,590	512,706,585
Utilities, Electric, Gas, Water, Sewer	463,352,880	501,675,631
Wholesale Dealers	734,013,324	478,962,754
Manufacturing	722,804,936	414,318,434
Home Furniture, Furnishings & Equipment	503,923,123	358,082,349
Rental of Tangible Personal Property	464,193,029	244,547,028
Automobile Repair & Services	267,769,878	238,334,770
Automotive Accessories & Parts	250,149,311	237,534,826
Taxable Services (per Chapter 212, F.S.)	151,087,643	145,576,727
Store & Office Equipment, Office Supplies	207,478,801	143,798,131
Drinking Places (Alcoholic beverages served on premises)	162,145,467	137,914,430
Communications <sup>2</sup>	126,958,975	131,800,585
Insurance, Banking Savings & Loans	34,671,789	131,256,198
Paint, Wallpaper & Hardware Dealers	209,680,018	127,471,565
Gifts, Cards, Novelty, Hobby, Crafts & Toy Stores	127,695,085	115,781,244
Building Contractors	119,102,489	113,992,131

Source: Florida Department of Revenue, Office of Tax Research (November 2011).

<sup>1</sup> Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2011. In that Fiscal Year, "Miscellaneous" and unspecified business types accounted for \$153,941,067 in sales tax collections.

<sup>2</sup> Includes sales and use tax portion of Communications Service Tax.

## STATE FINANCIAL OPERATIONS

Florida law requires that financial operations of the State be maintained through the General Revenue Fund, trust funds, and the Budget Stabilization Fund administered by the Chief Financial Officer. The majority of State tax revenues are deposited in the General Revenue Fund. Trust funds consist of monies which under law or trust agreement are segregated for a specified purpose. State monies are disbursed by the Chief Financial Officer upon warrants or other orders pursuant to appropriations acts. The Governor and Chief Financial Officer are responsible for insuring that sufficient revenues are collected to meet appropriations and that no deficits occur in State funds.

***The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5% nor more than 10% of the last complete fiscal year's net revenue collections for the General Revenue Fund.*** Monies in the Budget Stabilization Fund may be transferred to the General Revenue Fund to offset a deficit therein or to provide emergency funding, including payment of up to \$38 million with respect to certain uninsured losses to state property. Monies in this fund are constitutionally prohibited from being obligated or otherwise committed for any other purpose. Any withdrawals from the Budget Stabilization Fund must be restored from general revenues in five equal annual installments, commencing in the third fiscal year after the expenditure, unless the legislature establishes a different restoration schedule.

***The State budget must be kept in balance from current revenues each State fiscal year*** (July 1-June 30), and the State may

not borrow to fund governmental operations. (See "***Budget Shortfalls***" below.) Revenues in the General Revenue Fund which exceed amounts needed to fund appropriations or for transfers to the Budget Stabilization Fund are maintained as "unallocated general revenues."

### ***Budgetary Process***

The State's budgetary process is an integrated, continuous system of planning, evaluation and controls. State law requires that, no later than each September 15, the Joint Legislative Budget Commission prepare a long-range State financial outlook. The outlook includes major workloads and revenue estimates and recommends fiscal strategies to assist the legislature in making budget decisions. State agencies are also required to develop goals and objectives consistent with the State long-range planning document.

Individual State agencies prepare and submit appropriation requests to the Office of Planning and Budgeting, Executive Office of the Governor, generally no later than October 15 of the year preceding legislative consideration. The Office of Planning and Budgeting conducts a detailed evaluation of all agency requests, after which it makes budget recommendations to the Governor.

From recommended appropriations and revenue estimates, the Governor submits a recommended budget to the legislature. After passage of the appropriations bill, the Governor may exercise line item vetoes or veto the entire bill.

## Revenue Estimates

State law provides for consensus estimating conferences to develop official economic and demographic data and revenue forecasts for use in planning and budgeting. Each conference develops estimates within its area of expertise by unanimous consent of the conference principals. The four principals of the estimating conference are professional staff of the Governor's Office, Senate, House of Representatives and the Legislature's Office of Economic and Demographic Research. Once an estimating conference is convened, an official estimate does not exist until a new consensus is reached.

**Consensus revenue estimating conferences are generally held three times each year to estimate revenue collections for the next fiscal year** based on current tax laws and administrative procedures. General State and national economic scenarios are agreed upon by the conference principals. Consensus estimating conferences are held in late summer to refresh estimates for the Long Range Financial Outlook (Article III, Section 19(c)1, Florida Constitution), the fall to establish a forecast for the Governor's budget recommendations, and in the spring to determine the revenues available for appropriation during the legislative session. Conferences may reconvene at any time if it is felt that prior recommendations are no longer valid. Conferences are also held during legislative session to determine the fiscal impact of proposed tax law changes, and after each legislative session to review changes in tax legislation and to amend official conference recommendations accordingly.

There are currently ten estimating conferences formally identified in statute: Economic, Demographic, Revenue, Education, Criminal Justice, Social Services, Workforce, Early Learning, Self-Insurance, and Florida Retirement System Actuarial Assumptions.

## State Revenue Limitation

### Present Law

**The rate of growth in State revenues in a given fiscal year is limited to no more than the average annual growth rate in personal income over the previous five years.** Revenues have never exceeded the limitation. Revenues collected in excess of the limitation are to be deposited into the Budget Stabilization Fund unless two-thirds of the members of both houses of the legislature vote to raise the limit. The revenue limit is determined by multiplying the average annual growth rate in personal income over the previous five years by the maximum amount of revenue permitted under the cap for the previous year. State revenues include taxes, licenses, fees, and charges for services imposed by the legislature on individuals, businesses, or agencies outside of State government as well as proceeds from the sale of lottery tickets. State revenues subject to the limitation do not include lottery receipts returned as prizes; balances carried forward from prior years; proceeds from the sale of goods (e.g. land, buildings); funds pledged for debt service on State bonds; State funds used to match federal money for Medicaid (partially exempt); charges imposed on the local governmental level; receipts of the Hurricane Catastrophe Trust Fund; and revenues required to be imposed by amendment to the Constitution after July 1, 1994. The revenue limitation may be adjusted to reflect the transfer of responsibility for funding governmental functions between the State and other levels of government.

### Proposed Constitutional Amendment

The 2011 Florida Legislature adopted Senate Joint Resolution 958 (SJR 958), which will take effect upon approval by at least 60%

of the electors and, if approved, will replace the current State revenue limitation beginning with the 2014-2015 State fiscal year. SJR 958 amends the Florida Constitution by striking the existing revenue limitation and adding a new Section 19 to Article VII of the Florida Constitution. Under SJR 958, **the rate of growth in State revenues in a given fiscal year is limited to no more than the average growth rate in inflation and population changes over the previous five years.** Revenues collected in excess of the limitation are to be deposited into the Budget Stabilization Fund, until the balance in the Budget Stabilization Fund reaches an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund, and thereafter shall be used for the support and maintenance of public schools by reducing the minimum financial effort required from school districts for participation in a state-funded education finance program, or, if the minimum financial effort is no longer required, returned to taxpayers as provided by general law. The revenue limit is determined by multiplying (1) the maximum amount of revenue permitted under the cap for the previous year, by (2) the adjustment for growth, which, beginning in Fiscal Year 2018-19, is an amount equal to the average for the previous five years of the product of (a) an amount equal to one plus the percent change in the calendar year annual average of the Consumer Price Index, and (b) an amount equal to one plus the percent change in the population of the State as of April 1 compared to April 1 of the prior year. The adjustment for growth is increased by four one-hundredths in Fiscal Year 2014-15, by three one-hundredths in Fiscal Year 2015-16, by two one-hundredths in Fiscal Year 2016-17, and by one one-hundredth in Fiscal Year 2017-18. State revenues include taxes, fees, licenses, fines, and charges for services imposed by the legislature on individuals, businesses, or agencies outside state government as well as proceeds from the sale of lottery tickets. State revenues subject to the limitation do not include revenues that are necessary to meet the requirements set forth in documents authorizing the issuance of bonds by the state for bonds issued before July 1, 2012; revenues that are used to provide matching funds for the federal Medicaid program with the exception of the revenues used to support the Public Medical Assistance Trust Fund or its successor program and with the exception of state matching funds used to fund optional expansions made after July 1, 1994; proceeds from the state lottery returned as prizes; receipts of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation; receipts of public universities and colleges; balances carried forward from prior fiscal years; taxes, fees, licenses, fines, and charges for services imposed by local, regional, or school district governing bodies; or revenue from taxes, fees, licenses, fines, and charges for services authorized by any amendment or revision to this constitution after May 6, 2011. The revenue limitation may be adjusted to reflect the transfer of responsibility for funding governmental functions between the State and other levels of government occurring after May 6, 2011, or the fiscal impact of a new federal mandate.

The State revenue limitation for any fiscal year may be increased by a two-thirds vote of the membership of each house of the legislature. Unless otherwise provided by the bill increasing the revenue limitation, the increased revenue limitation enacted thereby shall be used to determine the revenue limitation for future fiscal years. The state revenue limitation for any one fiscal year may be increased by a three-fifths vote of the membership of each house of the legislature. In this circumstance, increases to the revenue limitation enacted must be disregarded when determining the revenue limitation in subsequent fiscal years.

## Financial Control

After the appropriations bill becomes law, ***the Office of Planning and Budgeting prepares monthly status reports comparing actual revenue receipts to the estimates on which appropriations were based.*** This constant cash flow monitoring system enables the Governor and the Chief Financial Officer to insure that revenues collected will be sufficient to meet appropriations.

All balances of General Revenue Fund appropriations for operations in each fiscal year (except appropriations for fixed capital outlay) expire on the last day of such fiscal year. Amounts identified by agencies as incurred obligations which have not been disbursed as of June 30 are carried forward, with unused amounts expiring on September 30. Because capital projects are often funded on a multi-year basis, with the full appropriation being made in the first year even though payments are actually made over multiple years, unused appropriations for fixed capital outlay revert on February 1 of the second fiscal year (the third fiscal year if for an educational facility or a construction project of a State university).

### Budget Shortfalls

Appropriations are maximum amounts available for expenditure in the current fiscal year and are contingent upon the collection of sufficient revenues. The Governor and the Chief Financial Officer are responsible for ensuring that revenues collected will be sufficient to meet appropriations and that no deficit occurs in any state fund. A determination that a deficit has occurred or will occur can be made by either the Governor or the Chief Financial Officer after consultation with the revenue estimating conference. If the Governor fails to certify a deficit, the Speaker of the House of Representatives and President of the Senate may do so after consultation with the revenue estimating conference. A determination made by the Chief Financial Officer is reported to the Governor, the Speaker of the House and the President of the Senate, and subsequently to the Legislative Budget Commission for further action, if neither the Governor nor the House Speaker and Senate President certifies the existence of a deficit within 10 days after the report by the Chief Financial Officer. Within 30 days after determining that a budget shortfall will occur, the Governor is required to develop a plan of action to eliminate the budget shortfall for the executive branch and the Chief Justice of the Supreme Court is required to develop a plan of action for the judicial branch.

Budget shortfalls of less than 1.5% of the money appropriated from the General Revenue Fund during a fiscal year are resolved by the Governor for the executive branch and by the Chief Justice of the Supreme Court for the judicial branch, with the approval of the

Legislative Budget Commission, subject to statutory guidelines and directives contained in the appropriations act. The statutory guidelines include a requirement that all branches of government are generally required to accept a proportional budget reduction. The Governor for the executive branch and the Chief Justice for the judicial branch may reduce appropriations by placing them in mandatory reserve, or withhold appropriations by placing them in budget reserve, in order to prevent deficits or implement legislative directives in the General Appropriations Act.

If the revenue estimating conference projects a shortfall in the General Revenue Fund in excess of 1.5% of the moneys appropriated from the General Revenue Fund during a fiscal year, the shortfall must be resolved by the legislature. Any available State funds may be used in eliminating shortfalls in the General Revenue Fund. Additionally, the legislature may eliminate a shortfall by reducing appropriations.

### Evaluation, Accounting and Auditing Procedures

Florida has an integrated general ledger accounting system which provides on-line monitoring of budget commitments by individual agency units. This system prevents agencies from overcommitting available funds.

Each State agency supported by any form of taxation, licenses, fees, imposts, or exactions must file with the Chief Financial Officer financial and other information necessary for preparation of the State's annual financial statements. In addition, each such agency must prepare financial statements showing the financial position and results of agency operations as of June 30 for internal management purposes. The Chief Financial Officer is responsible for preparing the State's combined annual financial report, copies of which are available from the Chief Financial Officer, Division of Accounting and Auditing. The Auditor General conducts annual audits of all officers and agencies in the executive and judicial branches. Individual agency audits are made in accordance with generally accepted auditing standards and governmental auditing standards as adopted by the State Board of Accountancy. In addition to the annual financial and compliance audits, performance audits are made to determine the efficiency and effectiveness of agency operations.

Systems and procedures are in place to enable the State and its component units to comply in a timely manner with Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

## REVENUES

Major sources of tax revenues to the General Revenue Fund are the sales and use tax, corporate income tax, intangible personal property tax, beverage tax, and insurance premium tax. Unlike many other jurisdictions, ***the State of Florida does not levy ad valorem taxes on real property or tangible personal property, nor does it impose a personal income tax.***

### Sales and Use Tax

***The largest single source of tax receipts in Florida is the sales and use tax.*** It is a uniform tax upon either the sale of tangible personal property at retail or its use irrespective of where it may have been purchased. The sales tax is 6% of the sales price of tangible personal property sold at retail in the State, and the use tax is 6% of the cost price of tangible personal property used or stored

for use in this State. In addition, local governments may (by referendum) assess a 0.5% or 1% discretionary sales surtax within their county.

The sales tax is also levied on the following: (1) rental of tangible personal property; (2) rental of transient lodging and non-residential real property; (3) admissions to places of amusement, most sports and recreation events; (4) non-residential utilities (at a 7% rate); and (5) restaurant meals.

Exemptions include groceries, medicines, hospital rooms and meals, fuels used to produce electricity, electrical energy used in manufacturing, purchases by certain nonprofit institutions, most professional, insurance, and personal service transactions, apartments used as permanent dwellings, the trade-in value of

motor vehicles, and residential utilities. The Legislature has, from time to time, temporarily waived collection of sales taxes on such items as clothing under certain prices, school supplies, and hurricane preparedness items.

Receipts of the **sales and use tax**, with the exception of the tax on gasoline and special fuels, **are credited to either the General Revenue Fund, counties and cities, the Ecosystem and Restoration Management Trust Fund, the Public Employees Relations Commission Trust Fund, or may be distributed for the use of sports facilities and to make emergency distributions to qualified counties.** Legislation was enacted in 2000 which provides that 2.25% of sales tax receipts are to be deposited in the Revenue Sharing Trust Fund for Counties in lieu of intangible personal property taxes which were so distributed under prior law.

### **Motor Fuel Tax**

**The second largest source of State tax receipts is the tax on motor and diesel fuels.** However, **these revenues are almost entirely dedicated trust funds** for specific purposes and are not included in the State General Revenue Fund.

Taxes on motor fuels (gasoline) and diesel fuels include several distinct fuel taxes: (1) the State sales tax on motor and diesel fuels, levied at 6.9 cents per gallon; (2) the State excise tax of four cents per gallon of motor and diesel fuel, with proceeds distributed to local governments; (3) the State Comprehensive Enhanced Transportation System (SCETS) tax, which is levied at a rate in each county equal to two-thirds of the sum of the county's local option motor fuel taxes, not to exceed 4 cents per gallon, for motor fuel and 4 cents per gallon for diesel fuel; (4) aviation fuel, at 6.9 cents per gallon; and (5) local option motor fuel taxes, which may range between one cent to 12 cents per gallon.

**Most of the proceeds of the sales tax on motor and diesel fuels are deposited into the State Transportation Trust Fund for road maintenance and construction.** The proceeds of the State excise tax of four cents per gallon is distributed by formula to local governments. The first two cents (described as the Constitutional Gas Tax) are primarily pledged for each county's debt service requirements, with any remaining balance deposited into the county's transportation trust fund. The remaining two cents of the excise tax (described as the County and Municipal Gas Taxes) are part of the State Revenue Sharing Program. Proceeds from the SCETS tax are, to the maximum extent possible, expended on road projects in the counties in which the revenues are derived. Local option gas taxes of one to 11 cents per net gallon, and the so-called "ninth cent fuel tax" of one cent per net gallon, of motor and diesel fuel may be levied by counties, for use by local governments for transportation expenditures. Local Option Gas Tax revenues may be pledged for payment of bonds issued by the Division of Bond Finance on behalf of local governments to fund transportation capital improvements.

### **Alcoholic Beverage Tax**

Florida's alcoholic beverage tax is an excise tax on beer, wine, and liquor. Fifty percent of the revenues collected from the taxes on wine produced by manufacturers in this State from products grown in this State are deposited in the Viticulture Trust Fund. The remainder of revenues are deposited into the General Revenue Fund.

### **Corporate Income Tax**

Florida collects a tax upon the net income of corporations, organizations, associations, and other artificial entities for the

privilege of conducting business, deriving income, or existing within the State. This tax is currently levied at a rate 5.5% of net corporate income, less a \$5,000 exemption. Beginning January 1, 2012, the exemption increases to \$25,000. Net income is defined as that share of adjusted federal income which is apportioned to Florida.

All business income is apportioned by weighted factors of sales (50%), property (25%), and payroll (25%).

Florida adopted an emergency excise tax to recoup taxes lost through reductions in adjusted federal income resulting from the Accelerated Cost Recovery System under federal tax law. As a result of the 1986 Tax Reform Act, this tax has been repealed on assets placed in service after January 1, 1987.

All receipts of the corporate income tax are credited to the General Revenue Fund.

### **Documentary Stamp Tax**

Deeds and other documents relating to realty are taxed upon execution or recording at 70 cents per \$100 of consideration. Bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge accounts are taxed upon issuance or renewal at 35 cents per \$100 of face value, or actual value if issued without face value.

At its inception, documentary stamp tax proceeds were credited to the General Revenue Fund. However, over the years a series of statutory amendments have dedicated portions of the proceeds to various trust funds for specific purposes. One of the largest portions is dedicated to the Land Acquisition Trust Fund, which receives 9.5% (less \$6.3 million, which is distributed to the General Revenue Fund) of collections. The 2005 legislature enacted legislation which dedicates a portion (currently \$541.75 million) of documentary tax collections which otherwise would have gone to the General Revenue Fund, for growth management. In addition, a measure was adopted, effective July 1, 2007, which limits the dollar amount of distributions to certain funds, subject to adjustment, beginning July 1, 2008, if collections exceed the prior year's receipts.

Documentary stamp tax collections are now effectively distributed as follows:

63.31% Regarded as the General Revenue distribution, this portion of collections is first applied to pay debt service on Preservation 2000 Bonds, Florida Forever Bonds, and Everglades Restoration Bonds. The balance of this allocation goes to the General Revenue Fund after funding:

- the State Transportation Trust Fund (the lesser of 38.2% of the remainder or \$541.75 million);
- to the Grants and Donations Trust Fund (the lesser of .23% of the remainder or \$3.25 million);
- the Ecosystem Management and Restoration Trust Fund (the lesser of 2.12% of the remainder or \$30 million);
- to fund the General Inspection Trust Fund (the lesser of .02% of the remainder or \$300,000);

3.128% to the Conservation and Recreation Lands Trust Fund;

0.392% to the State Game Trust Fund

.25% to the Department of Environmental Protection Water Quality Assurance Trust Fund;

.25% to the Department of Agriculture and Consumer Services General Inspection Trust Fund;

the lesser of \_\_\_ % or \$ \_\_\_ million (%/\$)

7.56% / \$84.9	\$6.3 million to General Revenue Fund, remainder to Land Acquisition Trust Fund
1.94% / \$26	to the Land Acquisition Trust Fund;
4.2% / \$60.5	to the Water Management Lands Trust Fund;
2.28% / \$34.1	to the Invasive Plant Control Trust Fund;
.5% / \$9.3	to the State Game Trust Fund;
4.8475%	to the State Housing Trust Fund;
11.3425%	to the Local Government Housing Trust Fund.

Except to the extent needed to pay debt service on bonds, proceeds are subject to an 8% general revenue service charge and costs of the Department of Revenue necessary to collect and enforce the tax.

### ***Intangible Personal Property Tax***

The State formerly levied an annual, recurring tax on intangible personal property situated in the State, such as stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission. Obligations issued by the State or local governmental entities in Florida, or by the federal government, were exempt from such taxation. The Legislature abolished the annual, recurring tax as of January 1, 2007, effectively eliminating the tax on intangible personal property held on or after January 2, 2006.

A non-recurring 2 mill tax continues to be levied on mortgages and other obligations secured by liens on Florida realty. The tax is payable upon recording the instrument or within 30 days of creation of the obligation. The tax proceeds are deposited to the General Revenue Fund.

### ***Insurance Premium Tax***

The insurance premium tax is a tax on insurance premiums received by insurers. The tax is paid by insurance companies at the following rates: 1.75% on gross premiums minus reinsurance and return premiums; 1% on annuity premiums; 1.6% on self insurers; and 5% on surplus lines premiums and independently procured coverage. Corporation income taxes and emergency excise taxes paid to Florida are credited against premium tax liability, as are certain other taxes. In addition to the premium taxes imposed, a \$2 surcharge is imposed on homeowner's policies, and a \$4 surcharge is imposed on commercial policies issued or renewed on or after May 1, 1993.

Assessments for Police and Firefighter pension funds are distributed to local governments. Fire Marshal assessments, filing fees and \$125,000 annually, adjusted by the lessor of 20 percent or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the Premium Tax is deposited to the General Revenue Fund. Surcharge collections are deposited to the Emergency Management, Preparedness, and Assistance Trust Fund, administered by the Department of Community Affairs.

### ***Gross Receipts Tax***

The gross receipts tax is imposed at a rate of 2.5% of the gross receipts of providers of electricity, natural gas, and telecommunications services. Telecommunications services are subject to a unified Telecommunications Services Tax, a portion of which is collected with the gross receipts tax at revenue-neutral rates.

All gross receipts tax collections are credited to the Public Education Capital Outlay and Debt Service Trust Fund. The potential impact of electric utility deregulation on gross receipts tax collections cannot be determined at this time.

### ***Communications Services Tax***

The communications services tax is imposed on retail sales of communications services which originate and terminate in Florida, or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the gross receipts tax plus cable television and direct-to-home satellite service. The communications services tax replaced certain sales and use taxes and gross receipts taxes, at revenue-neutral rates. Communications services tax receipts are included in sales tax and gross receipts tax collections, as appropriate.

### ***Other State Taxes***

To the extent not pre-empted to the federal government, the State levies a one-time excise tax on cigarettes, at rates based on their weight and package quantity, and on other tobacco products at the rate of 25% of the wholesale price. The State also imposes a tax on racing and jai-alai admissions, and on contributions to pari-mutuel pools, or "handle."

### ***Tobacco Litigation Settlement***

As a result of settling litigation by the State against the tobacco industry in 1997, Florida expects to receive more than \$11 billion over 25 years. Payments are subject to adjustment for various factors, including inflation and tobacco product sales volume. Proceeds of the settlement are expected to be used for children's health care coverage and other health-related services, to reimburse the State for medical expenses, for improvements in State efforts to reduce sales of tobacco products to minors, and to promote production of reduced risk tobacco products.

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of June 30, 2010, the market value of the endowment was \$626.8 million.

### ***Lottery***

In order to provide additional funding for education, the 1987 Legislature created the Department of the Lottery to operate a State lottery. Revenues generated by the Florida Lottery are used to pay prizes, fund the Educational Enhancement Trust Fund, and pay the administrative costs of operating the lottery.

## ***FLORIDA FINANCIAL INFORMATION***

The following tables present information regarding the State's historical and projected financial resources, as well as budgets by program area and appropriations by department.



**Five Year History of Trust Fund and General Revenues<sup>1</sup>**

(millions of dollars)

<b>General Revenue Receipts<sup>2</sup></b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Sales and Use Tax <sup>3</sup>	\$19,435.2	\$18,428.9	\$16,531.4	\$16,014.7	\$16,638.3
Beverage Licenses and Taxes	637.5	609.2	582.1	585.7	550.8
Corporation Income Tax	2,443.7	2,216.8	1,833.4	1,790.0	1,874.5
Documentary Stamp Tax	625.5	203.4	130.2	143.3	167.2
Corporate Filing Fees	196.2	220.1	239.9	238.1	273.6
Tobacco Tax	279.2	271.1	278.9	205.8	213.4
Insurance Premium Tax	697.4	672.1	614.7	649.2	660.5
Indian Gaming	0.0	0.0	0.0	287.5	139.7
Pari-mutuel Fees, Licenses and Taxes	32.1	22.4	15.1	15.7	12.3
Slot Machine Licenses GR	0.0	4.5	4.9	12.0	18.5
Intangible Personal Property Tax	772.6	436.3	200.0	158.7	162.5
Estate Tax	43.4	0.0	0.0	0.0	0.0
Interest Earnings	473.1	446.3	126.8	118.1	135.6
Auto Title and Lien Fees	33.1	29.0	24.2	182.3	234.9
Oil and Gas Severance Tax	7.2	9.0	4.4	2.2	6.2
Solid Mineral Severance Tax	10.3	12.4	13.6	10.8	12.4
Drivers Licenses and Fees	71.5	71.3	82.8	172.8	200.2
Motor Vehicle and Mobile Home Licenses	0.8	0.8	0.7	311.0	404.2
Article V Fees & Transfers	103.9	113.7	258.2	190.6	167.3
Medical and Hospital Fees	172.6	165.9	138.1	210.2	208.6
Motor Vehicle Fees and Charges	0.0	0.0	0.0	75.1	99.7
Fines/Foreitures/Judgements GR	60.9	58.8	18.6	18.2	19.5
Other GR	399.5	223.3	151.9	233.4	188.7
<b>Total GR Collections and Transfers</b>	<b>26,330.5</b>	<b>24,215.3</b>	<b>21,319.1</b>	<b>21,625.7</b>	<b>22,415.3</b>
Plus Service Charges to GR	440.5	362.6	304.7	435.2	462.5
Less Refunds of GR	(366.9)	(465.8)	(598.2)	(537.8)	(326.1)
<b>Net GR Collections and Transfers</b>	<b>26,404.1</b>	<b>24,112.1</b>	<b>21,025.6</b>	<b>21,523.1</b>	<b>22,551.6</b>
<b>Trust Fund Revenues<sup>2</sup></b>					
<u>Major Transportation Revenues:</u>					
Auto Title and Lien Fees	109.7	100.9	86.9	118.1	123.1
Motor Fuel Tax	1,871.1	1,867.4	1,824.3	1,855.4	1,850.7
Motor Vehicle and Mobile Home Licenses	572.3	536.3	499.9	777.2	791.6
Motor Vehicle Fees and Charges	246.2	246.8	236.9	289.0	314.4
Subtotal	2,799.3	2,751.4	2,648.0	3,039.6	3,079.8
<u>Workers Insurance Tax:</u>					
Workers' Compensation Tax	53.4	33.6	17.1	19.5	33.3
Workers' Comp. Special Disability	239.5	189.3	144.1	112.4	37.1
Unemployment Compensation Tax	1,037.6	874.6	879.5	1,155.9	1,674.2
Subtotal	1,330.5	1,097.5	1,040.6	1,287.8	1,744.6
<u>Conservation and Recreational Lands:</u>					
Documentary Stamp Tax	2,286.9	1,678.2	956.3	900.7	952.1
Solid Mineral Severance Tax	18.0	22.3	51.8	39.4	28.8
Oil and Gas Severance Tax	0.9	2.7	2.1	1.3	2.6
Sales and Use Tax	63.9	63.9	60.7	23.7	23.7
Subtotal	2,369.7	1,767.1	1,070.9	965.1	1,007.2
<u>Education - Tuition , Fees and Charges:</u>					
Slot Machine Tax to Education	48.2	122.3	104.1	136.4	127.7
Lottery to Education	1,256.4	1,277.1	1,284.8	1,246.8	1,184.0
Subtotal	1,304.5	1,399.4	1,388.9	1,383.2	1,311.7
<u>Agencies' Administrative Trust Funds:</u>					
Beverage Licenses and Taxes	39.7	23.3	30.7	27.6	31.0
Insurance Premium Tax	80.0	36.2	43.7	51.0	59.2
General Inspection Fees and Licenses	52.5	53.3	61.0	57.4	69.8
Citrus Inspection Fees and Licenses	19.7	13.1	18.2	14.8	14.0
D.F.S. and Treas Fees, Licenses & Taxes	128.6	130.0	149.8	116.7	125.0
Citrus Taxes	41.8	53.2	49.0	41.4	42.4
Hunting and Fishing Licenses	36.2	44.3	45.1	47.5	49.7
Pari-mutuel Fees, Licenses and Taxes	1.8	11.4	14.1	10.9	13.7
Professional Fees and Licenses	71.2	56.0	69.2	61.2	78.0
Drivers' Licenses and Fees	56.4	50.5	51.2	125.1	129.7
Slot Machine Licenses and Fees	13.4	10.1	5.0	4.6	3.3
Lottery to Administration	424.6	422.9	414.6	303.9	322.9
Subtotal	966.0	904.3	951.7	862.2	938.7

(Five Year History of Trust Fund and General Revenues - continued)

<b><u>Other Trust Fund Revenues for State Use:</u></b>	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>
Tobacco Tax	163.6	161.8	157.0	1,129.1	1,096.8
Lottery Prizes	2,461.6	2,504.0	2,260.8	2,403.0	2,515.5
Tobacco Fines/Forfeitures/Judgements Trust	396.4	398.4	388.8	363.7	366.1
Other Fines/Forfeitures/Judgements Trust	256.2	299.9	274.4	279.7	322.3
Article V Fees	(5.5)	(1.2)	1.3	453.5	444.5
Interest Earnings	535.7	615.8	311.5	153.0	177.1
Miscellaneous Revenues <sup>4</sup>	169.2	187.6	176.6	157.2	259.9
Other Trust	<u>2,417.8</u>	<u>2,305.6</u>	<u>1,826.2</u>	<u>3,158.0</u>	<u>3,127.2</u>
Subtotal	6,395.1	6,471.9	5,396.6	8,097.1	8,309.5
<b>Total Trust Fund Revenue for State Use</b>	<b>15,165.2</b>	<b>14,391.6</b>	<b>12,496.8</b>	<b>15,635.1</b>	<b>16,391.5</b>

**Revenues Shared With Local Governments  
and School Districts**

Sales and Use Tax	2,378.0	2,228.5	2,017.4	1,953.6	2,035.0
Beverage Licenses and Taxes	13.4	13.5	14.1	13.7	14.4
Documentary Stamp Tax	120.4	73.4	36.2	34.6	37.1
Insurance Premium Tax	168.1	175.1	156.3	156.4	154.9
Article V Fees	19.8	21.9	19.4	0.0	0.0
Indian Gaming	0.0	0.0	0.0	0.0	0.8
Motor Fuel Tax	419.4	406.4	387.7	388.4	387.6
Oil and Gas Severance Tax	1.2	1.6	1.3	0.4	1.3
Solid Mineral Severance Tax	8.3	8.5	8.0	8.4	7.8
Gross Receipts Tax <sup>3</sup>	1,067.6	1,126.0	1,126.2	1,097.7	1,071.6
Mtr Vehicle and Mobile Home Licenses	140.6	133.2	119.4	124.7	125.5
Tobacco Taxes	11.2	10.9	11.1	8.0	8.2
Other Fees, Licenses and Taxes <sup>3</sup>	<u>73.5</u>	<u>56.6</u>	<u>58.5</u>	<u>55.6</u>	<u>57.0</u>
<b>Total Local Government</b>	<b>4,401.7</b>	<b>4,255.4</b>	<b>3,955.8</b>	<b>3,841.5</b>	<b>3,901.2</b>

**Federal and Local Assistance**

Counties and Cities	32.6	88.1	72.6	73.5	69.2
U.S. Government	17,393.1	17,818.3	20,483.0	28,124.9	28,950.5
Other Grants	<u>94.9</u>	<u>105.1</u>	<u>147.1</u>	<u>232.9</u>	<u>151.2</u>
<b>Total Federal and Local Assistance</b>	<b>17,520.5</b>	<b>18,011.5</b>	<b>20,702.7</b>	<b>28,431.4</b>	<b>29,170.8</b>

<b><u>Summary of Trust Fund and General Revenue<sup>5</sup></u></b>	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>
General Revenue	\$26,330.5	\$24,215.3	\$21,025.6	\$21,523.1	\$22,551.6
Trust Fund	15,165.2	14,391.6	12,496.8	15,635.1	16,391.5
Revenues Shared with Local Governments	4,401.7	4,255.4	3,955.8	3,841.5	3,901.2
Donations & Fed Assistance	<u>17,621.3</u>	<u>18,011.5</u>	<u>20,702.7</u>	<u>28,431.4</u>	<u>29,170.8</u>
<b>Total Direct Revenues</b>	<b>\$63,518.7</b>	<b>\$60,873.8</b>	<b>\$58,180.9</b>	<b>\$69,431.1</b>	<b>\$72,015.1</b>

Source: Florida Office of Economic and Demographic Research, Fall 2011.

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> The Trust Fund portion of each tax source may include an obligatory General Revenue service charge, thereby reducing the dollars available for appropriations out of the trust fund.

<sup>3</sup> Includes portion of Communications Services Tax.

<sup>4</sup> Includes an unknown amount of General Revenue appropriations.

<sup>5</sup> Shown before transfers of General Revenue service charges and refunds.

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**GENERAL REVENUE FUND**  
**FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS<sup>1</sup>**

**Retrospect Statement**  
**Fiscal Years 2009-10, 2010-11**  
(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
<b>FUNDS AVAILABLE 2009-10</b>			
Balance forward from 2008-09 .....	\$0.0	\$631.4	\$631.4
Miscellaneous adjustments .....	0.0	0.1	0.1
Revenue collections .....	21,488.8	46.7	21,535.5
Transfers from trust funds .....	0.0	599.1	599.1
FCO reversions .....	0.0	30.8	30.8
Federal funds interest earnings rebate .....	<u>(0.6)</u>	<u>0.0</u>	<u>(0.6)</u>
Total 2009-10 funds available .....	\$21,488.2	\$1,308.1	\$22,796.3
<b>EXPENDITURES 2009-10</b>			
Operations .....	\$9,299.3	\$838.4	\$10,137.7
Aid to Local Government .....	10,958.6	58.5	11,017.1
Fixed Capital Outlay .....	52.7	10.0	62.7
FCO/Aid to Local Government .....	0.0	2.9	2.9
Nonoperating disbursements .....	<u>0.0</u>	<u>2.6</u>	<u>2.6</u>
Total 2009-10 expenditures .....	\$20,310.6	\$912.4	\$21,223.0
Ending Balance .....	\$1,177.6	\$395.7	\$1,573.2
Budget Stabilization Fund .....	-	-	<u>\$274.9</u>
Available Reserves .....	-	-	\$1,848.1
<b>FUNDS AVAILABLE 2010-11</b>			
Balance forward from 2009-10 .....	\$0.0	\$1,573.2	\$1,573.2
Miscellaneous Adjustments .....	0.0	0.1	0.1
Revenue collections .....	22,217.1	356.9	22,574.0
Seminole Gaming - Local Pass Through .....	0.8	0.0	0.8
Transfers from trust funds .....	0.0	362.5	362.5
FCO reversions .....	0.0	23.0	23.0
Federal funds interest earnings rebate .....	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Total 2010-11 funds available .....	\$22,217.6	\$2,315.7	\$24,533.3
<b>EXPENDITURES 2010-11</b>			
Operations .....	\$10,598.2	\$984.6	\$11,582.8
Aid to local government .....	11,684.2	358.8	12,043.0
Fixed capital outlay .....	73.7	5.4	79.1
Fixed capital outlay/aid to local government .....	0.0	79.2	79.2
Non-operating disbursements .....	<u>0.8</u>	<u>2.1</u>	<u>2.9</u>
Total 2010-11 expenditures .....	\$22,356.8	\$1,430.1	\$23,786.9
Ending Balance .....	(\$139.2)	\$885.6	\$746.4
Budget Stabilization Fund .....	-	-	<u>\$279.2</u>
Available Reserves .....	-	-	\$1,025.6

**FINANCIAL OUTLOOK STATEMENT<sup>4</sup>**  
**Fiscal Years 2011-12, 2012-13, 2013-14, 2014-15**

including results of the October 11, 2011 Revenue Estimating Conference (millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
<b>FUNDS AVAILABLE 2011-12</b>			
Balance forward from 2010-11 .....	\$0.0	\$746.4	\$746.4
Estimated revenues .....	23,115.7	79.8	23,195.5
Transfers from trust funds .....	0.0	391.6	391.6
Unused appropriations/reversions .....	0.0	0.0	0.0
FCO reversions .....	0.0	2.0	2.0
Federal funds interest earnings rebate .....	(0.3)	0.0	(0.3)
Total 2011-12 funds available .....	\$23,115.4	\$1,219.8	\$24,335.2
<b>EFFECTIVE APPROPRIATIONS 2011-12</b>			
General Appropriations Act (SB2000) .....	\$22,819.5	\$363.2	\$23,182.7
Transfer to Budget Stabilization Fund .....	0.0	214.5	214.5
Supplemental appropriations .....	10.0	76.5	86.5
Appropriations placed in reserve .....	0.0	(0.5)	(0.5)
Reappropriations .....	0.0	3.0	3.0
Vetoed .....	(30.2)	(68.7)	(98.9)
Total 2011-12 effective appropriations .....	\$22,799.3	\$588.0	\$23,387.4
Ending Balance <sup>2,3</sup> .....	\$316.1	\$631.8	\$947.8
<b>FUNDS AVAILABLE 2012-13</b>			
Balance forward from 2011-12 .....	\$0.0	\$947.8	\$947.8
Estimated revenues .....	24,307.5	219.3	24,526.8
Unused appropriations/reversions .....	0.0	93.0	93.0
FCO reversions .....	0.0	2.0	2.0
Federal funds interest earnings rebate .....	(0.2)	0.0	(0.2)
Total 2012-13 funds available .....	\$24,307.3	\$1,262.1	\$25,569.4
<b>FUNDS AVAILABLE 2013-14</b>			
Estimated revenues .....	\$25,780.1	\$291.7	\$26,071.8
Unused appropriations/reversions .....	0.0	93.0	93.0
FCO reversions .....	0.0	2.0	2.0
Federal funds interest earnings rebate .....	(0.2)	0.0	(0.2)
Total 2013-14 funds available .....	\$25,779.9	\$386.7	\$26,166.6
<b>FUNDS AVAILABLE 2014-15</b>			
Estimated revenues .....	\$27,338.1	\$79.8	\$27,417.9
Unused appropriations/reversions .....	0.0	93.0	93.0
FCO reversions .....	0.0	2.0	2.0
Federal funds interest earnings rebate .....	(1.2)	0.0	(1.2)
Total 2014-15 funds available .....	\$27,336.9	\$174.8	\$27,511.7

Source: Office of Economic and Demographic Research.

<sup>1</sup> Based on October 11, 2011 Revenue Estimating Conference.

<sup>2</sup> The Budget Stabilization Fund is available to address budget shortfalls or to provide emergency funding, as described in "STATE FINANCIAL OPERATIONS - Budget Shortfall" in this Appendix A. Hurricane related budget amendments transferred \$11 million to the Casualty Insurance Risk Management Trust Fund in Fiscal Year 2004-05 and \$11.8 million in Fiscal Year 2005-06. Such transfers must be restored in five equal annual transfers from the General Revenue Fund, commencing in the third Fiscal Year following that in which the expenditure was made. As of October 11, 2011, \$2.0 million remained unpaid.

<sup>3</sup> The amount of \$1,072.4 million was transferred out of the Budget Stabilization Fund to the General Revenue Fund in Fiscal Year 2008-09. Section 215.32(3) F.S. stipulates that repayments to the fund are appropriated in five equal installments beginning in the third year following the year in which the expenditure was made, unless otherwise established by law. Per the aforementioned statute, the first repayment was appropriated for 2011-12, and four additional repayments in the amount of \$214.5 million will be required for Fiscal Year 2012-13 through Fiscal Year 2015-16.

<sup>4</sup> This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions which might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any deficits in any spending programs unless specifically stated.

## Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2010-11 of \$22,551.6 million were \$1,028.5 million, or 4.8%, more than collections for Fiscal Year 2009-10. Actual general revenue collections for Fiscal Years 2009-10 and 2010-11, and projections adopted at the October 11, 2011 meeting of the Revenue Estimating Conference for Fiscal Years 2011-12 through 2014-15, are shown in the following table.

### General Revenues Fiscal Years 2009-10 through 2014-15 (millions of dollars)

	Act. 2009-10	Act. 2010-11		Est. 2011-12		Est. 2012-13		Est. 2013-14		Est. 2014-15	
			%		%		%		%		%
	Actual	Estimate	Change <sup>1</sup>	Estimate	Change <sup>1</sup>	Estimate	Change <sup>1</sup>	Estimate	Change <sup>1</sup>	Estimate	Change <sup>1</sup>
Sales Tax- GR .....	\$16,014.7	\$16,638.3	3.9%	\$17,143.6	3.0%	\$18,070.2	5.4%	\$19,200.1	6.3%	\$20,483.7	6.7%
Beverage Tax & Licenses .....	585.7	550.8	(6.0)	498.7	(9.5)	475.1	(4.7)	446.1	(6.0)	407.7	(8.7)
Corporate Income Tax .....	1,790.0	1874.5	4.7	1,954.1	4.2	2,153.9	10.2	2,345.1	8.9	2,351.4	0.3
Documentary Stamp Tax <sup>2</sup> .....	143.3	167.2	16.7	177.6	6.2	220.3	24.0	437.2	98.5	488.8	11.8
Tobacco Tax .....	205.8	213.4	3.7	207.9	(2.6)	206.5	(0.7)	205.6	(0.4)	205.2	(0.2)
Insurance Premium Tax .....	649.2	660.5	1.7	644.8	(2.4)	648.1	0.5	669.3	3.3	653.7	(2.3)
Pari-Mutuels Tax .....	27.7	30.8	11.2	24.3	(21.1)	22.6	(7.0)	26.8	18.6	26.4	(1.5)
Intangibles Tax .....	158.7	162.5	2.4	164.7	1.4	180.3	9.5	209.8	16.4	237.7	13.3
Interest Earnings .....	118.1	135.6	14.8	117.4	(13.4)	116.0	(1.2)	123.5	6.5	183.0	48.2
Indian Gaming Revenues .....	287.5	139.7	(51.4)	145.5	4.2	221.2	52.0	226.0	2.2	226.9	0.4
Highway Safety Licenses & Fees ..	746.0	965.5	29.4	1,028.6	6.5	1,083.7	5.4	1,091.7	0.7	1,088.3	(0.3)
Medical & Hospital Fees .....	210.2	208.6	(0.8)	283.6	36.0	315.4	11.2	279.0	(11.5)	259.0	(7.2)
Severance Taxes .....	13.0	18.6	43.1	17.5	(5.9)	19.6	12.0	20.0	2.0	19.9	(0.5)
Corporation Filing Fees .....	238.1	273.6	14.9	255.5	(6.6)	260.0	1.8	261.7	0.7	264.2	1.0
Service Charges .....	435.2	462.5	6.3	451.5	(2.4)	468.5	3.8	477.1	1.8	484.5	1.6
Other Taxes, Licenses & Fees ....	437.5	375.6	(14.1)	381.1	1.5	375.1	(1.6)	367.6	(2.0)	361.6	(1.6)
Less: Refunds .....	<u>(537.8)</u>	<u>(326.1)</u>	<u>(39.4)</u>	<u>(300.9)</u>	<u>(7.7)</u>	<u>(309.7)</u>	<u>2.9</u>	<u>(315.1)</u>	<u>1.7</u>	<u>(324.1)</u>	<u>2.9</u>
Net General Revenue: <sup>3</sup> .....	\$21,523.1	\$22,551.6	4.8%	\$23,195.5	2.9%	\$24,526.8	5.7%	\$26,071.8	6.3%	\$27,417.9	5.2%

Source: Office of Economic and Demographic Research, October 11, 2011 Consensus Revenue Estimating Conference.

<sup>1</sup> Represents percentage change from prior year, based on current estimates.

<sup>2</sup> Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund, an amount which is set forth as percentages of Documentary Stamp Tax Collections with an aggregate cap of \$657.3 million.

<sup>3</sup> May not add due to rounding.

The projections are based on the best information available when the estimates are made. **Investors should be aware that there have been material differences between past projections and actual general revenue collections; no assurance can be given that there will not continue to be material differences relating to such amounts.**

**Operating and Fixed Capital Outlay Budget By Program Area**  
**Fiscal Years 2007-08 through 2011-12**  
(In Millions of Dollars)

Program	2007-08		2008-09		2009-10		2010-11		2011-12	
	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>
<b>General Revenue</b>										
Education	\$14,410.2	\$ 96.9	\$12,932.9	\$8.8	\$11,377.2	\$10.9	\$12,494.9	\$6.4	\$11,887.1	\$29.3
Human Services	7,632.7	29.6	7,147.6	-	5,200.6	-	6,703.4	5.4	7,012.8	1.4
Criminal Justice & Corrections	3,578.2	202.9	3,521.6	343.9	3,487.5	45.5	3,420.9	74.4	3,269.7	74.7
Natural Resources, Environment										
Growth Mngmt, & Transportation	413.4	146.0	256.0	21.2	168.7	0.5	158.6	24.4	166.3	63.0
General Government	1,432.7	45.3	961.9	25.8	763.4	4.9	847.7	6.7	612.4	18.4
Judicial Branch	<u>446.8</u>	<u>13.6</u>	<u>403.7</u>	<u>-</u>	<u>134.6</u>	<u>-</u>	<u>46.9</u>	<u>-</u>	<u>47.6</u>	<u>-</u>
<b>Total General Revenue</b>	<b>\$27,914.0</b>	<b>\$534.3</b>	<b>\$25,223.7</b>	<b>\$399.7</b>	<b>\$21,132.0</b>	<b>\$61.8</b>	<b>\$23,672.4</b>	<b>\$117.3</b>	<b>\$22,995.9</b>	<b>\$186.8</b>
<b>Trust Funds</b>										
Education	\$5,215.5	\$4,135.7	\$5,214.0	\$2,948.4	\$7,947.1	\$1,937.2	\$7,666.6	\$2,347.3	\$6,214.5	\$1,769.7
Human Services	16,147.5	46.3	16,129.4	95.7	20,824.8	17.9	21,754.7	18.8	22,927.3	49.7
Criminal Justice & Corrections	615.9	0.5	659.9	0.5	1,221.4	1.0	1,155.6	-	1,134.0	-
Natural Resources, Environment										
Growth Mngmt, & Transportation	3,345.4	9,314.4	2,908.0	8,906.8	2,375.0	6,749.3	2,478.7	7,116.9	2,150.4	8,479.3
General Government	3,461.2	80.9	3,567.4	112.8	3,729.0	222.6	3,554.9	78.8	3,290.4	67.0
Judicial Branch	<u>21.4</u>	<u>-</u>	<u>34.6</u>	<u>-</u>	<u>316.7</u>	<u>-</u>	<u>415.1</u>	<u>0.4</u>	<u>411.6</u>	<u>-</u>
<b>Total Trust Funds</b>	<b>\$28,806.9</b>	<b>\$13,577.8</b>	<b>\$28,513.3</b>	<b>\$12,064.2</b>	<b>\$36,414.0</b>	<b>\$8,928.0</b>	<b>\$37,025.6</b>	<b>\$9,562.2</b>	<b>\$36,128.2</b>	<b>\$10,365.7</b>
<b>Total All Funds</b>										
Education	\$19,626.0	\$4,233.0	\$18,147.0	\$2,957.0	\$19,324.0	\$1,948.0	\$20,162.0	\$2,354.0	\$18,101.6	\$1,799.0
Human Services	23,780.2	75.9	23,277.0	95.7	26,025.4	17.9	28,458.1	24.2	29,940.1	51.1
Criminal Justice & Corrections	4,194.1	203.4	4,181.5	344.4	4,708.9	46.5	4,576.5	74.4	4,403.7	74.7
Natural Resources, Environment										
Growth Mngmt, & Transportation	3,758.8	9,460.4	3,163.9	8,928.0	2,543.7	6,749.8	2,637.3	7,141.3	2,316.7	8,542.3
General Government	4,893.9	126.2	4,529.2	138.5	4,492.4	227.5	4,402.6	85.5	3,902.8	85.4
Judicial Branch	<u>468.2</u>	<u>13.6</u>	<u>438.3</u>	<u>-</u>	<u>451.3</u>	<u>-</u>	<u>462.0</u>	<u>0.4</u>	<u>459.2</u>	<u>-</u>
<b>Total All Funds</b>	<b>\$56,721.2</b>	<b>\$14,112.5</b>	<b>\$53,736.9</b>	<b>\$12,463.6</b>	<b>\$57,545.7</b>	<b>\$8,989.7</b>	<b>\$60,698.5</b>	<b>\$9,679.8</b>	<b>\$59,124.1</b>	<b>\$10,552.5</b>

Source: Annual Conference Committee Report on General Appropriations Bills as passed by the Legislature, before veto messages; does not reflect appropriations made in other legislation or budget amendments.

## STATE DEBT

As a general rule, bonds of the State or its agencies are issued by the Division of Bond Finance pursuant to the State Bond Act, ss. 215.57-.83, Florida Statutes. During the 2001 Session the Florida Legislature formalized in statute an annual Debt Affordability Study to be used as a tool for measuring, monitoring and managing the State's debt. The State debt fiscal responsibility policy, s. 215.98, Florida Statutes, establishes debt service to revenues as the benchmark debt ratio to estimate future debt capacity, using a target ratio of 6% and a cap of 7%. The estimated future debt capacity is intended to provide legislative policy makers with information to measure the financial impact of new financing programs and to assist them in formulating capital spending plans.

The study first looks at total State debt outstanding, separating the debt into net tax-supported debt and self supporting debt. Net tax-supported debt is repaid by the State from a specified tax revenue source or general appropriation of the State. Self supporting debt is reasonably expected to be repaid from project revenue or loan repayments. Some but not all of State debt is additionally secured by the full faith and credit of the State.

### ***State Full Faith and Credit Debt***

Article VII, Section 11(a) of the Florida Constitution authorizes the issuance of bonds pledging the full faith and credit of the State to finance or refinance State capital outlay projects upon approval by vote of the electors, provided that the outstanding principal amount may not exceed 50% of total State tax revenues for the two preceding fiscal years. There are currently no bonds outstanding under this authorization.

All of Florida's full faith and credit debt which is currently outstanding has been issued under separate constitutional authority which also authorizes the pledge of a dedicated tax or other revenue source as well. Such debt includes bonds for pollution control and abatement and solid waste disposal (operating revenues, assessments); right-of-way acquisition and bridge construction (motor fuel or special fuel taxes); public education capital outlay (gross receipts taxes); roads within a county (second gas tax); and school districts or community colleges (motor vehicle license revenues). Although these bonds are not subject to the above-referenced debt limitation, each program has debt service coverage tests which must be met prior to issuance.

### ***State Revenue Bonds***

The Florida Constitution authorizes the issuance of bonds to finance or refinance State capital outlay projects, which are payable

from funds derived directly from sources other than State tax revenues.

Bonds outstanding under this authorization include financings for the State University System, individual universities, community colleges, public schools, State owned office facilities, toll roads, ports, and other transportation projects. The Constitution specifically authorizes the issuance of bonds to fund student loans; to finance housing; and to refund outstanding bonds at a lower net interest cost. The Constitution was amended in 1998 to expressly permit the issuance of bonds pledging a dedicated State tax source for the purposes of conservation, outdoor recreation, water resource development, restoration of natural systems, or historic preservation.

Bonds may also be issued, which are payable from documentary stamp taxes deposited in the Land Acquisition Trust Fund for conservation and recreation purposes, including Everglades restoration.

### ***Other Obligations***

Although most debt of the State or its agencies is issued through the Division of Bond Finance, there are other entities which issue bonds or incur other long term obligations which are secured by State revenues. These include the Florida Housing Finance Corporation, the Florida Correctional Finance Corporation, the Department of Corrections, the Department of Juvenile Justice, the Department of Children and Families, the Florida Hurricane Catastrophe Fund Finance Corporation and the Inland Protection Financing Corporation. The Florida Legislature has also dedicated 2.59% of cigarette tax collections to the H. Lee Moffitt Cancer Center and Research Institute, for 10 years, which are pledged to secure bonds issued by the City of Tampa. The City of Tallahassee issued bonds to finance relocation of the developmental research school of Florida State University. The bonds are payable from lease revenues appropriated to the University each year. The State's Chief Financial Officer has a consolidated equipment financing program for State agencies and a lease purchase financing for replacement of the State's accounting and cash management systems, which are subject to annual appropriation. The State's five water management districts have authority to issue bonds secured by certain moneys from the Water Management Lands Trust Fund.

The Florida Water Pollution Control Financing Corporation was created to finance projects through the State's Department of Environmental Protection which are authorized under the federal Clean Water Act. The corporation is authorized to issue bonds secured through the repayment of loans to local government entities. The principal amount of such bonds which may be issued shall not exceed \$300 million in any Fiscal Year.

**State of Florida**  
**Debt Outstanding by Type and Program**  
**As of June 30, 2010**

(In Million Dollars)

<u>Debt Type</u>	<u>Amount</u>	
<b>Net Tax-Supported Debt</b>	<b>\$</b>	<b>23,557.3</b>
<b>Self-Supporting Debt</b>		<b>4,610.5</b>
<b>Total State Debt Outstanding</b>	<b>\$</b>	<b>28,167.8</b>
<b>Net Tax-Supported Debt</b>		
Education		
Public Education Capital Outlay	\$	11,230.4
Capital Outlay		642.7
Lottery		2,940.4
University System Improvement		234.4
Community Colleges		105.8
Total Education	\$	15,153.7
Environmental		
Preservation 2000 / Florida Forever		2,351.1
Everglades Restoration Bonds		224.3
Conservation and Recreation		5.7
Save Our Coast		10.8
Inland Protection		95.2
Total Environmental		2,687.0
Transportation		
Right-of-Way Acquisition and Bridge Construction		1,821.4
State Infrastructure Bank		24.4
P3 Obligations		1,694.3
Florida Ports		282.7
Total Transportation		3,822.9
Appropriated Debt / Other		
Facilities		394.0
Master Lease		14.1
FLAIR Lease		1.5
Energy Saving Contracts		39.7
Prisons		721.7
DMS Aircraft Lease		3.5
Juvenile Justice		12.7
Children & Families		126.7
Affordable Housing		156.2
Sports Facility Obligations		373.9
Florida High Charter School		18.6
Lee Moffitt Cancer Center		31.0
Total Appropriated Debt / Other		1,893.7
<b>Total Net Tax-Supported Debt Outstanding</b>	<b>\$</b>	<b>23,557.3</b>
<b>Self-Supporting Debt</b>		
Education		
University Auxiliary Facility Revenue Bonds	\$	673.3
Environmental		
Florida Water Pollution Control		323.6
Transportation		
Toll Facilities	\$	3,450.1
State Infrastructure Bank Revenue Bonds		75.6
Road and Bridge		88.0
Total Transportation		3,613.7
<b>Total Self-Supported Debt Outstanding</b>	<b>\$</b>	<b>4,610.5</b>

Source: State of Florida, 2010 Debt Affordability Study.

**Per Capita Tax Supported Debt**  
**For Fiscal Years Ended June 30**

<u>Year</u>	<u>Population<sup>1</sup></u> <u>(thousands)</u>	<u>Total Principal</u> <u>Outstanding<sup>2</sup></u> <u>(millions)</u>	<u>Per</u> <u>Capita</u>
2000	15,882	\$14,117.3	\$889
2001	16,248	14,490.5	892
2002	16,588	15,421.7	930
2003	16,969	16,186.1	954
2004	17,401	16,891.8	971
2005	17,816	17,455.3	980
2006	18,240	17,865.6	979
2007	18,602	18,339.6	986
2008	18,783	20,328.7	1,082
2009	18,767	22,372.9	1,192
2010	18,761	23,557.3	1,256

<sup>1</sup> Population estimate by the Office of Economic and Demographic Research, Florida Legislature, (November, 2010).

<sup>2</sup> State of Florida 2010 Debt Affordability Study; excludes refunded debt.



## Total State Debt Outstanding As of June 30, 2010

Fiscal Year	Self-Supporting Debt			Net Tax-Supported Debt			Total Existing Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 170,879,034	\$ 215,835,707	\$ 386,714,741	\$ 1,143,432,982	\$ 1,071,961,693	\$ 2,215,394,675	\$ 1,314,312,016	\$ 1,287,797,400	\$ 2,602,109,416
2012	193,004,720	210,691,731	403,696,451	1,186,702,306	1,023,833,280	2,210,535,586	1,379,707,026	1,234,525,011	2,614,232,037
2013	203,978,396	201,838,087	405,816,483	1,245,336,608	966,137,726	2,211,474,334	1,449,315,003	1,167,975,814	2,617,290,817
2014	252,295,906	195,807,037	448,102,942	1,032,119,942	904,281,141	1,936,401,083	1,284,415,847	1,100,088,178	2,384,504,025
2015	255,012,226	189,235,086	444,247,312	1,190,504,321	854,845,925	2,045,350,246	1,445,516,547	1,044,081,011	2,489,597,558
2016	212,693,665	174,685,817	387,379,482	1,137,556,829	806,165,812	1,943,722,641	1,350,250,494	980,851,629	2,331,102,123
2017	208,804,718	163,750,596	372,555,314	1,164,039,907	759,473,418	1,923,513,325	1,372,844,625	923,224,014	2,296,068,639
2018	215,841,696	153,688,616	369,530,312	1,179,921,216	710,981,422	1,890,902,639	1,395,762,912	864,670,038	2,260,432,951
2019	222,207,320	143,200,464	365,407,784	1,149,888,489	661,610,716	1,811,499,204	1,372,095,809	804,811,180	2,176,906,989
2020	209,864,840	132,513,419	342,378,259	1,147,697,459	613,231,115	1,760,928,574	1,357,562,299	745,744,534	2,103,306,833
2021	216,040,936	122,175,330	338,216,266	1,167,366,666	565,197,422	1,732,564,088	1,383,407,602	687,372,752	2,070,780,354
2022	194,602,194	111,722,631	306,324,825	1,182,010,498	516,770,236	1,698,780,734	1,376,612,692	628,492,867	2,005,105,559
2023	183,088,512	102,256,923	285,345,435	1,154,021,802	449,774,241	1,603,796,043	1,337,110,314	552,031,164	1,889,141,478
2024	187,199,626	93,345,421	280,545,047	1,058,417,178	400,705,035	1,459,122,213	1,245,616,804	494,050,456	1,739,667,260
2025	192,584,722	84,231,265	276,815,987	986,212,114	345,653,424	1,331,865,538	1,178,796,836	429,884,689	1,608,681,525
2026	172,155,144	74,887,927	247,043,071	822,042,190	304,125,376	1,126,167,566	994,197,334	379,013,303	1,373,210,637
2027	173,278,780	66,555,762	239,834,542	742,839,349	269,771,640	1,012,610,989	916,118,129	336,327,402	1,252,445,532
2028	139,122,000	58,386,844	197,508,844	664,764,139	253,253,588	918,017,727	803,886,139	311,640,432	1,115,526,572
2029	129,457,000	51,661,925	181,118,925	576,601,768	226,882,724	803,484,493	706,058,768	278,544,649	984,603,417
2030	118,934,000	45,316,484	164,250,484	526,960,750	205,636,582	732,597,332	645,894,750	250,953,065	896,847,816
2031	114,195,000	39,275,678	153,470,678	472,160,607	188,474,313	660,634,920	586,355,607	227,749,991	814,105,597
2032	114,335,000	33,449,101	147,784,101	459,666,862	173,506,247	633,173,109	574,001,862	206,955,348	780,957,210
2033	119,695,000	27,740,283	147,435,283	417,587,192	158,825,851	576,413,043	537,282,192	186,566,134	723,848,325
2034	111,130,000	21,761,590	132,891,590	358,662,682	141,316,668	499,979,350	469,792,682	163,078,258	632,870,940
2035	95,550,000	16,209,428	111,759,428	329,680,262	133,993,584	463,673,846	425,230,262	150,203,012	575,433,274
2036	76,145,000	11,283,920	87,428,920	304,701,311	128,261,901	432,963,211	380,846,311	139,545,821	520,392,131
2037	44,200,000	7,359,271	51,559,271	269,436,777	121,407,377	390,844,154	313,636,777	128,766,648	442,403,425
2038	33,620,000	4,936,385	38,556,385	171,859,961	115,364,166	287,224,127	205,479,961	120,300,551	325,780,512
2039	35,190,000	2,900,553	38,090,553	105,358,659	106,172,032	211,530,691	140,548,659	109,072,585	249,621,243
2040	15,410,000	770,500	16,180,500	53,388,543	117,138,060	170,526,603	68,798,543	117,908,560	186,707,103
2041	-	-	-	42,364,050	93,962,954	136,327,004	42,364,050	93,962,954	136,327,004
2042	-	-	-	41,401,452	97,826,135	139,227,587	41,401,452	97,826,135	139,227,587
2043	-	-	-	41,682,132	103,793,053	145,475,185	41,682,132	103,793,053	145,475,185
2044	-	-	-	26,596,299	64,851,508	91,447,807	26,596,299	64,851,508	91,447,807
2045	-	-	-	4,270,710	7,746,857	12,017,567	4,270,710	7,746,857	12,017,567
	<u>\$ 4,610,515,434</u>	<u>\$ 2,757,473,780</u>	<u>\$ 7,367,989,214</u>	<u>\$ 23,557,254,011</u>	<u>\$ 13,662,933,222</u>	<u>\$ 37,220,187,233</u>	<u>\$ 28,167,769,444</u>	<u>\$ 16,420,407,002</u>	<u>\$ 44,588,176,447</u>

<sup>1</sup> A Public/Private Partnership obligation of the Department of Transportation is included in net tax-supported debt. The Department of Transportation has assumed the full annual payment obligation; however, certain payments are expected from non-tax sources. For the purpose of showing net-tax supported payments, the payments from other sources have not been considered.

Source: State of Florida 2010 Debt Affordability Report.

**Net Tax-Supported Bonds Issued Since July 1, 2010***(chronological, by date of issuance)*

State Board of Education Lottery Revenue Refunding Bonds, Series 2010D .....	\$109,750,000
Less: Lottery Revenue Bonds refunded .....	(126,080,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series A .....	179,870,000
Less: Public Education Capital Outlay Bonds refunded .....	(195,180,000)
State Board of Education Lottery Revenue Refunding Bonds, Series 2010E .....	223,425,000
Less: Lottery Revenue Bonds refunded .....	(244,845,000)
State Board of Education Capital Outlay Bonds, 2010 Series A .....	53,405,000
Less: Capital Outlay Bonds refunded .....	(25,470,000)
State Board of Education Public Education Capital Outlay Bonds, 2007 Series H .....	167,200,000
State Board of Education Lottery Revenue Refunding Bonds, Series 2010F .....	169,830,000
Less: Lottery Revenue Bonds refunded .....	(182,250,000)
State Board of Education Public Education Capital Outlay Bonds, 2008 Series E .....	200,000,000
State Board of Education Public Education Capital Outlay Bonds, 2010 Series B .....	154,800,000
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series A .....	336,750,000
Less: Public Education Capital Outlay Bonds refunded .....	(360,485,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series B .....	173,045,000
Less: Public Education Capital Outlay Bonds refunded .....	(181,715,000)
Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2011A .....	114,500,000
Less: Right-of-Way Acquisition and Bridge Construction Bonds .....	(121,135,000)
State Board of Education Public Education Capital Outlay Bonds, 2008 Series F&G .....	144,500,000
Less: Public Education Capital Outlay Bonds refunded .....	(78,510,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series C .....	220,885,000
Less: Public Education Capital Outlay Bonds refunded .....	(233,755,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2011A .....	127,920,000
Less: Florida Forever Bonds refunded .....	(140,455,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2011B .....	164,010,000
Less: Florida Forever Bonds refunded .....	(180,350,000)
State Board of Education Lottery Revenue Refunding Bonds, Series 2011A .....	242,240,000
Less: Lottery Revenue Bonds refunded .....	(262,090,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series D .....	241,825,000
Less: Public Education Capital Outlay Bonds refunded .....	(273,035,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series E .....	164,450,000
Less: Public Education Capital Outlay Bonds refunded .....	<u>(170,960,000)</u>
	\$412,090,000

**Self Supporting Bonds Issued Since July 1, 2010***(chronological, by date of issuance)*

Board of Governors Florida State University Mandatory Student Fee Revenue Bonds, Series 2010A .....	\$31,320,000
Board of Governors Florida State University Dormitory Revenue Bonds, Series 2010A .....	18,910,000
Florida Water Pollution Control Financing Corporation Water Pollution Control Revenue Bonds, Series 2010A .....	225,000,000
Board of Governors University of North Florida Mandatory Student Fee Revenue Bonds, Series 2010A&B .....	15,635,000
Board of Governors Florida State University Parking Facility Revenue Bonds, Series 2011A .....	22,145,000
Less: Florida State University Bonds refunded .....	(6,775,000)
Board of Governors University System Improvement Revenue Refunding Bonds, Series 2011A .....	38,930,000
Less: University System Improvement Bonds refunded .....	(42,580,000)
Board of Governors University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011 .....	29,838,000
Department of Transportation Turnpike Revenue Bonds, Series 2011A .....	150,165,000
Less: Turnpike Revenue Bonds refunded .....	(47,580,000)
Board of Governors University of Florida Dormitory Revenue Refunding Bonds, Series 2011A .....	16,350,000
Less: University of Florida Bonds refunded .....	<u>(16,595,000)</u>
	\$434,763,000

# STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

	ASSETS	
	JUNE 30, 2011	JUNE 30, 2010
Currency and Coins	\$300,000.00	\$300,000.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1) 68,128,132.17	455,037,633.39
Deferred Compensation Assets	(2) 2,628,812,977.50	2,206,219,558.43
Bank Accounts	(3) 35,535,100.20	46,260,933.63
Consolidated Revolving Account	(4) 353,388.20	196,830.41
Total Cash, Receivables, and Other Assets	\$2,733,129,598.07	\$2,708,014,955.86
Certificates of Deposit	\$703,100,000.00	\$1,008,000,000.00
Securities	(5) 16,937,893,579.05	17,181,803,960.63
Total Investments	\$17,640,993,579.05	\$18,189,803,960.63
Total Assets of the Division of Treasury	\$20,374,123,177.12	\$20,897,818,916.49

	LIABILITIES	
	JUNE 30, 2011	JUNE 30, 2010
General Revenue Fund	\$1,716,090,420.96	\$2,398,971,129.58
Trust Fund	(6) 9,373,683,133.85	9,525,487,126.94
Budget Stabilization Fund	279,157,304.63	274,915,763.40
Total Three Funds	\$11,368,930,859.44	\$12,199,374,019.92
Adjustments	(7) \$12,399,399.68	\$68,340,290.01
Due to Special Purpose Investment Accounts	(8) 6,363,626,552.30	6,423,688,217.72
Due to Deferred Compensation Participants and/or Program	(2) 2,628,812,977.50	2,206,219,558.43
Due to Consolidated Revolving Account Agency Participants	(4) 353,388.20	196,830.41
Total Liabilities of the Division of Treasury	\$20,374,123,177.12	\$20,897,818,916.49

Source: Annual Report of the State Chief Financial Officer for the Fiscal Year Ended June 30, 2011.

- Unemployment Trust Fund - Represents U.C. Benefit Funds invested by the Federal Government and due from U.S. Treasury.
- Includes plan assets held in the Deferred Compensation Trust Fund for the exclusive benefit of participants and their beneficiaries.
- Represents the "Per Reconciled Cash Balance" of \$57,839,769.85 as of June 30, 2011 with receipted items in transit of \$135,750,193.06 and disbursed items in transit of (\$148,611,897.31) which nets to (\$12,861,704.25). These items have cleared the bank but have not been posted to the State ledger. The Total Bank Accounts figure does not include \$11,892,235.98 held in clearing and/or revolving accounts outside the Treasury.
- The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2011 is \$7,493,388.20. Of this, \$353,388.20 is in a financial institution account and \$7,140,000.00 is invested in Special Purpose Investment Accounts.
- Includes Purchased Interest in the amount of \$2,220,616.26.
- Included in the Trust Fund Balance is \$5,144,823,903.72 earning interest for the benefit of Trust Funds, Unemployment Trust Fund balance of \$68,128,132.17, and the remaining balance of \$4,160,731,097.96 earning interest for General Revenue.
- Represents \$8,109,119.68 interest not yet receipted to State Accounts and Securities Liability Cost of \$4,290,280.00 which settles July 1, 2011.
- Represents Chief Financial Officer's Special Purpose Investment Accounts held in the Treasury Investment Pool and interest due to those accounts. The Chief Financial Officer's Special Purpose Investment Accounts are investments on behalf of state agencies with funds outside the Chief Financial Officer's Cash Concentration System and other statutorily created entities.

Note:

	June 30, 2011	June 30, 2010
Total Market Value of all Securities held by the Treasury.	\$17,842,226,955.49	\$18,439,474,089.39

## **FLORIDA RETIREMENT SYSTEM**

(Source: Florida Department of Management Services, Division of Retirement)

**General.** The Florida Retirement System (FRS) was established by the Florida Legislature effective December 1, 1970 pursuant to Chapter 121, Florida Statutes (the "Act") by consolidating the state's existing State-administered retirement systems into one system. The FRS provides retirement, disability and death benefits for participating public employees. The FRS is a cost-sharing, multiple employer, retirement plan. The FRS Defined Benefit Program (also referred to as the FRS Pension Plan) is administered by the Division of Retirement in the Department of Management Services. The assets of the FRS Defined Benefit Program are held in the FRS Trust Fund and are invested by the State Board of Administration. The FRS Investment Plan is the defined contribution plan alternative to the FRS Pension Plan and is administered by the State Board of Administration. In addition to these two primary, integrated programs there are non-integrated defined contribution plan alternatives available to targeted employee groups in the State University System, the State Community College System, and members of the Senior Management Service Class.

In a defined benefit pension plan, a periodic benefit is paid to retired employees in a fixed amount determined at the time of retirement determined by a formula. The amount of the periodic benefit is generally determined on the basis of service credits and salary. The benefit is paid to the retiree for life and, if applicable, a survivor benefit is paid to the designated beneficiary of the retiree.

In a defined contribution plan, the investment earnings on the required contributions to the plan represent the employee's benefits. Instead of benefits guaranteed by formula, the contributions to the employee account are guaranteed and investment risk is assumed by the employee. Since the State's obligation to make contributions to the defined contribution plan does not extend beyond the required contribution from current payroll, the defined contribution plan is fully funded as long as these contributions are made.

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state community college or participating city, independent special district, charter school or metropolitan planning district. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class ("EOC"), and Senior Management Service Class ("SMSC"). Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2010, there were 976 participating employers, and 1,080,678 individual participants, as follows:

Retirees & Beneficiaries .....	302,978 <sup>1</sup>
Terminated Vested Participants .....	88,756

DROP Participants .....	33,577
Active Vested Participants .....	477,386
Active Non-vested Participants .....	<u>177,981</u>
TOTAL .....	1,080,678

<sup>1</sup> Excludes Teachers' Retirement System Survivors' Benefit ("TRS-SB"), General Revenue payment recipients and FRS Investment Plan members who received a distribution.

**Benefits.** Chapter 2011-68, Laws of Florida, became law on July 1, 2011. Chapter 2011-68 provides for significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and by establishing a "two-tier" benefit system with less generous benefits for employees who became members of the FRS on or after July 1, 2011 ("New Employees"), as compared to those provided to employees who were members of the FRS prior to July 1, 2011 ("Existing Employees"). See "2011 Legislation Affecting FRS Benefits and Funding" below for further details. FRS Pension Plan members receive one month of service credit for each month in which any salary is paid. Members vest after 6 years for service retirement benefits for all membership classes for Existing Employees and 8 years of service retirement benefits for all membership classes for New Employees. Members vest after 8 years for non-duty related disability benefits. After they are vested, members are eligible for normal retirement when they have met the minimum age or service requirements for their membership class. For members of the Regular Class, SMSC and the EOC, normal retirement is age 62, or 30 years of service regardless of age, for Existing Employees, and age 65, or 33 years of service regardless of age, for New Employees. For members of the Special Risk Class and the Special Risk Administrative Support Class, normal retirement is age 55, or 25 years of service regardless of age, for Existing Employees, and age 60, or 30 years of service regardless of age, for New Employees. Early retirement may be taken any time after vesting subject to a 5% benefit reduction for each year prior to normal retirement age.

### **Summary of FRS Pension Plan Benefits**

	<u>Vesting Period</u>	<u>Regular Class, SMSC, EOC</u>	<u>Special Risk Classes</u>
Existing Employees	6 years	62 years old or 30 years of service	55 years old or 25 years of service
New Employees	8 years	65 years old or 33 years of service	60 years old or 30 years of service

Retirement benefits under the FRS Pension Plan are computed by a formula utilizing age and/or years of service at retirement, average final compensation and total percentage based on the accrual value by plan or membership class of service credit. **Article X, Section 14 of the State Constitution prohibits increasing benefits without concurrently providing for funding the increase on a sound actuarial basis.**

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program (DROP), a program which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months. During DROP participation the member's retirement benefits accumulate in

the FRS Trust Fund, earning monthly interest at an equivalent annual rate of 6.50 percent for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3 percent for members with a effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

FRS Investment Plan members have employer contributions submitted to the investment providers chosen from those offered under the plan. FRS Investment Plan members receive one month of service credit for each month in which any salary is paid and vest after one year for service under the FRS Investment Plan. If a present value amount is transferred from the FRS Pension Plan to the member's FRS Investment Plan account as the opening balance, the member must meet the FRS Pension Plan vesting requirement for any such transferred funds and associated earnings.

FRS Investment plan members vest immediately for in-line-of-duty disability benefits or after eight years for non-duty related disability benefits and may elect to surrender their account balance to the FRS Trust Fund to receive guaranteed monthly benefits under the FRS Pension Plan. Alternatively, FRS Investment Plan members may retain their account balance to fund their future retirement needs in lieu of guaranteed monthly benefits under the FRS Pension Plan. After they are vested, and upon termination, FRS Investment Plan members may leave their funds invested in the plan, receive a lump-sum payment of their account balance, rollover their monies into another eligible plan qualified under the Internal Revenue Code, or a combination of these options.

The service retirement benefits of FRS Investment Plan members are determined by their account balances at the time they choose to retire. FRS Investment Plan members may leave their funds invested in the plan, structure periodic benefit payments under their investment contracts, rollover their funds to a different qualified plan, receive a lump-sum payment representing their account balance in part or in whole, or a combination of these options.

Senior Management Service Class members; State University System faculty, Executive Service staff, and Administrative and Professional Service staff; and State Community College System faculty and certain administrators may elect to participate in the existing, non-integrated optional defined contribution programs for these targeted employee groups instead of either of the two primary integrated programs offered under the FRS, the FRS Pension Plan and the FRS Investment Plan.

**Funding.** Prior to July 1, 2011, employers paid all required contributions. Beginning July 1, 2011, employees began contributing 3% of their salary as retirement contributions, on a pre-tax basis, with the employer automatically deducting the employee contributions from the employees' salary. The contribution rates for the FRS Investment Plan are set by statute and the FRS Pension Plan rates, which are determined annually by the Legislature based on an actuarial valuation and any plan changes adopted during the legislative session. (See "Schedule of Funding Progress" below). These two rates are "blended" to create the uniform contribution rate for the primary, integrated FRS programs as required under Part III of Chapter 121, F.S. FRS employers pay a single rate for members of the two primary, integrated FRS plans. The portion of the required FRS Investment Plan contribution rate destined for the member's account is forwarded to the FRS Investment Plan's third party administrator and the balance is forwarded to the FRS Pension Plan. The employer contribution rates

for the non-integrated defined contribution plans are set by statute and forwarded to the specified provider company under the program.

**2011 Legislation Affecting FRS Benefits and Funding.** Chapter 2011-68, Laws of Florida, became law on July 1, 2011 and provides for significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and phasing out post-retirement cost-of-living adjustments. The changes also effectively establish a "two-tier" benefit system with less generous benefits for employees who are initially enrolled in the FRS on or after July 1, 2011, as compared to those provided to employees who were initially enrolled in the FRS prior to July 1, 2011. Among other changes, Chapter 2011-68 provides:

#### *Employee Contributions -*

- Effective July 1, 2011, most FRS members must contribute 3% of their salary as retirement contributions, on a pre-tax basis, automatically deducted by the employer
- Members participating in the Deferred Retirement Option Program (DROP) and re-employed retirees who are not allowed to renew membership are not required to make 3% contributions

#### *DROP -*

- The annualized DROP interest rate will be 1.3% for members whose DROP participation begins on or after July 1, 2011
- Members with an effective DROP begin date on or before June 30, 2011 will retain an annual interest rate of 6.5%

#### *Cost-of-Living Adjustment (COLA) -*

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA
- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA
- Members initially enrolled on or after July 1, 2011, will not have a post-retirement COLA

#### *Benefit changes for members first enrolled in the FRS on or after July 1, 2011 -*

- Vesting requirement for FRS Pension Plan benefit eligibility is increased from 6 to 8 years of creditable service
- The average final compensation used in calculating retirement benefits is increased to the highest 8 (rather than the highest 5) fiscal years of salary
- Increased the "normal retirement date" for unreduced benefit eligibility
  - For members of the Regular Class, Senior Management Service Class and Elected Officers Class, to
    - The first day of the month the member reaches age 65 (rather than 62) and is vested, or

- The first day of the month following the month the member completes 33 (rather than 30) years of creditable service, regardless of age before age 65
- For members of the Special Risk Class, to
  - The first day of the month the member reaches age 60 (rather than 55) and is vested, or
  - The first day of the month following the month the member completes 30 (rather than 25) years of creditable service in the Special Risk Class, regardless of age before age 60.

**Actuarial Valuation of Assets.** The Actuarial Value of Assets measures the value of the assets available in the Florida Retirement System Trust Fund to pay benefits. The actuarial valuation measure reflects a five-year averaging methodology (the "Asset Smoothing Method"), as required by Section 121.031(3)(a), Florida Statutes. Under the Asset Smoothing Method, the expected actuarial value of assets in the Florida Retirement System Trust Fund is determined by crediting the rate of investment return assumed in the valuation (7.75%) to the prior year's actuarial value of assets and net cash flow. Then, 20% of the difference between the actual market value and the expected actuarial value of assets is recognized. The actuarial value of assets are also restricted by a 20% corridor around the market value of assets. The actuarial value of assets used for the valuation is the lesser of the actuarial value described above or 120% of market value but not less than 80% of the market value. The Asset Smoothing Method, which is an allowed method for determining the Actuarial Value of Assets under GASB 25, prevents extreme fluctuations in the actuarial value of assets, the Unfunded Actuarial Accrued Liability (UAAL) and the funded ratio that may otherwise occur as a result of market volatility. Asset smoothing delays recognition of gains and losses, however, thereby providing an actuarial value of assets that does not reflect the market value of Florida Retirement System Trust Fund assets at the time of measurement. As a result, presenting the actuarial value of assets using the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

The actuarial valuation of the FRS uses a variety of assumptions to calculate the actuarial accrued liability and the actuarial value of assets. No assurance can be given that any of the assumptions underlying the actuarial valuations will reflect the actual results experienced by the FRS. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of assets, the actuarial accrued liability, the UAAL, or the funded ratio. As of June 30, 2010, FRS actuarial determinations are based on the following:

Actuarial Cost Method:	Entry Age Normal
Amortization method:	Level Percentage of Pay, Open
Equivalent Single amortization period:	30 years <sup>1</sup>
Asset valuation method:	5-year Smoothed Method
Investment rate of return:	7.75%
Projected salary increases:	5.85% <sup>2</sup>
Inflation level:	3.00%
Cost of living adjustments:	3.00%

<sup>1</sup> Used for GASB Statement #27 reporting purposes.

<sup>2</sup> Includes individual salary growth of 4.00 percent plus an age- and service-graded merit scale defined by gender and employment class. See Table A-2 of the July 1, 2010 actuarial valuation report for merit scale.

The FRS requires its actuaries to conduct an actuarial experience study every five years. The purpose of the experience study is to compare the actual plan experience compared to the assumptions for the previous five-year period and determine the adequacy of the non-economic actuarial assumptions including, for example, those relating to mortality, retirement, disability, employment, and turnover of the members and beneficiaries of the FRS. Based upon the results of this review, the FRS Assumptions Conference may adopt such actuarial assumptions as it deems appropriate for incorporation beginning with the valuation following the experience study period.

**Assumed Investment Rate of Return.** The actuarial valuation assumes an investment rate of return on the assets in the Florida Retirement System Trust Fund. Due to the volatility of the marketplace, however, the actual rate of return earned by the Florida Retirement System Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the Florida Retirement System Trust Fund's assets as a result of market performance will lead to an increase or decrease in the UAAL and the funded ratio. The five-year asset smoothing method required by Florida law attenuates the impact of sudden market fluctuations. Only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Adverse market conditions resulted in negative investment returns on the Florida Retirement System Trust Fund's assets in Fiscal Years 2008 and 2009, resulting in a significant reduction in the Funded Ratio and a corresponding increase in the UAAL. Although investment returns in Fiscal Year 2010 were positive, no assurance can be given about future market performance and its impact on the UAAL.

The assumed rate of investment return for Fiscal Year 2009-10 was 7.75 percent, with the actual return calculated on the basis of fair value which was 14.03 percent. As of June 30, 2010, the Florida Retirement System Trust Fund was valued at \$109.34 billion (market value), and invested in the classes and approximate percentages as follows:

35.6%	Domestic Equities
18.9%	Foreign Equities
28.5%	Fixed Income
2.0%	High Yield
6.4%	Real Estate
4.1%	Alternative Investments
4.1%	Strategic Investments
0.4%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report under the "System Information" tab of the "Publications" page on their website at: <http://frs.myflorida.com> or contact the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

For a discussion of investment policies, see "MISCELLANEOUS - Investment of Funds - Investment by the Board of Administration" in the body of this Official Statement.

Financial statements are prepared using the accrual basis of accounting, and reporting is done in accordance with Government Accounting Standards Board requirements.

**Annuity and Annualized Benefit Payments Under the FRS Pension Plan**  
(in thousands where amounts are dollars)

<u>Fiscal Year</u>	<u>2005-06<sup>1</sup></u>	<u>2006-07<sup>1</sup></u>	<u>2007-08<sup>2</sup></u>	<u>2008-09<sup>2</sup></u>	<u>2009-10<sup>2</sup></u>
Annuity	250,496	263,198	276,252	289,602	302,978
Benefits Payments (000 omitted)	\$3,791,807	\$4,127,517	\$4,488,653	\$4,878,227	\$5,299,541
Average Benefits	\$15,137	\$15,682	\$16,248	\$16,845	\$17,492

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System Annual Reports for Fiscal Years 2005-06 through 2009-10.

<sup>1</sup> Excludes FRS Investment Plan, General Revenue, Institute of Food and Agricultural Sciences Supplemental Program and TRS-SB recipients and payments, as well as DROP participants, payouts and accrued benefits.

<sup>2</sup> Excludes FRS Investment Plan, General Revenue, and TRS-SB recipients and payments, as well as DROP participants, payouts and accrued benefits.

**Funded Status.** As of the end of Fiscal Year 2010, as shown in the table below, the FRS had an aggregate UAAL of approximately \$30.30 billion on a market value basis and \$18.72 billion on an actuarial basis (using the Asset Smoothing Method).

The respective Funded Ratios for these UAALs are 78.30% and 86.59%. The UAAL increased from \$136.4 billion in Fiscal Year 2009 to \$139.7 billion in Fiscal Year 2010. The following tables summarize the current financial condition and the funding progress of the FRS.

**Schedule of Funding Progress**  
**Actuarial Value of Assets**  
(thousands of dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annualized Covered Payroll<sup>1</sup> (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2001	95,517,948	80,993,718	(14,524,230)	117.93%	21,360,862	(68.00)%
July 1, 2002	99,405,677	86,469,774	(12,935,903)	114.96	22,195,184	(58.28)
July 1, 2003	101,906,723	89,251,331	(12,655,392)	114.18	22,270,807	(56.83)
July 1, 2004	106,707,426	95,185,433	(11,521,993)	112.10	23,115,581	(49.85)
July 1, 2005	111,539,878	103,925,498	(7,614,380)	107.33	24,185,983	(31.48)
July 1, 2006	117,159,615	110,977,831	(6,181,784)	105.57	25,327,922	(24.41)
July 1, 2007	125,584,704	118,870,513	(6,714,191)	105.65	26,385,768	(25.45)
July 1, 2008	130,720,547	124,087,214	(6,633,333)	105.35	26,891,340	(24.67)
July 1, 2009	118,764,692	136,375,597	17,610,905	87.09	26,573,196	66.27
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59	25,765,362	72.67

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

<sup>1</sup>Includes DROP payroll.

**Schedule of Funding Progress**  
**Market Value of Assets**  
(thousands of dollars)

<u>Fiscal Year</u>	<u>Market Value of Assets<sup>1</sup> (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age<sup>2</sup> (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annualized Covered Payroll<sup>3</sup> (c)</u>	<u>UAAL as a Percentage of Coverage Payroll ((b-a)/c)</u>
2001	\$98,206,820	80,993,718	(17,213,102)	121.25%	21,360,862	(80.58)%
2002	89,529,016	86,469,774	(3,059,242)	103.54	22,195,184	(13.78)
2003	90,416,381	89,251,331	(1,165,050)	101.31	22,270,807	(5.23)
2004	102,409,370	95,185,433	(7,223,937)	107.59	23,115,581	(31.25)
2005	109,875,206	103,925,498	(5,949,708)	105.72	24,185,983	(24.60)
2006	118,354,931	110,977,831	(7,377,100)	106.65	25,327,922	(29.13)
2007	136,280,545	118,870,513	(17,410,032)	114.65	26,385,768	(65.98)
2008	126,936,897	124,087,214	(2,849,683)	102.30	26,891,340	(10.60)
2009	99,579,208	136,375,597	36,796,389	73.02	26,573,196	138.47
2010	109,344,318	139,652,377	30,308,059	78.30	25,765,362	117.63

<sup>1</sup> Source: State Board of Administration of Florida. Market value is determined as of June 30 of each Fiscal Year.

<sup>2</sup> Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports. Actuarial Accrued Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

<sup>3</sup> Includes DROP payroll. Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

The following table shows employer contributions to the FRS Pension Fund for Fiscal Years 2001 through 2010.

**Employer Contributions to the FRS Pension Fund**  
(thousands of dollars)

<u>Fiscal Year</u>	<u>State Contributions</u>	<u>Non-State Contributions</u>	<u>Total Contributions</u>	<u>Annual Required Contributions<sup>1</sup></u>	<u>Percent Contributed</u>	<u>Amount Unfunded</u>
2001	\$540,343	\$1,510,668	\$2,051,012	\$1,869,731	109.69%	-
2002	449,383	1,328,549	1,777,932	1,825,485	97.39	\$47,553
2003	372,226	1,429,785	1,802,012	1,844,203	97.71	42,191
2004	435,254	1,464,128	1,899,382	2,044,540	92.90	145,158
2005	519,531	1,669,084	2,188,615	2,141,862	102.18	-
2006	538,498	1,781,878	2,320,376	2,193,928	105.76	-
2007	671,356	2,366,330	3,037,687	2,455,255	123.72	-
2008	672,485	2,520,215	3,192,700	2,612,672	122.20	-
2009	678,777	2,556,630	3,235,407	2,535,854	127.59	-
2010 <sup>2</sup>	687,182	2,463,392	3,150,574	2,447,374	128.73	-

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

<sup>1</sup>Annual Required Contributions are determined by the actuarial valuation of the FRS Pension Fund.

<sup>2</sup>Preliminary, subject to change.

**RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS**

(The information contained under the heading "RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS" has been obtained from the State of Florida's Comprehensive Annual Financial Reports except as otherwise indicated.)

**Retiree Health Insurance Subsidy Program**

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2010, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include

Medicare. The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2010, the statutorily required contribution rate was 1.11% of payroll pursuant to Section 112.363, F.S. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Information relating to the statutorily required State contribution, benefits paid and the resulting trust fund assets is shown below, for Fiscal Years ending June 30.

**Retiree Health Insurance Subsidy Program Information**  
(in thousands where amounts are dollars)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Recipients	220,757	232,406	244,390	256,452	269,999
Contributions	\$301,748	\$326,052	\$334,819	\$341,569	\$332,023
Benefits Paid	\$275,603	\$290,656	\$305,682	\$321,742	\$338,892
Trust Fund Net Assets	\$192,467	\$238,353	\$275,139	\$294,547	\$291,459



Beginning with Fiscal Year 2006-07, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of the HIS Program, and actuarially determined Annual Required Contributions for the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date:	July 1, 2010
Actuarial Cost Method:	Entry Age Normal
Amortization method:	Level Percentage of Pay, Open
Equivalent Single amortization period:	30 years <sup>1</sup>
Asset valuation method:	Market Value
Actuarial Assumptions:	
Investment rate of return:	4.00%
Projected salary increases:	5.85% <sup>2</sup>
Inflation level:	3.00%
Cost of living adjustments:	0.00%

Source: Florida Department of Management Services, Division of Retirement.

<sup>1</sup> Used for GASB Statement #27 reporting purposes.

<sup>2</sup> Includes individual salary growth of 4.00 percent plus an age- and service-graded merit scale defined by gender and employment class. See Table A-2 of the July 1, 2010 actuarial valuation report for merit scale.

**Retiree Health Insurance Subsidy Program Schedule of Funding Progress**  
(thousands of dollars)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annualized Covered Payroll <sup>1</sup> (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2006	\$192,808	\$4,667,058	\$4,474,250	4.13%	\$27,712,320	16.15%
July 1, 2008	\$275,139	\$5,109,683	\$4,834,544	5.38%	\$30,665,477	15.77%
July 1, 2010	\$291,459	\$8,464,530 <sup>2</sup>	\$8,173,071	3.44%	\$31,717,281	25.77%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

<sup>1</sup> Includes DROP and PEORP payroll.

<sup>2</sup> The actuarially assumed investment rate of return decreased from 7.75% to 4.00%, resulting in an increase in the actuarially accrued liability.

**Schedule of Employer Contributions**  
(thousands of dollars)

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution (ARC)<sup>1</sup></b>	<b>Actual Contribution</b>	<b>Contribution as a Percentage of ARC</b>
2006	N/A <sup>2</sup>	\$301,748	N/A
2007	\$363,175	\$326,052	90%
2008	\$391,847	\$334,819	85%
2009	\$395,256	\$341,569	86%
2010	\$409,546	\$332,023	81%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

<sup>1</sup> The Annual Required Contribution is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

<sup>2</sup> First valuation completed July 1, 2006, which determined ARC for Fiscal Year 2006-07.

**Other Postemployment Benefits (OPEB)**

The following is based on the actuarial valuation as of July 1, 2009 of the State Employees' Health Insurance Program.

Plan Description

The State implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same group health plan

offered to active employees. Although retirees pay 100% of the premium amount, the premium cost to the retiree is implicitly subsidized due to increasing health care costs with age and the commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. Section 110.123, F.S., authorizes the offering of health insurance benefits to retired state and university employees. Section 112.0801, F.S., requires

all public employers that offer benefits through a group insurance plan to allow their retirees to continue participation in the plan. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the plan is secondary payer to Medicare Parts A and B. The State Employees' Group Health Insurance Program (Program) operates as a cost-sharing multiple-employer defined benefit health plan; however, current administration of the Program is not through a formal trust and therefore disclosure requirements are those applicable to an agent multiple-employer plan. The Division of State Group Insurance within the Department of Management Services is designated by Section 110.123, F.S., to be responsible for all aspects of the purchase of healthcare for state and university employees and retirees under the Program. There are eighteen participating employers including the primary government of the state, the eleven state universities, and other governmental entities. There was an average enrollment of 177,197 contracts including 35,588 retirees and 141,609 employees and COBRA participants for Fiscal Year 2009-10. Employees must make an election to participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

#### Funding Policy

Benefit provisions are described by Section 110.123, F.S., and along with contributions, can be amended by the Florida Legislature. The state has not advance-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the budget levels needed for the state's planning and budgeting process. The Governor's recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis.

Monthly premiums, through May 2010 coverage, for active employees and retirees under the age of 65 for the standard plan were \$498.68 and \$1,127.74 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through May 2010 coverage, for the standard Preferred Provider Organization Plan were \$264.78 for a single contract, \$529.56 for two Medicare eligible members, and \$763.46 when only one member is Medicare eligible.

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#### Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2010 (dollars in thousands):

Annual Required Contribution (ARC)	\$254,754
Interest on the Net OPEB Obligation	5,856
Adjustments to the ARC	<u>(4,879)</u>
Annual OPEB Cost	255,731
Employer Contribution	<u>(82,375)</u>
Increase/Decrease in the Net OPEB Obligation	173,356
Net OPEB Obligation - July 1, 2009	<u>146,394</u>
Net OPEB Obligation - July 1, 2010	<u><u>\$319,750</u></u>
Percent of annual OPEB cost contributed	32.21%

#### Funded Status The funded status of the plan as of June 30, 2010, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2009
Actuarial accrued liability (AAL)*	\$3,742,846
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u><u>\$3,742,846</u></u>
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	\$4,639,396
UAAL as a percentage of covered payroll	80.68%

\*Forecasted for June 30, 2010 from the July 1, 2009 valuation.

**Other Postemployment Benefits Schedule of Funding Progress\***  
(thousands of dollars)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annualized Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2007	--	\$3,081,834	\$3,081,834	0.00%	\$6,542,945	47.10%
July 1, 2008	--	\$2,848,428	\$2,848,428	0.00%	\$6,492,858	43.87%
July 1, 2009	--	\$4,831,107	\$4,831,107	0.00%	\$7,318,965	66.01%
July 1, 2010	--	\$4,545,845	\$4,545,845	0.00%	N/A	N/A

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of State Group Insurance.

\* This information relates to the cost-sharing plan as a whole, of which the State of Florida is one participating employer. The State of Florida's participation in the actuarial accrued liability is approximately 77%.

**Schedule of Employer Contributions<sup>1</sup>**  
(thousands of dollars)

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution (ARC)<sup>2</sup></b>	<b>Actual Contribution as a Percentage of ARC</b>
2008	\$200,973	43.70%
2009	\$186,644	54.36%
2010	\$336,419	30.87%

<sup>1</sup> This information relates to the cost-sharing plan as a whole, of which the State's of Florida is one participating employer. The State of Florida's participation in the annual required contribution is approximately 77%.

<sup>2</sup> The Annual Required Contribution is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The entry age actuarial cost method was used for the actuarial valuation as of July 1, 2009. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 4% payroll growth rate. An initial healthcare cost trend rate for the Preferred Provider Organization (PPO) Plans and the Health Maintenance Organization (HMO) Plans of 10.32% and 10.0%, respectively, grading to 5.10% over the course of 70 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

**UNEMPLOYMENT COMPENSATION TRUST FUND**

The Federal-State Unemployment Insurance Program provides benefits to eligible unemployed individuals. The program is funded by employers through a tax on payrolls by both the state and federal governments. Due to the record level of unemployment in Florida, the State's Unemployment Compensation Trust Fund (the "Fund") has been paying out more for unemployment benefits than it has been collecting in taxes from employers. In 2009, to address this shortfall and fund its unemployment compensation program, Florida (1) modified its unemployment compensation tax laws; and (2) began taking advances from the U.S. Treasury.

Amendments to Florida's Unemployment Compensation Tax Laws

The 2009 Florida Legislature passed a law that increased the amount of wages per employee subject to unemployment taxes (the "taxable wage base") from \$7,000 to \$8,500 for calendar years 2010-2014. The law also increased the positive adjustment tax rate factor (low trigger) from 3.75% to 4.0%. With this change, when the Fund balance drops below 4.0% of the total taxable state payrolls as of June 30<sup>th</sup>, an adjustment factor is triggered to increase the employer contribution rates that will become effective the following January 1<sup>st</sup>. In 2010, due to the increased burden the 2009 legislation would place on Florida employers during a severe recession, the Florida

Legislature passed legislation that suspends the 2009 amendments until January 1, 2012. Despite the amendment deferral, as a result of increases in unemployment benefits paid and increases in the number of employers at the maximum unemployment tax rate, the minimum unemployment tax rate increased in January 2011 from 0.36% to 1.03% (or from \$25.20 to \$72.10 per employee). Effective January 1, 2012 (based on a taxable wage base of \$8,500 per employee) the minimum unemployment tax rate will increase to 2.02% or \$171.70 per employee. The maximum unemployment tax rate will remain at 5.4%; however, the per employee rate will increase from \$378 per employee to \$459 per employee as a result of the \$1,500 increase in the taxable wage base.

#### Federal Advances and Repayment

In August 2009, Florida began taking advances from the federal government to help fund its unemployment compensation program. After a payment of \$843.1 million to the federal government in May 2011, the balance of federal advances at the end of Fiscal Year 2010-11 was approximately \$1.6 billion. The balance of federal advances at the end of Fiscal Year 2011-12 is currently projected to be \$634 million, with total payoff expected to occur in Fiscal Year 2012-13.

The interest rate on the federal advances is set once a year at the lesser of 10% or the rate interest was paid on the state reserve balance in the federal Unemployment Trust Fund ("UTF") for the last quarter of the preceding calendar year. That interest rate is equal to the average rate of interest paid on all interest-bearing obligations of the United States as part of the public debt; except that where such average rate is not a multiple of 1/8 of 1%, the rate shall be the multiple of 1/8% next lower than such average rate. The federal interest rate on UTF loans is set at 4.09% for 2011. Typically, interest is due and payable on September 30 of the fiscal year in which the loans were made, except states with an average total unemployment rate of 13.5% or higher for the most recent 12-month period may delay payment for 9 months, and states with an insured unemployment rate of 7.5% or higher for the first six months of the preceding calendar year may pay in four equal annual installments. In any year that the State fails to pay interest due by the date required, employers in the State will lose the entire federal offset credit (5.4%) and the State will lose all grants for the cost of administration of the program. However, the American Recovery and Reinvestment Act waived all interest accrual on loans to states from the federal UTF through December 31, 2010.

On January 1, 2011, Florida began accruing interest on the outstanding balance due to the federal government. Interest payments may not be made from the Fund or by diverting state Unemployment Compensation taxes; rather, interest must be paid from other sources of State money. Accordingly, the 2010 Florida Legislature passed a law requiring an assessment of an additional rate on contributing Florida employers for the purpose of paying interest due on federal advances. The additional rate shall be assessed no later than February 1 and paid no later than June 30 in each calendar year in which an interest payment is due. The additional rate is based upon the formula set forth in section 443.131(5)(b), Florida Statutes, which takes into account the Revenue Estimating Conference's estimate of interest due on the following September 30. Florida employers were assessed accordingly in 2011, and in September 2011, Florida paid \$56.1 million in interest to the federal government. It is estimated that the September 2012 interest payment will total \$38.3 million.

The repayment of the principal amount of the federal advances will likely result in increased taxes and/or decreased federal tax credits on Florida employers. If a state has had an outstanding loan balance on January 1 for two consecutive years and does not repay the full balance by November 10 of the second year, the federal tax credit given to employers is decreased by at least 0.3% for each year in which the loan is not repaid. Therefore, because Florida had a loan balance on January 1, 2010 and January 1, 2011, and the loan was not repaid by November 10, 2011, Florida employers will experience a partial loss of the federal tax credit beginning on January 1, 2012. Payments through the loss of the credit are estimated at \$150 million and \$307 million in Fiscal Years 2011-12 and 2012-13, respectively.

#### Fund Balance

It is anticipated that the State will begin replenishing its Unemployment Compensation Trust Fund during Fiscal Year 2012-13, with a projected balance of approximately \$868 million in the Fund at June 30, 2013.

**State of Florida**

**FINANCIAL INFORMATION**

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010 meeting the minimum requirements for general purpose financial statement, including the Introductory Section through the Required Supplementary Information follows herein. The remainder of the Report as indicated in the Table of Contents, including Combining and Individual Fund Statements and Schedules - Nonmajor Funds and Statistical and Economic Data is not provided herewith, but is available upon request from the Office of the Chief Financial Officer, Att: Statewide Financial Reporting Section at 200 East Gaines Street, Tallahassee, FL 32399-0354 or at [www.myfloridacfo.com/aadir/statewide\\_financial\\_reporting/index.htm](http://www.myfloridacfo.com/aadir/statewide_financial_reporting/index.htm).

# STATE OF FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010



Rick Scott  
GOVERNOR

Jeff Atwater  
CHIEF FINANCIAL OFFICER

**FLORIDA DEPARTMENT OF FINANCIAL SERVICES**

This document and related information is available via the  
Florida Department of Financial Services' homepage at:  
[www.myfloridacfo.com](http://www.myfloridacfo.com)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

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# INTRODUCTORY SECTION



February 28, 2011

Citizens of the State of Florida  
The Honorable Rick Scott, Governor  
The Honorable Mike Haridopolos, President of the Senate  
The Honorable Dean Cannon, Speaker of the House of Representatives

To the Citizens of Florida, Governor Scott, President Haridopolos, and Speaker Cannon:

I am pleased to submit the State of Florida's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010, in accordance with Section 216.102(3), Florida Statutes (F.S.). This report is prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. The concept of reasonable assurance ensures that the costs do not exceed the benefits derived.

The Auditor General has issued an opinion on the state's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

#### PROFILE OF THE STATE

Florida's Constitution divides the governmental structure of the state into three independent branches. The Legislative Branch has exclusive lawmaking power for the state. The Executive Branch, consisting of the Governor, Cabinet, and their agencies, administers the laws made by the Legislature. The Governor shares executive power and responsibility with the Cabinet, which is composed of the Attorney General, Chief Financial Officer, and Commissioner of Agriculture. The Judicial Branch interprets the law and applies the Constitution. The organizational chart following this letter provides an overview of the state's structure. Florida's government provides a range of services to its citizens including education, health and family services, transportation, law and corrections, natural resources and environmental protection.

The financial reporting entity of the state includes the primary government as well as component units for which the state is either financially accountable or a relationship exists with the state such that exclusion would cause the financial statements to be misleading or incomplete. Refer to Note 1 to the financial statements for a listing of Florida's component units and the Financial Section of the report to obtain an overview of their financial positions.

Florida's budget is prepared using the processes set forth in Chapter 216, F.S. The major phases of the budget process are detailed in the Other Required Supplementary Information Section of this report. Florida law strictly prohibits overspending and requires budgetary control to be maintained at the individual appropriation account level.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES  
THE CAPITOL, TALLAHASSEE, FLORIDA 32399-0301 • (850)413-2850 • Fax (850)413-2950

Page Two  
February 28, 2011

#### ECONOMIC CONDITION

Florida was deeply affected by the national and global economic recessions, but is slowly turning the corner. In recent presentations, the Florida Legislature's Office of Economic and Demographic Research (EDR) has reported that Florida is consistently showing year-over-year growth on several key measures of economic performance. In particular, EDR notes that Florida has exhibited positive quarterly growth in personal income since the fourth quarter of the 2009 calendar year and has recently shown indications of strengthening population growth. The state also reached its sixth consecutive month of positive over-the-year job growth in December 2010, after losing jobs for three years. However, across-the-board recovery has yet to occur. Typical economic recoveries are led by increases in lending and housing construction. Since the housing and credit markets are still sluggish, recovery will have to come from other sectors. EDR expects that it will take years to fully regain the losses experienced in America's worst recession since the Great Depression.

In this regard, improvement in several vital areas will lag well behind Florida's early phases of economic recovery. The state's unemployment rate is currently at a secondary peak, hitting 12 percent in both November 2010 and December 2010. Prior to then, Florida's highest unemployment rate occurred in March 2010 at 12.3 percent before dropping back to 11.4 percent in June 2010. While still troublesome, EDR believes the number of unemployed is presently buoyed by out-of-work people gradually returning to active job searches – a sure sign that confidence is returning. EDR feels the long-lasting housing market correction, historic levels of foreclosure activity, and still sluggish credit conditions will remain the predominant drags on Florida's economy in the near-term. All of these factors will continue to make the recovery slow and protracted.

Many proactive steps have been taken by the Florida Legislature to reduce state spending in light of constrained state revenues. Even with these measures, the constitutionally required Long-Range Financial Outlook shows that the expected budget gap in fiscal year 2011-12 could approach \$3.6 billion when projections are updated with the most recent estimates.

The Long-Range Financial Outlook also identified the potential obligations of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation as a significant risk to the forecast. Refer to Note 14 to the financial statements for additional information related to the state's insurance enterprises.

#### ACKNOWLEDGEMENTS

Preparation of the CAFR requires a significant investment of time and resources of fiscal and accounting personnel throughout the state. We appreciate all the contributions made to this effort.

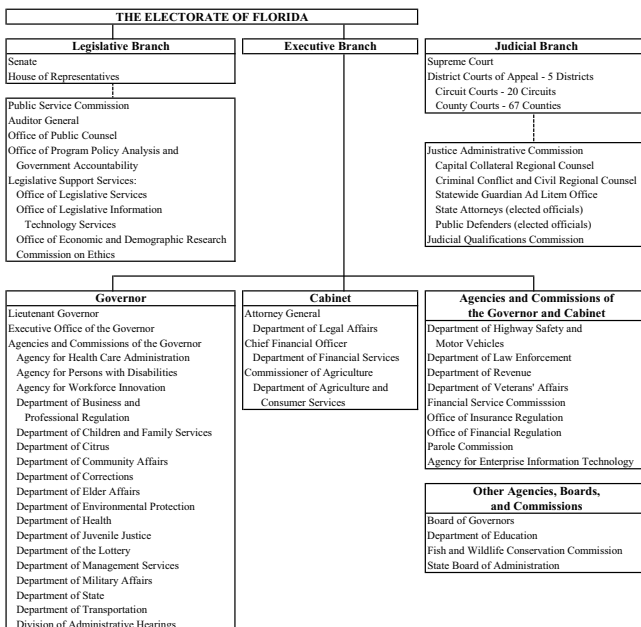
Sincerely,

Jeff Atwater  
Chief Financial Officer

JA:jsz

#### 2010 STATE OF FLORIDA CAFR

#### ORGANIZATION AT JUNE 30, 2010



#### PRINCIPAL OFFICIALS AT JUNE 30, 2010

##### Legislative Branch

Senate  
Jeff Atwater, President  
House of Representatives  
Larry Creul, Speaker

##### Executive Branch

Charlie Crist, Governor  
Jeff Kottkamp, Lieutenant Governor  
Cabinet  
Bill McCollum, Attorney General  
Alex Sink, Chief Financial Officer  
Charles H. Bronson, Commissioner of Agriculture

##### Judicial Branch

Peggy A. Quince, Chief Justice

## FINANCIAL SECTION





DAVID W. MARTIN, CPA  
AUDITOR GENERAL

## AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

### 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 Florida as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of:

- The Prepaid College Program Fund, which is a major enterprise fund and represents 34 percent and 11 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 94 percent and 91 percent of the assets and revenues, respectively, of the Transportation major enterprise fund.
- The Hurricane Catastrophe Fund, which is a major enterprise fund and represents 29 percent and 12 percent, respectively, of the assets and revenues of the business-type activities.
- The College Savings Plan and the trust funds maintained by the State Board of Administration to account for the investments of the Florida Retirement System and the Public Employee Optional Retirement Program, which collectively represent 83 percent of the assets and 56 percent of the revenues/additions of the aggregate remaining fund information.
- The Florida Legislature, which represents less than one percent of the assets and revenues of the General Fund.
- The Florida Finance Housing Corporation, Citizens Property Insurance Corporation, component units related to the State's universities and community colleges, and certain other funds and entities that, in the aggregate, represent 66 percent and 43 percent, respectively, of the assets and revenues of the discretely presented component units.

Financial statements for the above funds and entities were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these funds and entities, are based 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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 Florida, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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 February 28, 2011, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, 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. That report will be included as part of our separately issued report entitled *State of Florida, Compliance and Internal Controls Over Financial Reporting and Federal Awards*.

As discussed in Note 1 I. to the financial statements, the State has implemented Governmental Accounting Standards Board Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, and No. 53, *Accounting and Financial Reporting for Derivative Instruments*. As further discussed in Note 1 I., the State began reporting certain University System Improvement and Capital Improvement Revenue bonds as long-term liabilities of the Primary Government. These bonds were previously reported by component unit universities. Also, as discussed in Note 1 I., the State began reporting an external investment pool for the investments of external entities participating in the State Treasury investment pool.

Accounting principles generally accepted in the United States of America require the accompanying management discussion and analysis on pages 12 through 17 and the budgetary information, the funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 150 through 161 to be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. As a result of the limited procedures performed, we believe that the amounts reported on page 159 for the actuarial accrued liability and the unfunded actuarial accrued liability for the Retiree Health Insurance Subsidy Program were not measured in conformity with accounting principles generally accepted in the United States of America because the discount rate utilized in determining the amounts reported was not appropriately matched to current and expected investment yields and the nature and mix of related investments.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information - introductory section on pages 6 through 8, combining statements and individual fund statements and related budgetary comparison schedules on pages 165 through 241, and the statistical section on pages 245 through 273, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining statements and individual fund statements and related budgetary comparison schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the combining statements and individual fund statements and related budgetary comparison schedules are fairly stated 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 by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

  
David W. Martin, CPA  
February 28, 2011

## 2010 STATE OF FLORIDA CAFR

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained in the Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the State of Florida's (the state's) financial activities and performance for the fiscal year ended June 30, 2010 (fiscal year 2009-10). Please read the MD&A in conjunction with the state's financial statements that are presented in the Financial Section of this Comprehensive Annual Financial Report (CAFR).

#### Financial Statements Overview

The state's basic financial statements are comprised of the following elements:

##### Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the state's overall financial condition. Changes in the state's financial position may be measured over time by increases and decreases in the Statement of Net Assets. Information on how the state's net assets changed during the fiscal year is presented in the Statement of Activities. Financial information for the state's component units is also presented.

##### Fund Financial Statements

Fund financial statements for governmental and proprietary funds focus on individual parts of the state, reporting the state's operations in more detail than the government-wide financial statements. Fund financial statements for fiduciary funds are also included to provide financial information related to the state's fiduciary activities.

##### Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements

Scope	Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
	Entire state government (except fiduciary funds) and the state's component units	Activities of the state that are not proprietary or fiduciary	Activities of the state that are operated similar to private businesses	Instances in which the state is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"><li>• Statement of net assets</li><li>• Statement of activities</li></ul>	<ul style="list-style-type: none"><li>• Balance sheet</li><li>• Statement of revenues, expenditures, and changes in fund balances</li></ul>	<ul style="list-style-type: none"><li>• Statement of net assets</li><li>• Statement of revenues, expenses, and changes in net assets</li><li>• Statement of cash flows</li></ul>	<ul style="list-style-type: none"><li>• Statement of fiduciary net assets</li><li>• Statement of changes in fiduciary net assets</li></ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"><li>• Revenues for which cash is received during the year, regardless of when cash is received or paid</li><li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li></ul>	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## 2010 STATE OF FLORIDA CAFR

### Condensed Government-wide Financial Statements and Overall Financial Analysis

#### Statement of Net Assets

Table 2 below presents the state's Condensed Statement of Net Assets as of June 30, 2010, and 2009, derived from the government-wide Statement of Net Assets. The assets of the state exceeded its liabilities (net assets) at the close of the fiscal year by \$49.3 billion for governmental activities and by \$8.7 billion for business-type activities, for a combined total of \$58 billion for the primary government. The three components of net assets include invested in capital assets, net of related debt; restricted; and unrestricted. The largest component, totaling \$61.8 billion as of June 30, 2010, reflects investment in capital assets, net of related debt. The state uses these capital assets to provide services to the citizens and businesses in the state; consequently, these net assets are not available for future spending. Restricted net assets are the next largest component, totaling \$11.4 billion as of June 30, 2010. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Governmental activities reflect a negative or deficit unrestricted net asset balance of \$15.8 billion at June 30, 2010. This deficit primarily results from education-related bonds for which the state is responsible for the liability while the related assets are owned by local school districts and are therefore not included in the state's financial statements. Refer to Note 8 to the financial statements, Governmental Activities - Unrestricted Net Asset Deficit, for more information.

Business-type activities reflect an unrestricted net asset balance of \$614 million at June 30, 2010. The increase in the unrestricted net asset balance over that reported in prior years is explained in the Major Fund Analysis, Proprietary Funds section that follows.

Table 2: Condensed Statement of Net Assets  
As of June 30  
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 22,152	\$ 20,863	\$ 25,142	\$ 22,261	\$ 47,294	\$ 43,124
Capital assets, net	60,222	57,977	7,860	7,476	68,082	65,453
Total assets	82,374	78,840	33,002	29,737	115,376	108,577
Other liabilities	8,688	8,941	4,755	6,094	13,443	15,035
Noncurrent liabilities	24,436	22,775	19,510	15,934	43,946	38,709
Total liabilities	33,124	31,716	24,265	22,028	57,389	53,744
Net assets:						
Invested in capital assets, net of related debt	56,935	54,585	4,911	4,930	61,846	59,515
Restricted	8,154	7,782	3,213	2,500	11,367	10,282
Unrestricted	(15,840)	(15,243)	614	279	(15,226)	(14,964)
Total net assets	\$ 49,250	\$ 47,124	\$ 8,737	\$ 7,709	\$ 57,987	\$ 54,833

**Statement of Activities**

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2009-10 and fiscal year 2008-09, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets measure whether the state's financial position is improving or deteriorating. The state's total net assets increased during the fiscal year by \$3.3 billion. The net assets of governmental activities increased by \$2.3 billion and the net assets of business-type activities increased by \$1.0 billion (see Note 1.J, for explanation of prior period adjustments). The majority of the increase in total program expenses for governmental activities relates to a \$3.7 billion increase in human services expenses while the increase in business-type activities expenses is primarily due to increased benefits paid for unemployment compensation. Refer to the Major Fund Analysis section for information regarding the overall increase in revenues from governmental activities.

**Table 3: Condensed Statement of Activities  
For the Fiscal Year Ended June 30  
(in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 7,263	\$ 6,191	\$ 9,522	\$ 7,946	\$ 16,785	\$ 14,137
Operating grants and contributions	26,832	20,165	5,454	1,665	32,286	21,830
Capital grants and contributions	1,974	1,987	6	1	1,980	1,988
Total program revenues	36,069	28,343	14,982	9,612	51,051	37,955
General revenues and payments						
Sales and use tax	17,102	17,278	.....	.....	17,102	17,278
Other taxes	11,422	10,278	.....	.....	11,422	10,278
Investment earnings (loss)	555	(291)	10	2	565	(289)
Emergency assessments	.....	.....	329	337	329	337
Total general revenues and payments	29,079	27,265	339	339	29,418	27,604
Total revenues	65,148	55,608	15,321	9,951	80,469	65,559
Program expenses						
General government	6,883	6,879	.....	.....	6,883	6,879
Education	18,947	18,722	.....	.....	18,947	18,722
Human services	27,692	23,988	.....	.....	27,692	23,988
Criminal justice and corrections	4,448	4,037	.....	.....	4,448	4,037
Natural resources and environment	2,588	2,614	.....	.....	2,588	2,614
Transportation	3,177	3,851	383	402	3,560	4,253
State courts	427	427	.....	.....	427	427
Lottery	.....	.....	2,748	2,765	2,748	2,765
Hurricane Catastrophe Fund	.....	.....	362	677	362	677
Prepaid College Program	.....	.....	1,523	1,523	1,523	1,523
Unemployment Compensation	.....	.....	7,657	4,308	7,657	4,308
Nonmajor enterprise funds	.....	.....	265	267	265	267
Indirect interest on long-term debt	19	16	.....	.....	19	16
Total program expenses	64,181	60,534	12,938	9,456	77,119	69,990
Excess (deficiency) before gain (loss) and transfers	967	(4,926)	2,383	495	3,350	(4,431)
Gain (loss) on sale of capital assets	(60)	(127)	(2)	(2)	(62)	(129)
Transfers	1,353	1,470	(1,353)	(1,470)	.....	.....
Change in net assets	2,260	(3,583)	1,028	(977)	3,288	(4,560)
Beginning net assets	47,124	50,275	7,709	8,855	54,833	59,130
Prior period adjustments	(134)	432	.....	(169)	(134)	263
Ending net assets	\$ 49,250	\$ 47,124	\$ 8,737	\$ 7,709	\$ 57,987	\$ 54,833

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**General Fund Budget Variances**

Budgeted expenditures are based on revenues estimated by the Revenue Estimating Conference and other sources. Original expenditures are budgeted for less than total expected available resources. There was a \$254 million increase between the original and final estimated revenues. Because of the higher estimated revenues, final budgeted total expenditures increased by \$138 million from the original budget. Variances between the original and final budget or between the final budgeted and actual amounts are not expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the Budgetary Comparison Schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

**Capital Asset and Long-term Debt Activity****Capital Asset Activity**

At June 30, 2010, the state reported \$60.2 billion in net capital assets for governmental activities and \$7.9 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2008-09 to fiscal year 2009-10 by approximately four percent. The increase is consistent with prior years and primarily due to land acquisition and the capitalization of construction costs for infrastructure projects. Capitalized infrastructure projects include additions to and/or enhancements of roadways and bridges on the state's highway system. Construction commitments by the Florida Department of Transportation were approximately \$5.7 billion. Construction commitments by other state agencies not relating to transportation increased over \$282 million due to major projects including office buildings and correctional facilities. Refer to Note 5 to the financial statements for information on capital assets and Note 7 to the financial statements for information on construction commitments.

**Long-term Debt Activity**

Total bonded debt outstanding increased by \$2.4 billion, or approximately 9 percent, from the prior fiscal year to a total of \$30.2 billion at June 30, 2010. The majority of the outstanding debt serves to finance educational facilities (\$16 billion), the Florida Hurricane Catastrophe Fund (\$5.7 billion) and transportation infrastructure (\$5 billion). New bonded debt issues for 2010 totaled \$5.2 billion. Annual debt service payments on net tax-supported debt totaled \$2.1 billion for 2010, an increase of \$37 million from the prior year. Annual debt service payments are projected to increase from \$2.1 billion to \$2.3 billion over the next three years, based on projected bond issuance.

The state maintained its credit ratings during the past year. Moody's Investors Services outlook was changed to stable from negative. Standard & Poor's rating is unchanged with a negative outlook. The Fitch Ratings have been recalibrated to AAA from AA+ but retained the negative outlook. The state's benchmark debt ratio of debt service to revenues available to pay debt service has improved over the past year from 7.91 percent for fiscal year 2009 to 7.39 percent for fiscal year 2010. Although the benchmark debt ratio improved, when considering the impact of accrued debt service on refunded debt and annualized debt service on bonds issued during the year, the benchmark debt ratio increases to 7.86 percent, which is comparable to the prior year and negates the apparent improvement. The projected benchmark debt ratio is expected to exceed the 7 percent cap through 2012 based on existing borrowing plans and August 2010 revenue forecasts. The benchmark debt ratio could increase further if revenues do not grow as anticipated or additional debt is authorized.

Section 11 of Article VII of the State Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues. The responsibility to issue most state bonds rests with the Division of Bond Finance of the State Board of Administration. However, certain quasi-governmental entities also incur debt and are reported as part of the primary government. See the *State of Florida 2010 Debt Affordability Report* for more detailed information about the state's debt position. The report can be found at [www.sbfra.com/bond](http://www.sbfra.com/bond) or by contacting the Division of Bond Finance, 1801 Heritage Boulevard, Suite 200, Tallahassee, Florida 32308, (850) 488-4782. Additional information on long-term debt is also found in Notes 8, 9, and 10 to the financial statements and the Statistical Section of this report.

**Infrastructure Accounted for Using the Modified Approach**

The state elected to use the modified approach to account for roadways and bridges of the State Highway System. Under this approach, the Florida Department of Transportation (FDOT) committed to maintain these assets at levels established by FDOT and approved by the Florida Legislature. No depreciation expense is reported for these assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. FDOT maintains an inventory of these assets and performs periodic assessments to establish that predetermined

**Major Fund Analysis****Governmental Funds**

The state's governmental funds report combined ending fund balance of \$13.7 billion at June 30, 2010, a \$781 million or 6.5 percent increase from the prior year (before effects of prior period adjustments). Revenues increased by \$9.5 billion or 17.1 percent, other financing sources declined by \$417 million or 11.9 percent and expenditures increased by \$3.9 billion or 6.2 percent. Overall increases in revenue, as well as expenditures, were attributable primarily to federal grants from the American Recovery and Reinvestment Act. Information is provided below regarding major funds with significant variances relative to the prior year.

**General Fund** – Fund balance at June 30, 2010, totaled \$4.2 billion, an increase of \$802 million or 23.8 percent. Revenues and other financing sources, including \$544 million transferred from other governmental funds, increased \$1.7 billion or 6.8 percent predominantly due to increased investment earnings, fees and charges, and taxes. Expenditures and other financing uses declined \$2.0 billion or 7.0 percent from the prior year. Significant reductions were made in the following areas: education - \$956 million, human services - \$635 million, state courts - \$232 million, and natural resources and environment - \$165 million.

**Public Education** – Fund balance at June 30, 2010, totaled \$1.4 billion, a decrease of \$212 million or 23.7 percent relative to the prior year (before effects of prior period adjustments). Revenues increased \$1.9 billion or 51.1 percent primarily due to an increase in grants and donations of \$1.8 billion or 72.8 percent. Expenditures increased \$1.1 billion or 19.4 percent primarily in current expenditures towards education. The revenue and expenditure increases were attributable primarily to revenues related to the American Recovery and Reinvestment Act.

**Health and Family Services** – Fund balance at June 30, 2010, totaled \$1.3 billion, an increase of \$305 million or 31.0 percent. Revenues and other financing sources increased \$5.3 billion or 28.5 percent primarily due to additional grants and donations revenues for funding increased costs for health care and food stamps. Expenditures and other financing uses increased \$5.0 billion or 27.1 percent primarily due to an increase in current expenditures for human services, also resulting from increased costs for health care and food stamps.

**Proprietary Funds**

The state's proprietary funds report combined ending net assets of \$8.7 billion at June 30, 2010, of which \$4.9 billion is invested in capital assets, net of related debt, and \$3.2 billion is restricted for specific purposes. The remaining \$614 million was unrestricted and available for purposes of the various funds. Information is provided below regarding major funds with significant variances relative to the prior year.

**Hurricane Catastrophe Fund** – Net assets at June 30, 2010, totaled \$3.2 billion, an increase of approximately \$1.5 billion or 84.7 percent. The increase in net assets remained consistent with the increase in prior year. See Note 14 to the financial statements for additional information on this fund.

**Prepaid College Program** – Net assets at June 30, 2010, totaled \$483 million, an increase of \$138 million or 40.0 percent. Revenues increased \$1.0 billion or 153.8 percent primarily due to higher fixed income investment returns on the Florida Prepaid College Plan investment portfolio, resulting in an increase of \$806 million or 473.5 percent. Additionally, an increase in total prepaid plan sales and an increase in plan prices increased revenues by \$201 million or 41.4 percent. Operating expenses increased \$511 million or 50.9 percent primarily due to increases in prepaid contracts combined with a decrease in the liability discounting factor.

**Unemployment Compensation** – This fund reports deficit net assets of \$904 million at June 30, 2010, a decrease of \$967 million. Revenues increased by \$4.1 billion or 157.7 percent while expenses increased by \$3.3 billion or 77.7 percent. Revenues increased as a result of fees collected and grants and donations received during the fiscal year. The increase in expense is due to a significant increase in benefit payments relative to the prior year. See Note 17 to the financial statements for information regarding the deficit in net assets. See Note 18 to the financial statements for information on federal funding provided after June 30, 2010.

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condition levels are being maintained. The condition assessments performed during fiscal year 2009-10 show that the roadways and bridges of the State Highway System are being maintained at or near FDOT standards. These condition assessments were consistent with condition assessments conducted during the last two years. In addition, FDOT makes annual estimates of the amounts that must be expended to maintain the roadways and bridges included on the State Highway System at the predetermined condition levels. These estimates are based on the FDOT five-year plan that is changed as projects are added, deleted, adjusted, or postponed.

Refer to the Other Required Supplementary Information of the CAFR for information on FDOT's established condition standards, recent condition assessments, and other information on infrastructure reported on the modified approach.

**Economic Factors**

General fund tax collections for the fiscal year ended June 30, 2010, were 1.9 percent higher than the prior fiscal year. The gain came from several sources, but notably not from sales tax revenues – the state's primary source of general revenue – which actually contracted 2.6 percent. This was primarily due to continuing losses in employment, the still sluggish credit market, and stubbornly persistent feedback effects from the global and national recessions.

Although Florida's housing market adjustments largely reflect national trends, the state's market has proven far more vulnerable to the real estate market downturn. While statewide existing home sales grew strongly throughout the 2009-10 fiscal year (averaging 31 percent growth over the prior year), median prices fell another 10 percent, leading to the fourth year of declines since the 2005-06 fiscal year. Total collections of documentary stamp taxes, which largely result from sales of real estate, declined 2.4 percent compared to the prior fiscal year.

Through the end of the state fiscal year, most major sources of general fund revenues (such as corporate income taxes) were positive in comparison to the previous fiscal year, with the exception of those mentioned above. Notable increases were cigarette taxes which include an additional surcharge enacted by the 2009 Legislature, highway safety licenses and fees which benefited primarily from 2009 legislative actions to increase and redirect fees into the general fund, and service charges which were increased by the 2009 Legislature. Total revenues for all governmental funds increased by \$9.2 billion with approximately 68 percent of the increase attributable to federal grants received under the American Recovery and Reinvestment Act.

Through the late spring and summer of 2010, Florida began showing consistent year-over-year growth on several key measures of economic performance. These trends continued through the end of the calendar year. In particular, Florida has exhibited positive quarterly growth in personal income since the fourth quarter of the 2009 calendar year and has recently shown indications of strengthening population growth. The state also reached its sixth consecutive month of positive over-the-year job growth in December, after losing jobs for three years.

While the unemployment rate remains stubbornly high (fifty-two counties of the state's sixty-seven had double-digit unemployment rates in December) and the level of foreclosure activity continues to be daunting, improvements in consumer spending and personal income are leading to a projected 4 percent growth in general revenue collections for the current year.

The most recent projections by state economists indicate that general revenue collections for the fiscal year ending June 30, 2011 will be \$858.2 million higher than last year. The latest General Revenue Outlook shows that there will be nearly \$250 million in unallocated general revenue remaining at the end of the fiscal year. The state's major reserve for emergencies, the Budget Stabilization Fund, contains \$275 million at the date of this report. Repayment of the funds previously lent to the General Revenue Fund (\$1.07 billion) is scheduled to begin in the 2011-12 fiscal year. Refer to Note 1K, for additional information on the Budget Stabilization Fund.

**Contact the State's Financial Management**

Questions about this report or requests for additional financial information may be addressed to:

Department of Financial Services  
Bureau of Accounting  
Statewide Financial Reporting Section  
200 East Gaines Street  
Tallahassee, Florida 32399-0354  
(850) 413-5511

# FINANCIAL SECTION:

## BASIC FINANCIAL STATEMENTS

**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(in thousands)**

Functions/Programs	Primary Government				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
<b>Governmental activities:</b>					
General government	\$ 6,882,931	\$ 3,938,356	\$ 1,092,968	\$ 488	\$ (1,851,119)
Education	18,946,684	229,149	4,449,598	293	(14,267,644)
Human services	27,692,169	1,156,988	19,936,976	18,181	(6,580,024)
Criminal justice and corrections	4,448,382	772,557	141,194	6,922	(3,527,709)
Natural resources and environment	2,588,478	400,700	1,088,159	119,439	(980,180)
Transportation	3,176,790	343,782	121,141	1,828,970	(882,897)
State courts	427,319	421,501	1,398	-----	(4,420)
Indirect interest on long-term debt	18,759	-----	-----	-----	(18,759)
Total governmental activities	64,181,512	7,263,033	26,831,434	1,974,293	(28,112,752)
<b>Business-type activities:</b>					
Transportation	383,106	790,803	-----	6,055	329,562
Lottery	2,747,599	4,006,864	5,811	-----	1,259,265
Hurricane Catastrophe Fund	362,320	1,524,012	-----	-----	1,161,692
Prepaid College Program	1,523,217	1,661,241	-----	-----	138,024
Unemployment Compensation	7,656,494	1,242,684	5,448,016	-----	(965,794)
Nonmajor enterprise funds	264,580	386,372	98	-----	121,800
Total business-type activities	12,937,316	9,521,976	5,453,925	6,055	2,044,640
Total primary government	\$ 77,118,828	\$ 16,785,009	\$ 32,285,359	\$ 1,980,348	\$ (26,068,112)
<b>Component units</b>					
Florida Housing Finance Corporation	\$ 749,194	\$ 330,496	\$ -----	-----	\$ (418,698)
University of Florida	4,790,001	2,593,967	1,248,514	\$ 58,140	(889,380)
Citizens Property Insurance Corporation	1,073,860	1,711,429	-----	-----	637,569
Nonmajor component units	9,996,332	2,591,938	3,340,980	624,275	(3,439,211)
Total component units	\$ 16,609,387	\$ 7,227,830	\$ 4,589,422	\$ 682,415	\$ (4,097,210)
<b>Primary Government</b>					
	Governmental Activities	Business-type Activities	Total	Component Units	
Net (expense) revenue	\$ (28,112,752)	\$ 2,044,640	\$ (26,068,112)	\$ (419,720)	
<b>General revenues:</b>					
Taxes	17,102,054	-----	17,102,054	-----	
Sales and use tax	2,505,193	-----	2,505,193	-----	
Fuel taxes	1,785,291	-----	1,785,291	-----	
Corporate income tax	1,077,836	-----	1,077,836	-----	
Documentary stamp tax	158,643	-----	158,643	-----	
Intelle. personal property tax	1,515,675	-----	1,515,675	-----	
Communications service tax	1,872,646	-----	1,872,646	-----	
Beverage and tobacco taxes	862,520	-----	862,520	-----	
Insurance premium tax	673,013	-----	673,013	-----	
Gross receipts utilities tax	-----	-----	-----	897,925	
Property taxes	971,197	-----	971,197	-----	
Other taxes	555,053	9,526	564,579	873,685	
Investment earning (loss)	(59,943)	(2,374)	(62,317)	12,893	
Gain (loss) on sale of capital assets	-----	-----	-----	3,089,342	
Payments from the State of Florida	-----	329,341	329,341	-----	
Emergency assessments	-----	-----	-----	891,335	
Miscellaneous	1,352,669	(1,352,669)	-----	57,084	
Transfers	30,371,847	(1,016,176)	29,355,671	5,822,264	
Contributions to permanent funds	2,259,095	1,028,464	3,287,559	17,125,544	
Total general revenues, transfers and contributions	47,124,293	7,708,725	54,833,018	32,660,758	
Changes in net assets	(133,236)	-----	(133,236)	259,567	
Net assets - beginning	\$ 49,249,652	\$ 8,737,189	\$ 57,986,841	\$ 34,032,869	
Adjustments to increase (decrease) beginning net assets	-----	-----	-----	-----	
Net assets - ending	-----	-----	-----	-----	

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

## Major Funds

## GENERAL FUND

This fund is the State's primary operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

## ENVIRONMENT, RECREATION AND CONSERVATION

This fund accounts for operations of various programs, such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation.

## PUBLIC EDUCATION

This fund includes internal reporting funds administered by the Department of Education to operate education-related programs.

## HEALTH AND FAMILY SERVICES

This fund includes internal reporting funds used to operate various health and family service-related programs, such as health care, elder affairs, and child support.

## TRANSPORTATION

This fund includes the internal reporting special revenue funds used to account for the administration of the maintenance and development of the State highway system and other transportation-related projects.

## Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on page 165.

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BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010  
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 15,711	\$ 925	\$ .....	\$ 23,983
Pooled investments with State Treasury	4,002,325	1,472,586	1,343,297	1,501,288
Investments	853,385	.....	621	38
Receivables, net	1,375,402	145,803	109,001	2,051,618
Due from other funds	121,669	16,617	65,500	80,162
Due from component units/primary	2,203	542	.....	135
Inventories	11,779	1,564	.....	31,691
Other	685	.....	769	.....
Total current assets	6,383,159	1,638,037	1,518,419	3,688,915
<b>Noncurrent assets</b>				
Long-term investments	.....	.....	.....	.....
Advances to other funds	2,628	.....	.....	172
Advances to other entities	52,276	114,018	682,382	5,828
Other loans and notes receivable, net	5,639	1,001,158	.....	22,224
Other	.....	.....	.....	.....
Total noncurrent assets	60,543	1,115,176	682,382	28,224
Total assets	\$ 6,443,702	\$ 2,753,213	\$ 2,200,801	\$ 3,717,139
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 594,389	\$ 54,017	\$ 51,693	\$ 1,904,762
Due to other funds	135,568	20,112	2,934	25,237
Due to component units/primary	8,371	65,021	17,363	7,998
Compensated absences	9,880	750	158	944
Claims payable	20,369	.....	.....	.....
Deposits	573	3,658	.....	4,807
Installment purchases/capital leases	30	.....	.....	.....
Deferred revenues	368,500	12,056	5,646	363,131
Obligations under security lending agreements	1,130,148	144,026	137,320	67,703
Total current liabilities	2,267,828	299,640	215,114	2,374,582
<b>Noncurrent liabilities</b>				
Advances from other funds	600	.....	540,503	.....
Deposits	.....	.....	.....	33,115
Deferred revenues	5,502	512	.....	22,224
Total noncurrent liabilities	6,102	512	540,503	55,339
Total liabilities	2,273,930	300,152	755,617	2,429,921
<b>Fund balances</b>				
Reserved for encumbrances	67,330	3,302	.....	18,279
Reserved for inventories	11,779	1,564	.....	31,691
Reserved for advances	54,904	114,018	682,382	172
Reserved for long-term receivables	137	1,000,647	.....	.....
Reserved for capital outlay	91,868	944,700	965,012	5,236
Reserved for debt service	.....	.....	.....	.....
Reserved for Budget Stabilization Fund	274,916	.....	.....	.....
Other reserved	684,063	84,293	.....	15,972
Unreserved, reported in:				
General fund	2,984,775	.....	.....	.....
Special revenue funds	.....	304,537	(202,210)	1,215,868
Capital projects funds	.....	.....	.....	.....
Permanent funds	.....	.....	.....	.....
Total fund balances	4,169,772	2,453,061	1,445,184	1,287,218
Total liabilities and fund balances	\$ 6,443,702	\$ 2,753,213	\$ 2,200,801	\$ 3,717,139

The notes to the financial statements are an integral part of this statement

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Transportation	Nonmajor Governmental Funds	Totals 6/30/10
\$ 1,790	\$ 41,483	\$ 83,892
1,191,204	1,647,012	11,157,712
.....	374,678	1,228,722
357,963	408,864	4,448,651
123,079	67,819	474,846
.....	.....	2,880
9,082	1,835	55,951
769	1,432	2,886
1,683,887	2,543,123	17,455,540
.....	239,007	239,007
268,322	.....	271,122
.....	52,032	906,536
736,927	1,102,536	2,868,484
5,477	.....	5,477
1,010,726	1,393,575	4,290,626
\$ 2,694,613	\$ 3,936,698	\$ 21,746,166
\$ 681,243	\$ 251,239	\$ 3,537,343
39,868	142,189	365,908
.....	5,017	103,770
5,871	2,278	19,881
.....	5,636	26,005
296,954	10,797	316,789
.....	.....	30
8,710	135,626	893,669
84,693	103,388	1,667,278
1,117,339	656,170	6,930,673
.....	625	541,728
78,400	52,032	163,547
406,296	17,875	452,409
484,696	70,532	1,157,684
1,602,035	726,702	8,088,357
37,964	130,559	257,434
9,082	1,835	55,951
268,322	.....	1,119,798
330,631	1,102,536	2,433,951
224,728	284,518	2,516,062
.....	247,039	247,039
.....	.....	274,916
5,477	127,475	917,280
.....	.....	2,984,775
216,374	1,294,686	2,829,255
.....	19,072	19,072
.....	2,276	2,276
1,092,578	3,209,996	13,657,809
\$ 2,694,613	\$ 3,936,698	\$ 21,746,166

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2010 STATE OF FLORIDA CAFR  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS  
JUNE 30, 2010  
(in thousands)

Total fund balances for governmental funds	\$ 13,657,809
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities reported in governmental funds are not financial resources and therefore are not reported in the funds.	
Land and other nondepreciable assets	16,701,049
Nondepreciable infrastructure	33,225,425
Buildings, equipment and other depreciable assets	5,811,301
Accumulated depreciation	(3,271,991)
Construction work in progress	6,788,270
	59,254,054
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(826,322)
Installment purchases/capital leases	(56,363)
Claims payable	(2,556,388)
Due to other governments	(207)
Bonds payable	(21,151,097)
Certificates of participation payable	(126,675)
Other	(433,994)
	(25,151,046)
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Assets.	(58,716)
Assets (receivables) not available to provide current resources are offset with deferred revenues (liability) in the fund statements. The reduction of the liability and recognition of revenue increases net assets in the Statement of Net Assets.	1,346,078
Internal service funds are used to report activities that provide goods and services to other funds or agencies within the state. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets.	201,473
Net assets of governmental activities	<u>\$ 49,249,652</u>

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services
<b>REVENUES</b>				
Taxes	\$ 23,803,370	\$ 297,513	\$ 1,097,796	\$ 765,539
Licenses and permits	266,192	46,761	.....	36,144
Fees and charges	1,439,692	159,381	44,350	1,271,318
Grants and donations	14,111	218,217	4,310,238	19,893,810
Investment earnings	402,174	91,141	110,258	15,886
Fines, forfeits, settlements and judgments	45,644	8,173	87,758	35,282
Other	7,348	4,523	4,105	10,317
Total revenues	25,978,531	825,709	5,654,505	22,028,296
<b>EXPENDITURES</b>				
Current:				
General government	3,763,525	17,155	.....	196,443
Education	11,158,505	.....	6,895,407	.....
Human services	4,374,380	.....	.....	22,724,525
Criminal justice and corrections	3,300,085	.....	.....	.....
Natural resources and environment	281,355	1,103,961	.....	80,887
Transportation	51,115	.....	.....	.....
State courts	138,369	.....	.....	.....
Capital outlay	60,898	99,039	10,125	17,264
Debt service:				
Principal retirement	8,973	.....	.....	2,086
Interest and fiscal charges	5,891	.....	.....	1,147
Total expenditures	23,143,096	1,220,155	6,905,532	23,022,352
Excess (deficiency) of revenues over expenditures	2,835,435	(394,446)	(1,251,027)	(994,056)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of bond issues	4,215	371,000	1,015,554	.....
Proceeds of refunding bonds	.....	.....	.....	.....
Operating transfers in	1,005,472	752,079	1,516,224	1,826,539
Operating transfers out	(3,051,726)	(815,164)	(1,492,542)	(527,887)
Proceeds of financing agreements	8,138	.....	.....	.....
Payments to refunded bond agent	.....	.....	.....	.....
Total other financing sources (uses)	(2,033,901)	307,915	1,039,236	1,298,652
Net change in fund balances	801,534	(86,531)	(211,791)	304,596
Fund balances - beginning	3,368,238	2,539,592	894,489	982,622
Adjustments to increase (decrease) beginning fund balances	.....	.....	762,486	.....
Fund balances - beginning, as restated	3,368,238	2,539,592	1,656,975	982,622
Fund balances - ending	<u>\$ 4,169,772</u>	<u>\$ 2,453,061</u>	<u>\$ 1,445,184</u>	<u>\$ 1,287,218</u>

The notes to the financial statements are an integral part of this statement.

2010 STATE OF FLORIDA CAFR

Transportation	Nonmajor Governmental Funds	Totals 6/30/10
\$ 2,210,487	\$ 216,557	\$ 28,391,262
8,767	1,038,241	1,396,105
446,528	1,146,492	4,507,761
1,903,824	1,962,572	28,302,772
51,272	106,171	776,902
17,262	1,037,840	1,231,959
805	27,227	54,325
4,638,945	5,535,100	64,661,086
191,071	2,662,378	6,830,572
.....	148,073	18,201,985
.....	407,542	27,506,447
.....	993,513	4,293,598
.....	887,787	2,353,990
2,999,149	53	3,050,317
.....	292,611	430,980
1,757,232	226,492	2,171,050
.....	1,082,806	1,093,865
.....	1,017,173	1,024,211
4,947,452	7,718,428	66,957,015
(308,507)	(2,183,328)	(2,295,929)
.....	314,765	1,705,534
.....	1,961,934	1,961,934
1,091,134	4,012,322	10,203,770
(802,841)	(2,151,690)	(8,841,850)
.....	1,456	9,594
.....	(1,961,934)	(1,961,934)
288,293	2,176,853	3,077,048
(20,214)	(6,475)	781,119
1,112,792	3,209,992	12,107,725
.....	6,479	768,965
1,112,792	3,216,471	12,876,690
<u>\$ 1,092,578</u>	<u>\$ 3,209,996</u>	<u>\$ 13,657,809</u>

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2010 STATE OF FLORIDA CAFR		
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (in thousands)		
Net change in fund balance - total governmental funds		\$ 781,119
Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the state. Therefore, the net revenue (expense) of the internal service funds is reported with governmental activities.		50
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful lives of the assets and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current period.		
Capital outlay expenditures	2,376,432	
Depreciation expense	(298,056)	
		2,078,376
In the Statement of Activities, the gain or (loss) on the sale of assets is reported whereas in the governmental funds only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the assets sold.		(60,500)
In the Statement of Activities, some revenues are recognized that do not provide current financial resources and are not recognized as revenues in the governmental funds until available, i.e., deferred revenues.		319,526
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in compensated absences	10,063	
Increase in accrued interest	(4,208)	
Increase in claims payable	(91,665)	
Increase in arbitrage liability	(66)	
Increase in other liabilities	(204,110)	
		(289,986)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond proceeds	(1,705,534)	
Refunding bond proceeds	(1,961,934)	
Financing agreement proceeds	(9,594)	
Repayment of bonds	1,073,505	
Repayment of capital leases/installment purchase contracts	20,360	
Payment to refunded bond escrow agent	1,961,934	
Amortization of bond premium	98,280	
Amortization of deferred amount on refunding	(12,954)	
Accrued interest payable at refunding	(33,553)	
		(569,490)
Change in net assets of governmental activities		\$ 2,259,095
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2010 STATE OF FLORIDA CAFR

## PROPRIETARY FUND FINANCIAL STATEMENTS

### Major Funds

#### TRANSPORTATION

This fund accounts for operations of the Florida Turnpike Enterprise which includes the Florida Turnpike System.

#### LOTTERY

This fund accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Education Enhancement Trust Fund.

#### FLORIDA HURRICANE CATASTROPHE FUND

This fund, administered by the State Board of Administration, is a blended component unit and was created to help cover insurers' losses in the event of a hurricane disaster.

#### PREPAID COLLEGE PROGRAM

This fund, administered by the State Board of Administration, is used to account for payments from purchasers of the Florida Prepaid College Program, a blended component unit. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

#### UNEMPLOYMENT COMPENSATION

This fund accounts for the receipt of monies for and payment of unemployment compensation benefits.

### Nonmajor Funds

Nonmajor enterprise funds are presented on page 201.

### Internal Service Funds

Internal service funds are presented on page 207.

## 2010 STATE OF FLORIDA CAFR

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010  
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 12,839	\$ 85,871	\$ 43	\$ 33,265	\$ 1,543
Pooled investments with State Treasury	507,286	175,402	—	—	352,740
Investments	—	—	8,652,314	1,612,316	—
Receivables, net	4,612	20,049	100,994	373,672	600,925
Due from other funds	1,798	—	—	—	3,454
Due from component units/primary	—	—	—	—	1,745
Inventories	5,236	1,021	—	—	—
Other	—	2,490	1,616	—	—
Total current assets	531,771	284,833	8,754,967	2,019,253	960,407
<b>Noncurrent assets</b>					
Restricted cash and cash equivalents	47	—	—	—	—
Restricted pooled investments with State Treasury	252,957	13,858	—	—	—
Restricted investments	284,375	1,633,195	—	—	—
Long-term investments	—	—	992,548	7,802,694	—
Advances to other funds	500	—	—	—	—
Other loans and notes receivable, net	—	—	—	1,602,032	—
Capital assets					
Land and other nondepreciable assets	912,544	—	—	—	—
Nondepreciable infrastructure	6,110,964	—	—	—	—
Buildings, equipment, and other depreciable assets	409,977	13,494	80	52	—
Accumulated depreciation	(206,484)	(12,073)	(74)	(51)	—
Construction work in progress	624,161	—	—	—	—
Other	15,717	9,336	12,594	—	—
Total noncurrent assets	8,404,758	1,657,810	1,005,148	9,404,727	—
Total assets	8,936,529	1,942,643	9,760,115	11,423,980	960,407
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	26,176	16,208	827,852	28,639	216,582
Accrued prize liability	—	267,398	—	—	—
Due to other funds	65,644	59,380	106	—	3,179
Compensated absences	—	873	47	44	—
Installment purchases/capital leases	—	—	—	—	—
Bonds payable	—	—	269,485	—	—
Bonds payable from restricted assets	100,525	—	—	—	—
Deposits	7,707	—	—	—	—
Deferred revenues	—	—	—	—	—
Obligations under security lending agreements	77,885	865,090	—	1,395,363	—
Certificates of participation payable	—	—	—	—	—
Tuition and housing benefits payable	—	—	—	589,532	—
Total current liabilities	277,937	1,208,949	1,097,490	2,013,578	219,761
<b>Noncurrent liabilities</b>					
Advances from other funds	267,422	—	—	—	—
Accrued prize liability	—	595,792	—	—	—
Due to other governments	—	—	—	—	1,612,500
Bonds payable	2,882,927	—	5,432,301	—	—
Certificates of participation payable	—	—	—	—	—
Installment purchases/capital leases	—	—	—	—	—
Deposits	748	—	—	—	31,734
Compensated absences	—	2,804	125	142	—
Tuition and housing benefits payable	—	—	—	8,926,893	—
Other	4,749	990	—	—	—
Total noncurrent liabilities	3,155,846	599,586	5,432,426	8,927,035	1,644,234
Total liabilities	3,433,783	1,808,535	6,529,916	10,940,613	1,863,995
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,901,411	1,421	6	2	—
Restricted for unemployment compensation	—	—	—	—	(903,588)
Restricted for lottery	—	132,687	—	—	—
Restricted for Hurricane Catastrophe Fund	—	—	3,230,193	—	—
Restricted for Prepaid College Program	—	—	—	483,365	—
Restricted - other	269,844	—	—	—	—
Unrestricted	331,491	—	—	—	—
Total net assets	\$ 5,502,746	\$ 134,108	\$ 3,230,199	\$ 483,367	\$ (903,588)

The notes to the financial statements are an integral part of this statement.

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## 2010 STATE OF FLORIDA CAFR

Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
\$ 1,937	\$ 135,498	\$ 26,648
261,479	1,296,907	585,440
13,554	10,278,184	69,078
242,96	1,124,548	20,368
4,444	9,696	42,306
—	1,745	838
—	6,257	162
37	4,143	—
305,747	12,856,978	744,840
—	47	—
—	266,815	—
—	1,917,570	—
65,214	8,860,456	—
—	500	—
—	1,602,032	—
—	912,544	360
—	6,110,964	—
—	454,301	999,512
—	(22,744)	(348,461)
—	624,161	316,739
—	37,647	—
73,168	20,545,611	968,150
378,915	33,402,589	1,712,990
5,839	1,121,296	92,588
—	267,398	—
6,273	134,582	27,867
4,134	5,098	2,991
—	—	1,531
—	269,485	19,550
—	100,525	—
—	7,707	176,854
—	32,724	—
20,859	2,359,197	57,421
—	589,532	32,665
69,829	4,887,544	411,467
—	267,422	2,803
—	595,792	—
—	1,612,500	—
—	8,315,228	379,900
—	—	686,179
—	—	12,164
—	32,482	—
13,291	16,362	11,981
—	8,926,893	—
5,438	11,177	7,023
18,729	19,777,856	1,100,050
88,558	24,665,400	1,511,517
7,954	4,910,794	141,974
—	(903,588)	—
—	132,687	—
—	3,230,193	—
—	483,365	—
—	269,844	52,205
282,403	613,894	7,294
\$ 290,357	\$ 8,737,189	\$ 201,473

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## 2010 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program
<b>OPERATING REVENUES</b>				
Sales - nonstate	\$ 8,523	\$ 3,906,484	\$ 1,443,942	\$ 681,283
Fees	648,609	—	—	3,769
Sales - state	—	—	30	—
Rents and royalties - nonstate	10,757	240	—	—
Rents - state	—	—	—	—
Fines, forfeits, settlements and judgments	2,976	299	—	—
Other	—	—	—	—
Total operating revenues	670,865	3,907,023	1,443,972	685,052
<b>OPERATING EXPENSES</b>				
Benefit payments	—	—	—	—
Payment of lottery winnings	—	2,346,162	—	—
Commissions on lottery sales	—	216,207	—	—
Contractual services	233,774	94,424	254,242	1,514,287
Insurance claims expense	—	—	—	—
Personal services	20,197	26,923	985	805
Depreciation	16,871	494	2	2
Materials and supplies	4,329	1,285	17	31
Repairs and maintenance	—	1,233	1	1
Basic services	—	4,908	176	143
Interest and fiscal charges	—	—	44	37
Total operating expenses	275,171	2,691,636	255,467	1,515,306
Operating income (loss)	395,694	1,215,387	1,188,505	(830,254)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grants and donations	11,866	—	—	—
Investment earnings	30,035	99,841	80,040	976,189
Interest and fiscal charges	(102,604)	(55,963)	(106,853)	(6,093)
Property disposition gain (loss)	(1,362)	(4)	—	—
Grant expense and client benefits	—	—	—	—
Emergency Assessment Funds Received	—	—	329,341	—
Other	(5,331)	—	—	—
Total nonoperating revenues (expenses)	(67,396)	43,874	302,528	970,096
Income (loss) before transfers and contributions	328,298	1,259,261	1,491,033	139,842
Operating transfers in	12,120	—	—	—
Operating transfers out	(19,429)	(1,247,332)	(10,000)	(1,818)
Capital contributions	—	—	—	—
Change in net assets	320,989	11,929	1,481,033	138,024
Total net assets - beginning	5,181,757	122,179	1,749,166	345,343
Total net assets - ending	\$ 5,502,746	\$ 134,108	\$ 3,230,199	\$ 483,367

The notes to the financial statements are an integral part of this statement.

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## 2010 STATE OF FLORIDA CAFR

Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
\$ —	\$ 67,508	\$ 6,107,740	\$ 32,602
1,234,588	233,337	2,120,303	—
—	21,351	21,351	1,930,760
—	3	11,000	29
—	104	104	122,173
—	48,121	51,396	—
—	1	1	20,078
1,234,588	370,395	8,311,895	2,105,642
7,656,494	—	7,656,494	—
—	—	2,346,162	—
—	—	216,207	—
—	60,719	2,157,446	1,079,964
—	—	—	856,561
—	160,290	209,200	95,209
—	2,457	19,826	18,796
—	5,855	11,517	17,286
—	1,479	2,714	18,444
—	31,105	36,332	8,809
—	1,497	1,578	2
7,656,494	263,402	12,657,476	2,095,071
(6,421,906)	106,993	(4,345,581)	10,571
5,448,016	98	5,459,980	1
8,072	10,994	1,205,171	27,191
—	(224)	(271,737)	(37,371)
—	(1,008)	(2,374)	(7,377)
—	(929)	(929)	—
—	—	329,341	—
—	(3)	(5,334)	(4,331)
5,456,088	8,928	6,714,118	(21,887)
(965,818)	115,921	2,368,537	(11,316)
15,932	21,423	49,475	25,596
(16,728)	(94,745)	(1,390,052)	(17,505)
—	504	504	3,275
(966,614)	43,103	1,028,464	50
63,026	247,254	7,708,725	201,423
\$ (903,588)	\$ 290,357	\$ 8,737,189	\$ 201,473

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## 2010 STATE OF FLORIDA CAFR

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	Transportation	Lottery	Hurricane Catastrophe Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 555,753	\$ 3,933,735	\$ 1,429,075
Cash paid to vendors	(290,161)	(313,518)	(4,748)
Cash paid to employees	(18,290)	(26,545)	(1,025)
Cash paid for grants made	.....	.....	.....
Lottery prizes	.....	(2,335,361)	.....
Cash paid for insurance claims	.....	.....	(229,711)
Unemployment benefits	.....	.....	.....
Net cash provided (used) by operating activities	247,302	1,258,311	1,193,591
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in (out)	116,280	(1,271,247)	(10,000)
Advances from or repayment from other funds	39,028	.....	.....
Advances, grants or loans (to) from or repayment from others	(5,222)	.....	.....
Cash received from sale of bonds	26,962	.....	712,603
Payment of bonds or loans (principal and interest)	(3,777)	.....	(372,394)
Cash received from noncapital grants or donations	517	.....	.....
Emergency assessment funds received	.....	.....	329,909
Net cash provided (used) by noncapital financing activities	173,788	(1,271,247)	660,118
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash received from sale of capital assets	6	.....	.....
Cash received from the sale of bonds	792,376	.....	.....
Payment of bond principal	(319,930)	.....	.....
Payment of principal on installment purchase/capital lease	.....	.....	.....
Payment of interest on bonds/installment purchase/capital lease	(134,877)	.....	.....
Purchase or construction of capital assets	(383,051)	(684)	(5)
Net cash provided (used) by capital and related financing activities	(45,476)	(684)	(5)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Security lending	(11,682)	57,655	.....
Proceeds from the sale or maturity of investments	1,333,457	201,688	502,648,941
Cash paid to grand prize winners upon maturity of grand prize investments	.....	(201,688)	.....
Investment earnings	36,931	6,112	76,745
Purchase of investments	(1,387,707)	.....	(504,579,538)
Net cash provided (used) by investing activities	(29,001)	63,767	(1,853,852)
Net increase (decrease) in cash and cash equivalents	346,613	50,147	(148)
Cash and cash equivalents - beginning	426,516	224,984	191
Cash and cash equivalents - ending	\$ 773,129	\$ 275,131	\$ 43

The notes to the financial statements are an integral part of this statement.

## 2010 STATE OF FLORIDA CAFR

Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
\$ 533,809	\$ 969,246	\$ 365,637	\$ 7,787,255	\$ 2,134,357
(365,142)	.....	(107,621)	(1,081,190)	(1,104,938)
(791)	.....	(156,213)	(202,864)	(93,652)
.....	.....	.....	.....	(320)
.....	.....	.....	(2,335,361)	.....
.....	.....	(20)	(229,731)	(856,242)
.....	(7,575,068)	(275)	(7,575,343)	.....
167,876	(6,605,822)	101,508	(3,637,234)	79,205
(1,818)	(797)	(74,517)	(1,242,099)	10,629
.....	.....	(61)	38,967	.....
.....	6,555,896	(929)	6,549,745	.....
.....	.....	.....	739,565	.....
.....	.....	.....	(376,171)	.....
.....	.....	98	615	.....
.....	.....	.....	329,909	.....
(1,818)	6,555,099	(75,409)	6,040,531	10,629
.....	.....	.....	6	.....
.....	.....	.....	792,376	201,480
.....	.....	.....	(319,930)	(34,125)
.....	.....	.....	.....	(977)
.....	.....	(10)	(134,887)	(34,016)
.....	.....	(1,841)	(385,581)	(168,166)
.....	.....	(1,851)	(48,016)	(35,804)
(17,984)	.....	(22,821)	5,168	(60,843)
6,474,951	.....	6,341,809	517,000,846	.....
.....	.....	.....	(201,688)	.....
118,281	61,598	10,275	309,942	24,600
(6,729,664)	.....	(6,340,217)	(519,037,126)	.....
(154,416)	61,598	(10,954)	(1,922,858)	(36,243)
11,642	10,875	13,294	432,423	17,787
21,623	343,408	250,122	1,266,844	594,301
\$ 33,265	\$ 354,283	\$ 263,416	\$ 1,699,267	\$ 612,088

## 2010 STATE OF FLORIDA CAFR

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**
**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities**

	Transportation	Lottery	Hurricane Catastrophe Fund
Operating income (loss)	\$ 395,694	\$ 1,215,387	\$ 1,188,507
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	16,871	494	2
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(682)	26,544	(3,568)
(Increase) decrease in due from other funds	(108,686)	.....	1
Increase (decrease) in allowance for uncollectibles	.....	166	.....
(Increase) decrease in inventories	(21)	(197)	.....
(Increase) decrease in other non-current assets	.....	(6,263)	.....
Increase (decrease) in accounts payable	(26,571)	4,737	8,669
Increase (decrease) in compensated absences	.....	(153)	(20)
Increase (decrease) in due to other funds	(23,498)	.....	.....
Increase (decrease) in other non-current liability	(2,308)	532	.....
Increase (decrease) in deposits	.....	.....	.....
Increase (decrease) in deferred revenue	(3,497)	.....	.....
Increase (decrease) in prize liability	.....	17,064	.....
Net cash provided (used) by operating activities	\$ 247,302	\$ 1,258,311	\$ 1,193,591

**Noncash investing, capital, and financing activities**

Change in fair value of investments	.....	(31,456)	13,146
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The notes to the financial statements are an integral part of this statement.

## 2010 STATE OF FLORIDA CAFR

Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
\$ (830,254)	\$ (6,421,906)	\$ 106,993	\$ (4,345,579)	\$ 10,571
2	.....	2,457	19,826	18,796
(245,032)	(201,817)	(10,263)	(434,818)	4,948
.....	(1,090)	(1,557)	(111,332)	4,908
.....	(62,433)	(177)	(62,444)	1
.....	.....	.....	(218)	5
.....	.....	(7)	(6,270)	.....
1,243,287	80,024	(4,679)	1,305,467	16,456
29	.....	(534)	(678)	336
(156)	1,400	556	(21,698)	1,752
.....	.....	2,940	1,164	3,722
.....	.....	.....	.....	.....
.....	.....	5,779	2,282	17,710
.....	.....	.....	17,064	.....
\$ 167,876	\$ (6,605,822)	\$ 101,508	\$ (3,637,234)	\$ 79,205

737,630	.....	.....	719,320	.....
---------	-------	-------	---------	-------



## FIDUCIARY FUND FINANCIAL STATEMENTS

## PRIVATE-PURPOSE TRUST FUNDS

Individual fund descriptions and financial statements begin on page 215.

## PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Individual fund descriptions and financial statements begin on page 221.

## INVESTMENT TRUST FUNDS

Individual fund descriptions and financial statements begin on page 227.

## AGENCY FUNDS

Individual fund descriptions and financial statements begin on page 231.

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## 2010 STATE OF FLORIDA CAFR

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2010

(in thousands)

	Private- purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/10
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,400	\$ 231,462	\$ 1,360	\$ 17,999	\$ 258,221
Pooled investments with State Treasury	569,695	104,306	1,842,439	768,234	3,284,674
Total cash and cash equivalents	577,095	335,768	1,843,799	786,233	3,542,895
<b>Investments</b>					
Certificates of deposit	1,186	644,944	1,292,084	.....	1,938,214
U.S. government & federally guaranteed obligations	20,065	6,453,186	.....	498,154	6,971,405
Federal agencies	19,833	7,991,779	403,346	28,370	8,443,328
Commercial paper	357	3,771,924	1,712,157	.....	5,484,438
Repurchase agreements	17	1,565,783	856,555	.....	2,422,355
Bonds and notes	38,856	15,284,682	383,010	.....	15,706,548
International bonds and notes	5,661	3,364,160	67,981	.....	3,437,802
Real estate contracts	.....	6,160,289	.....	.....	6,160,289
Mutual fund investments	2,400	10,421,035	.....	.....	10,423,435
Money market and short-term investments	18,446	894,914	467,218	.....	1,380,578
Domestic equity	98,214	40,188,325	.....	.....	40,286,539
Limited partnerships	.....	6,372,309	.....	.....	6,372,309
Equity group trust	.....	2,083	.....	.....	2,083
International equity	610	17,068,312	.....	.....	17,068,922
Deferred compensation annuities	.....	44,717	.....	.....	44,717
Other investments	.....	5,615	.....	150	5,765
Total investments	205,645	120,234,057	5,182,351	526,674	126,148,727
<b>Receivables</b>					
Accounts receivable	23,299	4,361	.....	425,550	453,210
State contributions receivable	.....	58,581	.....	.....	58,581
Nonstate contributions receivable	.....	283,711	.....	.....	283,718
Interest receivable	1,625	264,638	1,445	11,748	279,456
Dividends receivable	107	120,264	.....	.....	120,371
Pending investment sales	169	2,566,914	.....	.....	2,567,083
Forward contracts	.....	564,629	.....	.....	564,629
Due from state funds	178	1,734	.....	58,505	60,417
Due from other governments	20,609	.....	.....	.....	20,609
Total receivables	45,987	3,864,832	1,445	495,810	4,408,074
Security lending collateral	22,705	5,145,215	.....	.....	5,167,920
Advances to other funds	540,331	.....	.....	.....	540,331
Loans receivable	1,111,983	.....	.....	.....	1,111,983
Capital assets	3,057	1,468	.....	.....	4,525
Accumulated depreciation	(2,095)	(806)	.....	.....	(2,901)
Other assets	20,394	9,435	18	.....	29,847
Total assets	2,525,102	129,589,969	7,027,613	1,808,717	140,951,401
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	11,635	68,794	129	557,933	638,491
Due to other funds	1,770	4,256	25	52,857	58,908
DROP	.....	2,331,168	.....	.....	2,331,168
Pending investment purchases	221	5,713,046	.....	.....	5,713,267
Short sell obligations	.....	724,659	.....	.....	724,659
Forward contracts payable	.....	562,818	.....	.....	562,818
Broker rebate fees	3	245	.....	.....	248
Due to other governments	2,990	.....	645	494,347	497,982
Due to component units/primary	.....	.....	.....	7,153	7,153
Obligations under security lending agreements	82,324	5,311,313	188,475	14,340	5,596,452
Claims payable	.....	5,298	.....	17,666	22,964
Deposits payable	2,516	12,949	.....	664,421	679,886
Compensated absences	359	1,102	.....	.....	1,461
Other liabilities	142	2,686	.....	.....	2,828
Total liabilities	101,960	14,738,334	189,274	1,808,717	16,838,285
<b>NET ASSETS</b>					
Held in trust for pension benefits and other purposes	\$ 2,423,142	\$ 114,851,635	\$ 6,838,339	\$ .....	\$ 124,113,116

The notes to the financial statements are an integral part of this statement.

## 2010 STATE OF FLORIDA CAFR

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(in thousands)

	Private- purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Totals 06/30/10
<b>ADDITIONS</b>				
<b>Contributions and other deposits</b>				
Pension fund contributions - state	\$ .....	\$ 895,450	\$ .....	\$ 895,450
Pension fund contributions - nonstate	.....	2,758,542	.....	2,758,542
Employer/employee contributions	.....	141,361	.....	141,361
Purchase of time by employees	.....	86,520	.....	86,520
Fees	.....	702	.....	2,300
Grants and contributions	228,749	.....	.....	228,749
Flexible benefits contributions	.....	224,390	.....	224,390
Fines, forfeits, settlements and judgments	572	9	.....	581
Unclaimed property remittances	357,889	.....	.....	357,889
Transfers in from state funds	7,407	697,133	92,929	797,469
Total contributions and other deposits	596,215	4,804,107	92,929	5,493,251
<b>Investment income</b>				
Interest income	38,864	1,880,551	69,971	1,989,386
Dividends	1,795	1,452,272	.....	1,454,067
Other investment income	.....	36	.....	36
Net increase (decrease) in fair market value	13,318	12,215,123	89,600	12,318,041
Total investment income	53,977	15,547,982	159,571	15,761,530
Investment activity expense	(977)	(307,174)	(2,874)	(311,025)
Net income (loss) from investing activity	53,000	15,240,808	156,697	15,450,505
<b>Security lending activity</b>				
Security lending income	112	58,808	.....	58,920
Security lending expense	(42)	(16,795)	.....	(16,837)
Net income from security lending	70	42,013	.....	42,083
Total net investment income	53,070	15,282,821	156,697	15,492,588
Other additions	6,989	1,927	.....	8,916
Total additions	656,274	20,088,855	249,626	20,994,755
<b>DEDUCTIONS</b>				
Benefit payments	.....	7,148,823	.....	7,148,823
Insurance claims expense	15,178	.....	.....	15,178
Supplemental insurance payments	.....	63,094	.....	63,094
Flexible reimbursement payments	.....	25,183	.....	25,183
Life insurance premium payments	.....	36,718	.....	36,718
Remittances to annuity companies	.....	202,542	.....	202,542
Interest expense	4,932	1	.....	4,933
Student loan default payments	212,579	.....	.....	212,579
Payments to unclaimed property claimants	191,232	.....	.....	191,232
Distribution to State School Fund	85,533	.....	.....	85,533
Administrative expense	7,325	40,829	35	48,189
Property disposition gain (loss)	1	.....	.....	1
Transfers out to state funds	3,889	730,085	92,929	826,903
Other deductions	27,915	111	.....	28,026
Total deductions	548,584	8,247,386	92,964	8,888,934
<b>Depositing activity</b>				
Deposits	204,900	.....	14,681,713	14,886,613
Withdrawals	(37,413)	.....	(14,334,110)	(14,371,523)
Excess (deficiency) of deposits over withdrawals	167,487	.....	347,603	515,090
Change in net assets	275,177	11,841,469	504,265	12,620,911
Net assets - beginning	2,147,965	103,010,166	5,656,395	110,814,526
Adjustments to increase (decrease) beginning net assets	.....	.....	677,679	677,679
Net assets - beginning, as restated	2,147,965	103,010,166	6,334,074	111,492,205
Net assets - ending	\$ 2,423,142	\$ 114,851,635	\$ 6,838,339	\$ 124,113,116

The notes to the financial statements are an integral part of this statement.

## COMPONENT UNIT FINANCIAL STATEMENTS

### Major Component Units

#### FLORIDA HOUSING FINANCE CORPORATION

Pursuant to Section 420.504, Florida Statutes, this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida.

#### UNIVERSITY OF FLORIDA

University of Florida is a major, public, comprehensive, land-grant, research university with a main campus location in Gainesville, Florida.

#### CITIZENS PROPERTY INSURANCE CORPORATION

Pursuant to Section 627.351(6), Florida Statutes, this corporation was created to provide certain residential property and casualty insurance coverage to qualified risks in the State of Florida under specified circumstances.

### Nonmajor Component Units

Nonmajor component units are presented beginning on page 237.

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## 2010 STATE OF FLORIDA CAFR

### STATEMENT OF NET ASSETS COMPONENT UNITS JUNE 30, 2010 (in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 268,424	\$ 172,122	\$ 3,218,519	\$ 1,326,775
Pooled investments with State Treasury	306,186	973,123	.....	1,546,522
Other investments	2,496,615	1,967,735	5,166,749	4,502,462
Receivables, net	122,407	495,297	248,336	1,120,265
Due from component units/primary	.....	132,038	.....	949,312
Inventories	.....	26,610	.....	36,216
Restricted cash and cash equivalents	.....	1,737	14,409	274,991
Restricted pooled investments with State Treasury	.....	80,682	.....	383,835
Restricted investments	.....	207	.....	1,495,956
Other loans and notes receivable, net	2,978,675	38,004	332,871	83,087
Other assets	45,686	143,470	150,348	285,395
Capital assets, net	105	2,767,037	18,671	17,389,740
Total assets	6,218,098	6,798,062	9,149,903	29,394,556
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	220,663	419,027	899,263	1,620,404
Due to component units/primary	.....	63,560	.....	154,515
Deferred revenues	69,018	109,132	995,328	551,883
Long-term liabilities	.....	.....	.....	.....
Due within one year	268,021	88,769	798,775	299,582
Due in more than one year	3,946,465	1,522,918	2,008,999	3,491,428
Total liabilities	4,504,167	2,203,406	4,702,365	6,117,812
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	.....	1,916,019	18,671	14,967,269
Restricted for	.....	.....	.....	.....
Debt service	.....	4,684	.....	69,149
Other	.....	936,661	14,409	1,166,935
Funds held for permanent endowment	.....	.....	.....	.....
Expendable	.....	153,431	.....	1,528,601
Nonexpendable	.....	1,037,922	.....	1,962,262
Unrestricted	1,713,931	545,939	4,414,458	3,582,528
Total net assets	\$ 1,713,931	\$ 4,594,656	\$ 4,447,538	\$ 23,276,744

The notes to the financial statements are an integral part of this statement.

## 2010 STATE OF FLORIDA CAFR

Totals 6/30/10
\$ 4,985,840
2,825,831
14,133,561
1,986,305
1,081,350
62,826
291,137
464,517
1,496,163
3,432,637
624,899
20,175,553
51,560,619

16,901,959
73,833
2,118,005
1,682,032
3,000,184
10,256,856
\$ 34,032,869

STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)

Functions/Programs	Expenses	Program Revenues			Florida Housing Finance Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Florida Housing Finance Corporation	\$ 749,194	\$ 330,496	\$ .....	\$ .....	\$ (418,698)
University of Florida	4,790,001	2,593,967	1,248,514	58,140	.....
Citizens Property Insurance Corporation	1,073,860	1,711,429	.....	.....	.....
Nonmajor component units	9,996,332	2,591,938	3,340,908	624,275	.....
Total component units	\$ 16,609,387	\$ 7,227,830	\$ 4,589,422	\$ 682,415	(418,698)
<u>General revenues</u>					
Property taxes					.....
Investment earnings (loss)					.....
Gain (loss) on sale of capital assets					.....
Payments from the State of Florida					.....
Miscellaneous					168,265
Contributions to permanent funds					.....
Total general revenues and contributions					168,265
Change in net assets					(250,433)
Net assets - beginning					1,964,364
Adjustments to increase (decrease) beginning net assets					.....
Net assets - ending					\$ 1,713,931

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/10
\$ .....	\$ .....	\$ .....	\$ (418,698)
(889,380)	.....	.....	(889,380)
.....	637,569	.....	637,569
.....	.....	(3,439,211)	(3,439,211)
(889,380)	637,569	(3,439,211)	(4,109,720)
.....	.....	897,925	897,925
225,347	110,799	537,539	873,685
2,124	.....	10,769	12,893
593,116	.....	2,496,226	3,089,342
179,658	266	543,146	891,335
32,168	.....	24,916	57,084
1,032,413	111,065	4,510,521	5,822,264
143,033	748,634	1,071,310	1,712,544
4,408,954	3,698,904	21,988,536	32,060,758
42,669	.....	216,898	259,567
\$ 4,594,656	\$ 4,447,538	\$ 23,276,744	\$ 34,032,869

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Reporting Entity

The State of Florida's (the state's) financial reporting entity includes the primary government (i.e., legislative agencies, the Governor and Cabinet, departments and agencies, commissions and boards of the Executive Branch, and various offices relating to the Judicial Branch) and its component units.

Component units, as defined in Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, and Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, are legally separate organizations for which the elected officials of the state are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

## Blended Component Units

A component unit is reported as blended when either (1) the component unit's governing body is substantively the same as the governing body of the state or (2) the component unit provides services entirely, or almost entirely, to the state or otherwise exclusively, or almost exclusively, benefits the state even though the component unit does not provide services directly to the state.

The state's blended component units are:

- Citrus Commission (Department of Citrus)
- Corrections Foundation, Inc.
- Florida Board of Governors
- Florida Clerks of Court Operations Corporation
- Florida Engineers Management Corporation
- Florida Prepaid College Board
- Florida School for the Deaf and the Blind
- Florida State Board of Administration (SBA)
- Florida Surplus Lines Service Office
- Florida Water Pollution Control Financing Corporation
- Inland Protection Financing Corporation
- Scripps Florida Funding Corporation
- Space Florida
- State Board of Education (SBE)
- Wireless Emergency Telephone System
- Workforce Florida, Inc.

Blended component units that are considered major funds are reported in separate columns in the fund financial statements. Other blended component units that are considered nonmajor funds are reported with other funds in the appropriate columns in the fund financial statements. In addition, the financial data for some blended component units (i.e., State Board of Administration) are reported in more than one fund type, some of which are considered major and others that are considered nonmajor. Refer to Section D of this note for more information on the determination criteria for major funds and a list of major funds and fund types.

## Discretely Presented Component Units

Component units that are not blended are discretely presented. In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the state.

In addition, financial data for discretely presented component units that are considered major are reported in separate columns in the basic financial statements for component units. Discretely presented component units that are considered nonmajor are combined and reported in one column in the component unit financial statements and are aggregated by type in the combining statements. The state's financial statements are reported for the fiscal year ended June 30, 2010. The state's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the state as due from and to component units on the statement of net assets may not agree with amounts reported by the component units as due from and to the state. Refer to

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Section D of this note for more information on major fund determination and presentation. The state's discretely presented component units are grouped into the following categories:

**State Universities and Colleges.** State universities and colleges receive funding from the state. The state university system is governed by the Florida Board of Governors. Each university is administered by a local board of trustees. The Florida college system is governed by the State Board of Education. All state universities and Florida colleges have a June 30 year-end. Component units included in this category are:

## State Universities

## Major:

- University of Florida
- Nonmajor:**
  - Florida Agricultural and Mechanical University
  - Florida Atlantic University
  - Florida Gulf Coast University
  - Florida International University
  - Florida State University
  - New College of Florida
  - University of Central Florida
  - University of North Florida
  - University of South Florida
  - University of West Florida

## Florida Colleges

## Nonmajor:

- Brevard Community College
- Broward College
- College of Central Florida
- Chipola College
- Daytona State College
- Edison State College
- Florida State College at Jacksonville
- Florida Keys Community College
- Gulf Coast Community College
- Hillsborough Community College
- Indian River State College
- Florida Gateway College
- Lake-Sumter Community College
- State College of Florida, Manatee-Sarasota
- Miami Dade College
- North Florida Community College
- Northwest Florida State College
- Palm Beach State College
- Pasco-Hernando Community College
- Pensacola State College
- Polk State College
- St. Johns River Community College
- St. Petersburg College
- Santa Fe College
- Seminole State College of Florida
- South Florida Community College
- Tallahassee Community College
- Valencia Community College

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**Florida Housing Finance Corporation (Major).** Pursuant to Section 420.504, Florida Statutes (F.S.), this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida. This entity has a December 31 year-end.

**Water Management Districts.** Pursuant to Section 373.069, F.S., these districts were created to provide for the management and conservation of water and related land resources. In addition, the general regulatory and administrative functions of the districts are either fully or in part financed by general appropriations. Water management districts have a September 30 year-end. Component units included in this category are:

## Nonmajor:

- Northwest Florida Water Management District
- St. Johns River Water Management District
- South Florida Water Management District
- Southwest Florida Water Management District
- Suwannee River Water Management District

**Citizens Property Insurance Corporation (Major).** Pursuant to Section 627.351(6), F.S., this corporation was created to provide certain residential property and casualty insurance coverage to qualified risks in the state under specified circumstances. This entity has a December 31 year-end. For additional information, refer to Note 14B.

**Other.** Additional discretely presented component units of the state include various foundations and not-for-profit organizations. The fiscal year-ends of these component units may vary. Component units included in this category are:

## Nonmajor:

- Commission for Florida Law Enforcement Accreditation, Inc.\*
- Enterprise Florida, Inc.
- Florida Agricultural Museum\*
- Florida Agriculture Center and Horse Park Authority\*
- Florida Agriculture in the Classroom Program\*
- Florida Birth-Related Neurological Injury Compensation Plan
- Florida Black Business Investment Board, Inc.\*
- Florida Board of Governors Foundation, Inc.\*
- Florida Comprehensive Health Association
- Florida Education Foundation, Inc.\*
- Florida Education Fund, Inc.
- Florida Fund for Minority Teachers, Inc.\*
- Florida Healthy Kids Corporation
- Florida Mobile Home Relocation Corporation\*
- Florida Patient's Compensation Fund
- Florida Sports Foundation, Inc.\*
- Florida State Fair Authority
- Florida Telecommunications Relay, Inc.\*
- Florida Tourism Industry Marketing Corporation, Inc.
- Forestry Arson Alert Association, Inc.\*
- Friends of Florida State Forests, Inc.\*
- Higher Educational Facilities Financing Authority\*
- Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE)
- South Florida Regional Transportation Authority (formerly Tri-County Commuter Railroad Authority)
- Technological Research and Development Authority\*
- The Florida Endowment Foundation for Vocational Rehabilitation, Inc.
- Wildlife Alert Reward Association\*
- Wildlife Foundation of Florida, Inc.\*

\*The state's financial statements do not include amounts relating to several component units. The assets and revenues relating to these component units totaled \$61 million and \$101 million, respectively. These amounts represent less than one percent of total aggregate component unit assets and revenues.

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## Joint Ventures

A joint venture is an organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. Financial data for the state's joint ventures are not included in its statements. The state's joint ventures include the following:

**Apalachicola-Chattahoochee-Flint River Basin (ACFRB) Commission.** Section 373.69, F.S., provided for the creation of an interstate administrative agency to promote interstate comity, remove causes of present and future controversies, equitably apportion the surface waters of the ACFRB, and engage in water planning. Operational funding required by the Commission is equally shared among the party states.

**Board of Control for Southern Regional Education.** Section 1000.32, F.S., promotes the development and maintenance of regional education services and facilities in the southern states to provide greater educational advantages and facilities for the citizens in the region. The states established a joint agency called the Board of Control for Southern Regional Education to submit plans and recommendations to the states from time to time for their approval and adoption by appropriate legislative action for the development, establishment, acquisition, operation, and maintenance of educational facilities in the region.

**Regional Planning Councils.** Sections 186.501 through 186.513, F.S., the "Florida Regional Planning Council Act," provide for the creation of regional planning agencies to assist local governments in resolving their common problems. The regional planning councils are designated as the primary organizations to address problems and plan solutions that are of greater-than-local concern or scope. Participants in these councils are required by statutes to contribute to the support of these programs.

**Southern States Energy Compact.** Section 377.711, F.S., enacted this compact into law joining the State of Florida and other states to recognize that proper employment and conservation of energy and employment of energy-related facilities, materials, and products can assist substantially in the industrialization of the South and the development of a balanced economy in the region. The State of Florida appropriates funds to support Florida's participation in the compact.

## Related Organizations

Organizations for which the state is accountable because the state appoints a voting majority of the board, but for which the state is not financially accountable, are related organizations. The state's related organizations include certain transportation authorities, hospital districts, port authorities, and aviation authorities. Since the state is not financially accountable for any of these organizations, applicable financial data is not included in the state's financial statements.

## Contact

Financial statements of the component units that issue separate statements and other financial statement-related information may be obtained from:

Department of Financial Services  
Bureau of Accounting  
Statewide Financial Reporting Section  
200 East Gaines Street  
Tallahassee, Florida 32399-0354  
Telephone: (850) 413-5511  
Department Website: <http://www.myfloridacfo.com>

Joint ventures may be contacted directly for their financial statements.

## B. Basic Financial Statements

The state's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The basic financial statements of the state, including its component units, are presented in the required format discussed below.

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**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its discretely presented component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Some functions may include administrative overhead that is essentially indirect expenses of other functions. The state currently does not allocate those indirect expenses to other functions. 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; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not included in program revenues are reported in general revenues.

**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 financial statements.

**C. Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues collected within 60 days of the end of the current fiscal year are considered available, with the exception of certain tax revenues, which are considered available when collected within 30 days of year-end. For governmental funds, certain long-term liabilities, such as compensated absences, due within 60 days of the end of the current fiscal year are expected to be liquidated with expendable financial resources and are recognized within the applicable governmental fund. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for insurance and similar services extending over more than one fiscal year generally are accounted for as expenditures of the fiscal year of acquisition. Further, principal and interest on general long-term debt are recognized when due.

Under GASB Codification Section P80, *Proprietary Fund Accounting and Financial Reporting*, the state, for business-type activities and enterprise funds, has the option to elect to apply all pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The state has elected not to apply FASB pronouncements issued after the applicable date.

**D. Basis of Presentation****Major Funds**

GASB Codification Section 2200, *Comprehensive Annual Financial Report*, sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses for either fund category or the governmental and enterprise funds combined) for the determination of major funds. GASB Codification Section 2200 further requires that the reporting government's main operating fund (the General Fund) always be reported as a major fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The state reports the following major funds:

**Major Governmental Funds**

**General Fund** - accounts for the financial resources of the state, except those required to be accounted for in another fund. This is the state's primary operating fund.

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**Environment, Recreation and Conservation** - a special revenue fund, accounts for the operations of various programs such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation.

**Public Education** - a special revenue fund, includes funds used to operate education-related programs.

**Health and Family Services** - a special revenue fund, includes funds used to operate various health and family service-related programs such as health care, elder affairs, and child support.

**Transportation** - a special revenue fund, accounts for the maintenance and development of the state highway system and other transportation-related projects.

**Major Business-type Funds**

**Transportation** - an enterprise fund, primarily accounts for operations of the Florida Turnpike.

**Lottery** - an enterprise fund, accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Educational Enhancement Trust Fund.

**Florida Hurricane Catastrophe Fund** - an enterprise fund, accounts for investments for the Florida Hurricane Catastrophe Fund, which was created to help cover insurers' losses in the event of a hurricane disaster.

**Prepaid College Program** - an enterprise fund, accounts for payments from purchasers of the Florida Prepaid College Program. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

**Unemployment Compensation** - an enterprise fund, accounts for contributions, benefit payments, grants, loans, and investments for the Unemployment Compensation Fund, which was created to pay unemployment benefits to eligible individuals.

**Fund Types**

Additionally, the state reports the following fund types:

**Internal Service Funds**

These proprietary-type funds are primarily used to report activities that provide goods or services to other funds or agencies within the state, rather than to the general public. Internal service funds are classified into the following categories:

- **Employee Health and Disability** - includes funds that account for state employees' health and disability plans.
- **Data Centers** - accounts for services provided by data processing centers operated by various agencies.
- **Communications and Facilities** - primarily accounts for services provided by the Department of Management Services such as those related to the construction, operation, and maintenance of public facilities, and management and operation of the SUNCOM (state communication) Network.
- **Other** - accounts for services provided to other state agencies such as legal services, records management, and community services (inmate work squads).

**Fiduciary Fund Types**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the state's own programs.

**Private-Purpose Trust Funds** - used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments including funds accounting for unclaimed property; federally guaranteed, higher education loans; contributions to a college savings plan; and various others.

**Pension and Other Employee Benefits Trust Funds** - used to report resources that are required to be held in trust for the members and beneficiaries of the state's pension plans and other employee benefit plans.

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**Agency Funds** - used to report resources held by the state in a purely custodial capacity. For example, these funds account for asset and liability balances related to retiree health care, taxes collected and held by the Department of Revenue for other entities, and student funds held by the School for Deaf and Blind.

**Investment Trust Funds** - used to report the external portion of investment pools reported by the state.

**E. Assets, Liabilities, and Net Assets or Fund Balance****Cash and Cash Equivalents**

The state's cash includes cash on hand and on deposit in banks, including demand deposits, certificates of deposit, and time deposits. Most deposits are held by financial institutions qualified as public depositories under Florida law. Cash equivalents are short-term, highly liquid investments. For the purposes of GASB Codification Section 2450, *Cash Flow Statements*, pooled investments with the State Treasury are considered cash equivalents. Details of deposits are included in Note 2.

**Investments**

Florida Statutes authorize the state to invest in various instruments. The state records investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments with the State Treasury are reported at fair value which is obtained from independent pricing service providers. Independent pricing service providers use quoted market prices when available and employ various, sometimes proprietary, multifactor models for determining a security's fair value if it is not available from quoted market prices. Some securities including U.S. government, municipal bonds, and mortgage-backed and asset-backed securities are priced using evaluated bid prices. Evaluated bid prices are determined by taking bid prices and adjusting them by an evaluated adjustment factor derived from the independent pricing service's multifactor model. If values are not available using the above methods, secondary methods such as non-evaluated mid price and bid price are used. If no source of values is available, cost or last available price from any source is used, or other pricing methodology as directed by the State Treasury.

Investments managed by the State Board of Administration (SBA) are reported in various funds. Investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost. Investments of the Local Government Surplus Funds Trust Fund (LGIF) are reported based on amortized cost and disclosed in Note 2 at fair value. Other investments managed by the SBA, including those related to the state's defined benefit and defined contribution pension plans, are reported at fair value at the reporting date.

For SBA-managed investments, fair values are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian, BNY Mellon Bank. BNY Mellon Bank uses a variety of independent pricing vendors and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon Bank monitors prices supplied by primary sources and may use a supplemental price source or change the primary price source if any of the following occurs:

- The price of a security is not received from the primary price source.
- The primary price source no longer prices a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon Bank reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds BNY Mellon Bank's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by the BNY Mellon Bank.

When a portfolio includes securities or instruments for which BNY Mellon Bank does not receive a price from its vendor price sources, BNY Mellon Bank uses a "non-vendor price source." Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is no or limited information in the market place; and unique fixed income and equity instruments. In such cases where the securities or instruments are in the portfolio of an investment manager, BNY Mellon Bank will obtain the non-vendor price by either contacting the manager of the investment vehicle where the security is a private vehicle, e.g., the "General Partner" of a Limited Partnership, or by contacting the investment manager which directed the purchase of the security or other instrument to obtain direction as to a price. The SBA does not provide direction regarding the substitution of prices in such instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In such cases where the SBA directed the purchase of such securities or instruments, BNY Mellon Bank may obtain the non-vendor price by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price from the

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broker of record, as identified by the SBA. BNY Mellon Bank performs a limited reasonableness review of non-vendor prices by comparing the current month-end price to the prior month-end price.

Investments that do not have an established market are reported at their estimated fair value. Real estate investments are based on independent appraisals or more recent appraisals provided by real estate investment advisors, adjusted by subsequent cash flows (i.e. contributions and withdrawals). Investments in mortgages are valued on the basis of expected future principal and interest payments and are discounted at prevailing interest rates for similar instruments. For the few mortgage-backed securities that BNY Mellon Bank is unable to obtain a price source, SBA obtains broker prices for each of the underlying mortgage collateral holdings and calculates a total market value, then divides the total market value by the total current outstanding face of the investment security to get a price per unit. SBA's total units held, multiplied by the unit price, is used as the estimated fair value. If no current price source can be found for a security, the last known price from any source is used. Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Investment detail is included in Note 2.

**Inventories**

Inventories primarily consist of expendable supplies. Inventories are recorded according to the consumption method as expenditures when consumed. At the end of the fiscal year, inventory is reported as an asset and a fund balance reservation. The method used to determine the cost of inventories varies by agency responsible for the inventories.

**Capital Assets**

Capital assets are real, personal, and intangible property that have a cost equal to or greater than an established capitalization threshold and have an estimated useful life extending beyond one year. For additional information, refer to Note 5.

**Long-term Liabilities**

Refer to Note 8 for information on bonds payable and certificates of participation, Note 9 for information on installment purchase contracts and capital leases, and Note 10 for changes in long-term liabilities.

**Compensated Absences Liability**

Employees earn the right to be compensated during absences for vacation and illness as well as for unused special compensatory leave earned for hours worked on legal holidays and other specifically authorized overtime. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees upon separation from state service. The amounts reported for compensated absences are based on current year-end salary rates and include employer Social Security and Medicare tax and pension contributions at current rates.

**Net Assets**

The government-wide statement of net assets classifies net assets into the following categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. The "invested in capital assets, net of related debt" component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as "restricted" when constraints placed on net asset use are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. "Unrestricted" net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." When both restricted and unrestricted resources are to be used for the same purpose, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources. At June 30, 2010, the government-wide statement of net assets report \$11.4 billion of restricted net assets, of which \$7.6 billion is restricted by enabling legislation.

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**Reserves of Fund Balance**

In the fund financial statements, governmental funds report reserves of fund balance for amounts that are not available for appropriation or are legally reserved by outside parties for use for a specific purpose. The state has the following types of reserves of fund balance:

*Reserve for encumbrances* represents outstanding purchase orders, contracts, and other commitments.

*Reserves for inventories, advances, and long-term receivables* represent fund assets that are not expendable financial resources.

*Reserve for capital outlay* represents funds reserved for capital projects.

*Reserve for debt service* represents fund assets reserved for payment of debt service.

*Reserve for permanent trust* represents trust fund assets for which the corpus and the residual net earnings are non-expendable and the net earnings are reserved for endowment-approved programs.

*Reserve for Budget Stabilization Fund* represents funds available to cover revenue shortfalls in the General Revenue Fund and for emergencies defined by law.

*Other reserves* represent fund assets reserved for various reasons, including donor-imposed restrictions and statutory guidelines.

**F. Interfund Activity and Balances**

The effect of interfund activities, except those between funds reported as governmental activities and funds reported as business-type activities, has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. Transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers between funds are made to accomplish various provisions of law.

Interfund receivables and payables have been eliminated from the statement of net assets, except for the residual amounts due between governmental and business-type activities.

For additional information, refer to Note 11.

**G. Nonmonetary Transactions**

The state participates in various activities that are, in part, represented by nonmonetary transactions. Examples include nonmonetary assistance in the form of Federal grants, such as vaccines, Electronic Benefit Transfer (EBT) cards for food assistance, and donated food commodities. The state also acts as an agent for the United States Department of Agriculture in the distribution of donated food commodities to qualifying organizations outside the state's reporting entity. The fair value of these items is reported in the governmental fund financial statements.

State Attorneys and Public Defenders of the State of Florida are furnished certain office space and other services by counties under the provisions of Chapter 29, F.S. Some counties also provide certain facilities and services to other officers and staff of the judicial branch. The value of the facilities and services provided by the counties is not reported as revenue.

**H. Operating and Nonoperating Revenues**

Proprietary funds distinguish operating and nonoperating revenues. Operating revenues typically derive from providing goods or services, and include all transactions involved in delivering those goods or services. These revenues are a direct result of exchange-type transactions associated with the principal activity of the fund. Cash flow resulting from capital and related financing, noncapital financing and investment activities are considered nonoperating for reporting purposes.

**I. Accounting and Reporting Changes****Accounting Changes**

The state implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting standards for intangible assets. This statement improves the consistency of financial reporting by identifying intangible assets, subject to the provisions under this statement, to be classified as capital assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. It also identifies the approach to recognizing intangible assets that are internally generated, including internally generated computer software, as well as the amortization of such intangible assets. The state's intangible assets consist predominantly of easements and software and are immaterial in relation to total capital assets. Refer to Note 5 for additional information. Easements are reported within Land and other nondepreciable assets under the heading Capital assets, not being depreciated and software is reported within Other under the heading Capital assets, being depreciated.

The state implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement improves the quality of financial reporting by addressing the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The guidance in this statement improves financial reporting by requiring governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts, at fair value. In addition, state and local governments are required to provide disclosures that summarize the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. Refer to Note 2 for additional information.

**Reporting Changes**

In prior fiscal years, state universities reported bonds and revenue certificates payable related to Capital Improvement Revenue Bonds issued by the Florida Board of Governors on behalf of those universities. The Florida Board of Governors loaned the bond proceeds to those universities for stated capital improvement projects. Revenues generated from the constructed facilities were pledged by the universities to repay the debt. Additionally, in prior fiscal years, the liability for University System Improvement Bonds was allocated among and reported as bonds payable by the state universities. These liabilities have now been determined to be collateralized borrowings of the primary government. Accordingly, the universities formerly reporting Capital Improvement Revenue Bonds payable now report capital improvement debt payable and the primary government reports a corresponding receivable from the universities, and bonds payable for the University System Improvement Bonds. These changes affect comparability of amounts reported as bonds and revenue certificates payable and capital improvement debt payable on the university financial statements and on the statement of net assets for the primary government. Refer to the Section J. below for additional information on prior period adjustments related to these reporting changes.

In prior fiscal years, component unit deposits with the State Treasury and the SBA were reported in the Agency Funds. A determination was made that these component unit deposits should not be reported in the Agency Funds as they are not held for an entity outside the state's reporting entity. Accordingly, for this report, component unit deposits with the State Treasury and the SBA are no longer reported in the Agency Funds.

In prior fiscal years, deposits of external participants in the State Treasurer's Investment Pool were reported as part of the Agency Funds. Additionally, in prior fiscal years, net asset balances of external participants were considered immaterial in relation to total net assets of the Investment Pool so a portion of GASB Codification Section 150, *Investments*, pertaining to External Investment Pools, was not applied. Because of growth in the net asset balances of external participants, the balances are now considered material in relation to total net assets of the Investment Pool and are reported in the Investment Trust Funds. Refer to Section J. below for additional information on the prior period adjustment related to this reporting change.

In the prior fiscal year, the Agency Fund's Combining Statement of Fiduciary Net Assets and Statement of Changes in Assets and Liabilities, Tax Distribution and Administration fund reported \$491 million as a Forward contracts payable rather than amounts owed to custodial parents relating to child support enforcement activities. To correct the error, the prior fiscal year ending balance as of June 30, 2009, for Accounts payable and accrued liabilities within the Tax Distribution and Administration fund reported in the Statement of Changes in Assets and Liabilities was increased by \$491 million and Forward contracts payable was removed.

**J. Prior Period Adjustments**

Fund balances and net assets at July 1, 2009, have been increased (decreased) as follows in relation to the activities of prior years (in thousands):

**GOVERNMENTAL ACTIVITIES****Governmental Funds****Public Education**

To increase beginning fund balance related to a receivable and capital improvement fees from the State Universities. \$ 762,486 762,486

**Nonmajor Governmental Funds****Debt Service Fund**

To increase beginning fund balance due to addition of assets for debt service for the Florida Board of Governors. 6,479 6,479

**Total Nonmajor Governmental Funds****Total Governmental Funds****Government-wide Reconciling Items****Florida Board of Governors**

To decrease beginning net assets due to addition of bonds payable previously reported by the State Universities. (902,701) (902,701)

**Total Government-wide Reconciling Items****TOTAL GOVERNMENTAL ACTIVITIES**

\$ (133,736)

**COMPONENT UNITS****Major Component Units****University of Florida**

To increase beginning net assets due to removal of bonds payable. \$ 42,701

To recognize an expense and payable not reported previously. (32) 42,669

**Total Major Component Units****Nonmajor Component Units****Other State Universities**

To increase beginning net assets due to removal of bonds payable. 201,129

**South Florida Regional Transportation Authority**

To increase beginning fund balance due to changes in depreciation expense from final audited financial statements. 15,769 216,898

**Total Nonmajor Component Units****TOTAL COMPONENT UNITS**

259,567

**FIDUCIARY FUNDS****Investment Trust Funds****External Treasury Pool Participants**

To increase beginning net assets due to the addition of the external portion of the Treasury Investment Pool. 677,679

**TOTAL FIDUCIARY FUNDS**

\$ 677,679

**K. Budget Stabilization Fund**

In prior fiscal years, the Florida Legislature authorized the transfer of funds from the Budget Stabilization Fund to the General Revenue Fund. These transfers are required to be repaid in accordance with Section 215.32, F.S\*. The Budget Stabilization Fund had \$275 million in cash at June 30, 2010. The planned repayment schedule is presented below. Both of these funds are included within the General Fund, therefore, pursuant to generally accepted governmental accounting principles, the Advances to other funds and Advances from other funds were eliminated.

Date	Authority	Borrowed	Repayment
9/11/2008	GAA 2008-2009 Section 77	\$ 672,407,249	\$ .....
2/20/2009	Senate Bill 2-A Section 51	400,000,000	.....
7/1/11-6/30/12		.....	214,481,450
7/1/12-6/30/13		.....	214,481,450
7/1/13-6/30/14		.....	214,481,450
7/1/14-6/30/15		.....	214,481,450
7/1/15-6/30/16		.....	214,481,450
Total		\$ 1,072,407,249	1,072,407,250

\*Repayment should be in 5 equal installments beginning in the third fiscal year after the loan was made.

## NOTE 2 - DEPOSITS AND INVESTMENTS

## A. Deposits

At June 30, 2010, the state's deposits in financial institutions totaled approximately \$1.7 billion for primary government and \$5 billion for discretely presented component units.

## 1. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the state will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The state mitigates custodial credit risk by generally requiring public funds to be deposited in a bank or savings association that is designated by the Chief Financial Officer (CFO) as authorized to receive deposits in the state and meets the collateral requirements as set forth in Chapter 280, Florida Statutes (F.S.).

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Section 280.04, F.S., and Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 125, and 200 percent of a QPD's average daily deposit balance, or, if needed, an amount as prescribed by the CFO. Section 280.13, F.S., outlines eligible types of collateral including direct obligations of the United States (U.S.) Government, federal agency obligations fully guaranteed by the U.S. Government, certain federal agency obligations, state and local government obligations, corporate bonds, and letters of credit issued by a Federal Home Loan Bank. Also, with the CFO's permission, eligible collateral includes collateralized mortgage obligations, real estate mortgage investment conduits and securities or other interests in any open-end management investment company registered under the Investment Company Act of 1940. However, the portfolio of the investment company must be limited to direct obligations of the U.S. Government and to repurchase agreements fully collateralized by such direct obligations of the U.S. Government, and the investment company must take delivery of such collateral either directly or through an authorized custodian.

In accordance with Section 280.08, F.S., if a QPD defaults, losses to public depositors are first satisfied with any applicable depository insurance, followed by demands of payment under any letters of credit or sale of the defaulting QPD's collateral. If necessary, any remaining losses are to be satisfied by assessments against the other participating QPDs according to a statutory based ratio.

At June 30, 2010, the following deposits were not secured pursuant to Chapter 280, F.S., and were exposed to custodial credit risk because they were uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name (in thousands).

Custodial Credit Risk  
As of June 30, 2010

Custodial Credit Risk	Bank Statement Balance (in U.S. \$)	
	Primary Government	Component Units
(1)	\$ 257,245	\$ 165,697
(2)	75,330	293,872
(3)	.....	26,129
Total deposits subject to custodial credit risk	\$ 332,575	\$ 485,698

## 2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, F.S., and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed a total fund investment plan for the investment of assets in the Florida Retirement System (FRS) Pension Trust Fund and the Lawton Chiles Endowment Fund (LCEF) that sets ranges on investments by asset class. In the FRS Trust Fund, total assets held in the foreign equities asset class (all non-U.S. investments) were limited to a range of 11-25% of total investments with a target of 20% for most of the fiscal year. On June 8, 2010, a new investment policy was adopted for the FRS Trust Fund that combines domestic and foreign equities into one global equity asset class; therefore, the policy limiting investments in foreign equities to a range of 11-25% is no longer in effect. For the LCEF, total assets held in the foreign equities asset class are limited to a range of 6-18% of total investments with a target of 12%, other asset classes may hold non-U.S. securities as well, depending on portfolio guidelines. In both cases, Florida law limits the exposure to foreign securities to 25% of the total fund. The FRS and LCEF investment plans were adopted June 8, 2010, and March 24, 2009, respectively, and may be modified in the future if the SBA adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2010, as illustrated in the following schedule (in thousands):

Foreign Currency Deposits Held  
As of June 30, 2010

Currency	Bank Statement Balance (in U.S. \$)		
	FRS Pension Trust Fund	LCEF	Total
Australian dollar	\$ 2,837	\$ .....	\$ 2,837
Brazilian real	5,512	142	5,654
British pound sterling	5,164	1	5,165
Canadian dollar	3,194	5	3,199
Croatian kuna	253	.....	253
Czech koruna	278	22	300
Danish krone	832	.....	832
Euro currency unit	9,097	23	9,120
Hong Kong dollar	7,001	2	7,003
Indian rupee	176	.....	176
Israeli shekel	546	2	548
Japanese yen	44,286	122	44,408
Kenyan shilling	628	.....	628
Malaysian ringgit	314	24	338
Mexican new peso	2,181	2	2,183
Moroccan dirham	131	.....	131
Norwegian krone	1,190	7	1,197
Singapore dollar	24	64	88
South African rand	144	48	192
South Korean won	569	26	595
Swedish krona	495	32	527
Swiss franc	1,445	20	1,465
Taiwan new dollar	12,684	2	12,686
Thailand baht	2,043	11	2,054
Turkish new lira	1,285	28	1,313
Other	342	8	350
Total deposits subject to foreign currency risk	\$ 102,651	\$ 591	\$ 103,242

## 2010 STATE OF FLORIDA CAFR

## B. Investments

At June 30, 2010, the state's investments in governmental and business-type activities and fiduciary funds totaled \$170.5 billion, consisting of pooled investments with the State Treasury in the amount of \$16.6 billion and other investments in the amount of \$153.9 billion. The State Treasury also had holdings at June 30, 2010, of \$3.5 billion for discretely presented component units in total. These investments are not reported as part of the primary government and may be different from the amounts reported by some component units due to different reporting periods. Other investments for discretely presented component units totaled \$15.6 billion.

## Pooled Investments with the State Treasury

Unless specifically exempted by statute, all cash of the state must be deposited in the State Treasury. The State Treasury, in turn, keeps the funds fully invested to maximize earnings. In addition, the State Treasury may invest funds of any board, association, or entity created by the State Constitution or by law. As a result, pooled investments with the State Treasury contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). The external portion of pooled investments with the State Treasury is reported in a governmental external investment pool.

Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with State Treasury is provided by the Treasury Investment Committee per Section 17.575, F.S. The authorized investment types are set forth in Section 17.57, F.S.

Redemptions are on a dollar in/dollar out basis adjusted for distributed income. The fair value of the pooled investments with State Treasury is determined at fiscal year end for financial reporting purposes.

The State Treasury does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

Per Section 17.61(1), F.S., the State Treasury shall invest all general revenue funds, trust funds and all agency funds of each state agency, and of the judicial branch. As a result, state agencies and the judicial branch are considered involuntary participants in pooled investments with the State Treasury. The total involuntary participation as of June 30, 2010, was \$13.4 billion or 73.4% of the pool.

At year end, the condensed financial statements for the Investment Pool maintained by the State Treasury were as follows (dollars in thousands):

Condensed Statement of Fiduciary Net Assets  
June 30, 2010

<b>ASSETS</b>	
Current and Other Assets	\$ 21,542,298
Total Assets	21,542,298
<b>LIABILITIES</b>	
Other Liabilities	3,557,262
Total Liabilities	3,557,262
<b>NET ASSETS</b>	
Net assets held for Internal Pool Participants	16,331,071
Net assets held for External Pool Participants	1,653,964
	\$ 17,985,035

Statement of Changes in Fiduciary Net Assets  
June 30, 2010

<b>ADDITIONS</b>	
Net income (loss) from investing activity	\$ 936,469
<b>DEDUCTIONS</b>	
Distributions paid and payable	(936,469)
<b>Depositor activity</b>	
Deposits	123,648,504
Withdrawals	(120,057,349)
Excess (deficiency) of deposits over withdrawals	3,591,155
Change in net assets	3,591,155
Net assets, beginning	14,393,880
Net assets, ending	\$ 17,985,035

## 2010 STATE OF FLORIDA CAFR

## 2010 STATE OF FLORIDA CAFR

The following table provides a summary of the fair value, the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification (dollars in thousands):

## Summary of Investment Holdings

	Par	Fair Value	Range of Interest Rates *	Range of Maturity Dates
Commercial Paper	\$ 1,004,485	\$ 1,004,397	0.07% - 0.65%	7/1/10 - 9/8/10
U.S. Guaranteed Obligations	4,729,746	4,841,093	0.63% - 30.98%	7/1/10 - 4/16/41
Federal Agencies	8,061,933	8,022,286	0.25% - 17.99%	7/2/10 - 4/1/56
Domestic Bonds & Notes	5,141,701	2,951,405	0% - 12.00%	7/1/10 - 8/1/97
International Bonds & Notes	387,463	408,049	0.30% - 9.86%	8/1/10 - 12/31/49
Mutual Funds	877,317	877,317	0.21%	N/A
Certificates of Deposit	135,865	135,941	0.01% - 0.84%	8/3/10 - 4/12/12
Repurchase Agreements	1,713,927	1,713,927	0.50% - 5.90%	7/1/10 - 7/3/10
Unemployment compensation funds pooled with U.S. Treasury	455,038	455,038	N/A	N/A
Totals	\$ 22,507,475	\$ 20,409,453		

\* The coupon rate in effect at June 30, 2010, is reported. If a security is discounted, the purchase yield is reported.

The State Treasury records, as an investment, funds credited to the state's account in the Federal Unemployment Compensation Trust Fund pursuant to Section 903 of the Social Security Act. The fund is drawn upon primarily to pay unemployment compensation benefits. This money is pooled with deposits from other states and is managed by the Federal Government. No disclosures can be made of specific securities owned.

The schedule below discloses the detail of the State Treasury holdings and the fair value of each type of investment at June 30, 2010 (including security lending collateral investments), as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Pooled Investments with State Treasury  
As of June 30, 2010**

Investment type	Fair Value
Commercial paper	\$ 936,117
U.S. guaranteed obligations	4,841,093
Federal agencies	7,972,307
Domestic bonds & notes	2,466,835
International bonds & notes	359,973
Mutual funds	875,046
Repurchase agreements	403,146
Certificates of deposit	.....
Unemployment compensation funds pooled with U. S. Treasury	455,038
Total investments excluding security lending collateral	18,309,555
Lending collateral investments:	
Repurchase agreements	1,310,781
Commercial paper	68,280
Domestic bonds & notes	484,570
International bonds & notes	48,076
Certificates of deposit	135,941
Federal agencies	49,979
Mutual funds	2,271
Total lending collateral investments	2,099,898
Total investments	20,409,453
Cash on hand	300
Cash on deposit	1,132,545
Total State Treasury holdings	21,542,298
Adjustments:	
Outstanding warrants	(1,006,077)
Unsettled securities liability	(447,467)
Reconciled balance, June 30, 2010	<u>\$ 20,088,754</u>
Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	\$ 11,743,152
Business-type activities	1,296,907
Fiduciary funds	3,284,674
Component units	3,290,348
Component units timing difference	206,858
Total pooled investments with State Treasury	19,821,939
Restricted pooled investments with State Treasury (Business-type activities)	266,815
Total pooled investments with State Treasury	<u>\$ 20,088,754</u>

**Other Investments**

Other investments in various funds of the state are primarily managed by the SBA. The largest of these funds managed by the SBA is the FRS Pension Trust Fund (Defined Benefit Pension Fund), whose total investments represented 76% of total other investments at June 30, 2010. Investments of the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 6.2% and 6.1%, respectively, of total other investments. Section 215.47, F.S., allows the SBA to invest funds in a range of instruments, including security lending agreements and reverse repurchase agreements.

The schedule below discloses other investments at fair value and their total carrying value at June 30, 2010, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Other Investments  
As of June 30, 2010**

Investment type	Fair value			
	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
Certificates of deposit	\$ 584,932	\$ 3,173,535	\$ 2,799	\$ 3,761,266
Commercial paper	3,656,140	3,709,574	.....	7,365,714
Bankers' acceptances	.....	4,972	.....	4,972
Money market funds	4,652	2,667,669	10,470	2,682,791
Repurchase agreements	1,565,763	2,748,630	.....	4,314,393
U.S. guaranteed obligations	6,448,166	8,152,885	31,160	14,632,211
Federal agencies	7,969,768	4,007,153	6,876	11,983,797
Domestic bonds & notes	14,289,373	2,085,429	964,256	17,339,058
Domestic bonds & notes commingled funds	177,152	1,754,736	.....	1,931,888
International bonds & notes	3,354,160	423,105	154	3,777,419
Domestic stocks	40,179,374	948,431	19,387	41,147,192
Domestic equity group trust	2,083	.....	.....	2,083
Domestic equity commingled funds	.....	1,702,661	.....	1,702,661
International stocks	17,066,866	78,348	2,191	17,147,405
International equity commingled funds	4,958,217	817,390	.....	5,775,607
Limited partnerships	5,859,263	.....	.....	5,859,263
Limited partnerships - international	513,046	.....	.....	513,046
Option contracts	5,615	.....	374	5,989
Swap contracts (debt related)	(10,981)	.....	.....	(10,981)
Real estate investments	6,160,289	.....	.....	6,160,289
Mutual funds	.....	.....	1,122,201	1,122,201
Deferred compensation annuities	.....	.....	44,717	44,717
Total investments excluding lending collateral	112,783,878	32,274,518	2,204,585	147,262,981
Lending collateral investments:				
Certificates of deposit	.....	600,243	.....	600,243
Commercial paper	.....	236,331	.....	236,331
Money market funds	3,876	.....	.....	3,876
Short-term security lending collateral pool	.....	3,992	.....	3,992
Repurchase agreements	4,255,464	636,380	.....	4,891,844
Domestic bonds & notes	673,046	559,372	.....	1,232,418
International bonds & notes	212,829	79,238	.....	292,067
Total lending collateral investments	5,145,215	2,115,556	.....	7,260,771
Total investments for all types - fair value	<u>\$ 117,929,093</u>	<u>\$ 34,390,074</u>	<u>\$ 2,204,585</u>	<u>\$ 154,523,752</u>
Total investments for all types - carrying value	<u>\$ 117,929,093</u>	<u>\$ 34,363,048</u>	<u>\$ 2,204,455</u>	<u>\$ 154,496,596</u>
% of total other investments	76%	22%	2%	

## Reconciliation of carrying value to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units <sup>1</sup>	Total
Other investments	\$ 1,536,807	\$ 19,138,640	\$ .....	\$ 586,932	\$ 21,262,379
Restricted investments	.....	1,917,570	.....	.....	1,917,570
Long-term investments	.....	.....	126,148,727	.....	126,148,727
Security lending collateral	.....	.....	5,167,920	.....	5,167,920
Total other investments	<u>\$ 1,536,807</u>	<u>\$ 21,056,210</u>	<u>\$ 131,316,647</u>	<u>\$ 586,932</u>	<u>\$ 154,496,596</u>

<sup>1</sup>The column for Component Units presents other investments managed by SBA for Component Units. For presentation of all other investments for Component Units, see the Schedule of Other Investments For Discretely Presented Component Units below.

The FRS Pension Trust Fund also held short positions in investments at June 30, 2010. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Assets. The schedule below presents the short investment positions at fair value at June 30, 2010 (in thousands):

FRS Pension Trust Fund Short Investment Positions As of June 30, 2010	
Investment Type	Fair Value
U.S. guaranteed obligations	\$ (16,321)
Federal agencies	(73,536)
Domestic stocks	(474,631)
International stocks	(160,171)
Option contracts	(8,757)
Total	<u>\$ (733,416)</u>

The SBA issued a separate report (financial statements and notes) pertaining to the Local Government Surplus Funds Investment Pool within the state's Investment Trust Fund for the period ended June 30, 2010. This report may be obtained from the Senior Operating Officer, Accounting and Administrative Services, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 101, Tallahassee, Florida 32308, (850) 488-4406.

**Component Units**

The schedule below discloses other investments reported at fair value and total carrying value, as of June 30, 2010, for discretely presented component units and a reconciliation to the basic financial statements (in thousands). Those investments held with the State Treasury as of June 30, 2010, are excluded.

**Schedule of Other Investments  
For Discretely Presented Component Units  
As of June 30, 2010**

Investment type	Fair value
Certificates of deposit	\$ 137,116
Commercial paper	16,093
Repurchase agreements	99,206
Money market funds	835,938
U.S. guaranteed obligations	2,461,055
Federal agencies	4,502,992
Domestic bonds & notes	2,567,686
International bonds & notes	14,941
Domestic stocks	726,892
International stocks	226,638
Real estate investments	70,574
Mutual funds	1,649,354
Investment agreements	2,285,179
Total other investments for all types - fair value	<u>\$ 15,593,664</u>
Total other investments for all types - carrying value	<u>\$ 15,629,724</u>
Reconciliation of carrying value to the basic financial statements:	
Other investments	\$ 14,133,561
Restricted investments	1,496,163
Total other investments for component units	<u>\$ 15,629,724</u>

At June 30, 2010, 61.62% of total other investments for discretely presented component units belonged to the following major component units: Florida Housing Finance Corporation, University of Florida, and Citizens Property Insurance Corporation.



**1. Credit Risk and Concentration of Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the state's investment in a single issuer.

**Pooled Investments with the State Treasury**

The State Treasury follows the investment guidelines set forth in Section 17.57, F.S., for reducing exposure to investment credit risk. The State Treasury's rated debt investments as of June 30, 2010, were rated by the Nationally Recognized Statistical Rating Organizations (NRSRO) Standard and Poor's (S&P) and Moody's, and the ratings are presented below using the applicable rating scale (in thousands):

State Treasury Credit Quality Ratings As of June 30, 2010									
Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes	Certificates of deposit	Total*	S&P rating**	Moody's rating**		
\$ .....	\$ 93,225	\$ 647,351	\$ 31,856	\$ .....	\$ 772,432	AAA			
.....	.....	477,180	108,716	70,137	656,033	AA			
.....	1,171	1,260,277	100,664	11,814	1,373,926	A			
1,004,397	.....	1,596	.....	25,000	1,030,993	A-1			
.....	.....	443,207	136,813	.....	580,020	BBB			
.....	.....	8,375	.....	.....	8,375	BB			
.....	.....	2,336	.....	.....	2,336	B			
.....	.....	1,752	.....	.....	1,752	Below B			
.....	26,728	80,899	.....	.....	107,627		AAA		
.....	1,681	3,257	.....	.....	4,938		AA		
.....	.....	9,288	.....	.....	9,288		A		
.....	.....	5,034	.....	.....	5,034		Below B		
.....	7,899,481	10,853	30,000	28,990	7,969,324	Not rated			
\$ 1,004,397	\$ 8,022,286	\$ 2,951,405	\$ 408,049	\$ 135,941	12,522,078				
U.S. guaranteed obligations					4,841,093	Not rated			
Mutual funds					877,317	Not rated			
Repurchase agreements					1,713,927	Not rated			
					\$ 19,954,415				

\*The remaining \$134,339 (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool, unsettled securities liability, cash on hand and deposit, and outstanding warrants as presented in the Schedule of Pooled Investments with State Treasury.

\*\* Long-term ratings are presented except for "A-1," which is a short-term rating for S&P.

The State Treasury's investment policies allow for unlimited investments in U.S. obligations and certain Federal Agency obligations. For other investments, the investment policies address concentration of credit risk by placing limits on amounts invested per issuer (taking into account the maturity date of the investment). In addition, the policies also address limits on certain investments by credit ratings. Limits on amounts invested are expressed in dollar amounts per issuer and also in total amounts per investment type as a percentage of the investment pool's market value. As of June 30, 2010, more than five percent of the State Treasury's investment pool is invested in the Federal Home Loan Bank System (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal Farm Credit Banks (FFCB). These investments are approximately 13 percent, 12 percent, 6 percent and 7 percent of the State Treasury's investments pool, respectively.

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**Other Investments**

The SBA, in compliance with Section 215.47, F.S., has adopted certain investment policies with regard to credit risk of debt securities. Investment policies vary by fund or portfolio. Below are the investment policies and credit risk disclosures for the FRS Pension Trust Fund, which constitute the primary portion of other investments.

**FRS Pension Trust Fund** – Investments are generally managed through individual portfolios within various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

**Short-term portfolios** – Securities must be investment grade at the time of purchase. For Short-term investment ratings, this is defined as the highest applicable rating from one of the three NRSRO – S&P A-1, Moody's P-1, Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A2, Fitch A. Securities of a single issuer should not represent more than 5% of portfolio amortized cost (excluding U.S. Treasuries and Agencies).

**Mortgage portfolios** – Securities are generally limited to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). No specific credit rating criteria are listed. The state may own notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the U.S. Department of Veterans Affairs, but exposure is limited to 10% of portfolio market value. All collateralized mortgage obligations (CMOs) should have publicly traded GNMA, FNMA, or FHLMC securities as underlying collateral. Exposure is limited to 10% of the portfolio. U.S. Treasury and Agency debentures are allowed but are limited to 10% of portfolio market value.

**Government/Corporate portfolios** – Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies).

**Core portfolios** – Securities should be rated investment grade by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies).

**Core Plus portfolios** – The strategic portion of the portfolio is invested in investment grade securities with a tactical weighting to the 'plus' sectors such as high yield, emerging markets, foreign governments, and preferred stock. Non-dollar obligations issued by foreign governments, foreign agencies, or supranationals must be rated investment grade by at least one NRSRO. The policies dictate no limitations on concentration of credit risk on investments for a single issuer.

**High Yield portfolios** – All securities should be rated at least single B or double B by one of the NRSROs at the time of purchase. If a security is no longer rated at least the equivalent of single B- by any of the NRSROs, the portfolio manager must provide written notification and justify retaining such investment beyond 90 days. Also, no more than 5% of market value shall be invested in investment grade securities (BBB- or higher). Securities of a single issuer should not exceed 5% of portfolio market value. No more than 35% of market value may be in any one industry.

**Lending portfolios** – Short-term rating requirements are similar to short-term portfolio rating requirements. Repos should be fully collateralized. The FRS Pension Trust Fund may hold up to the greater of \$5 million or 5% of its assets in securities by a single issuer and its affiliates (excluding U.S. Government guaranteed investments, its agencies or instrumentalities). For all lending programs, up to an additional 5% of the book value of the portfolio may be invested in the obligations of any single issuer, guarantor, or repo counterparty that will mature on the next business day, that are redeemable upon demand, or that contain an unconditional put feature.

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The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5% or more of the fund's fair market value at June 30, 2010. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2010 (in thousands).

FRS Pension Trust Fund Credit Quality Ratings As of June 30, 2010									
Certificates of deposit	Commercial paper	Money market & short-term bond funds	Federal agencies	Domestic bonds & notes <sup>1</sup>	International bonds & notes	Total <sup>1</sup>	S&P rating <sup>1</sup>	Moody's rating <sup>1</sup>	
\$ .....	\$ .....	\$ 8,528	\$ 939,472	\$ 3,028,431	\$ 761,342	\$ 4,737,773	AAA/AAAm		
.....	.....	.....	7,936	986,290	530,572	1,524,798	AA		
.....	.....	.....	74,502	3,960,146	795,614	4,830,262	A		
.....	.....	.....	.....	2,934,748	645,405	3,580,153	BBB		
.....	.....	.....	.....	1,078,153	121,069	1,199,222	BB		
.....	.....	.....	.....	1,423,197	160,150	1,583,347	B		
.....	.....	.....	.....	337,503	5,730	343,233	CCC		
.....	.....	.....	.....	79,376	79,376	158,752	CC		
.....	.....	.....	.....	5,835	.....	5,835	D		
.....	.....	.....	12,495	433,163	5,233	450,891		Aaa	
.....	.....	.....	.....	5,214	20,489	25,703		Aa	
.....	.....	.....	.....	85,473	33,127	118,600		A	
.....	.....	.....	.....	26,421	25,136	51,557		Baa	
.....	.....	.....	.....	8,026	2,051	10,077		Ba	
.....	.....	.....	.....	11,605	10,374	21,979		B	
.....	.....	.....	.....	27,916	4,044	31,960		Caa	
.....	.....	.....	.....	.....	211,250	211,250		C	
.....	.....	.....	.....	.....	.....	3,656,140	A-1		
584,932	.....	.....	6,935,363	708,074	235,403	8,463,772	Not rated	Not rated	
\$ 584,932	\$ 3,656,140	\$ 8,528	\$ 7,969,768	\$ 15,139,571	\$ 3,566,989	30,925,928			
Repurchase agreements						5,821,227	Not rated	Not rated	
U.S. guaranteed obligations						6,448,166	Not rated	Not rated	
Domestic stocks						40,179,374	Not rated	Not rated	
Domestic equity group trust						2,083	Not rated	Not rated	
International stocks						17,066,866	Not rated	Not rated	
International equity commingled funds						4,958,217	Not rated	Not rated	
Limited partnerships						5,859,263	Not rated	Not rated	
Limited partnership-international						513,046	Not rated	Not rated	
Option contracts purchased						5,615	Not rated	Not rated	
Swap contracts						(10,981)	Not rated	Not rated	
Real estate investments						6,160,289	Not rated	Not rated	
Total investments						\$ 117,929,093			

<sup>1</sup>The column for Domestic bonds & notes includes domestic commingled funds totaling \$177,151,978 with a S&P credit rating of "B".

<sup>2</sup>All FRS investments are included in this schedule, including security lending collateral investments.

<sup>3</sup>S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated". Long-term ratings are presented except for "AAA", "A-1". The "AAA" rating is the top S&P rating for money market funds. The "A-1" rating is a short-term rating for S&P.

<sup>4</sup>Although option contracts and swap contracts do not have specific credit quality ratings, counterparty credit ratings are available and are disclosed in separate schedules below.

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Counterparty credit ratings for option positions (purchased and sold) at June 30, 2010, in the FRS Pension Trust Fund are listed below (in thousands).

FRS Pension Trust Fund Option Counterparty Credit Ratings As of June 30, 2010				
Fair Value	S&P Counterparty Credit Rating (Long/Short) <sup>1</sup>	Moody's Counterparty Credit Rating (Long/Short) <sup>1</sup>	Fitch Counterparty Credit Rating (Long/Short) <sup>1</sup>	
\$ 1,304	Exchange traded	Exchange traded	Exchange traded	
4,311	A/A-1	A/P-1	NR/F1	
\$ 5,615	Total options purchased			
\$ (2,188)	Exchange traded	Exchange traded	Exchange traded	
(3,791)	A/A-1	A/P-1	NR/F1	
(2,778)	NR/NR	NR/P-1	NR/NR	
\$ (8,757)	Total options sold <sup>2</sup>			

<sup>1</sup> If no rating exists, "NR" is reported.

<sup>2</sup> Options sold are reported as liabilities in the Statement of Fiduciary Net Assets.

Counterparty credit rating for swaps held in the FRS Pension Trust Fund at June 30, 2010, are listed below (in thousands)

FRS Pension Trust Fund Swap Counterparty Credit Ratings As of June 30, 2010				
Fair Value	S&P Counterparty Credit Rating (Long/Short) <sup>1</sup>	Moody's Counterparty Credit Rating (Long/Short) <sup>1</sup>	Fitch Counterparty Credit Rating (Long/Short) <sup>1</sup>	
\$ (17,576)	AA/A-1	Aa/P-1	NR/F1	
2,463	A/A-1	Aa/P-1	NR/F1	
2,889	A/A-1	A/P-1	NR/F1	
1,492	NR/A-1	NR/P-1	NR/NR	
(249)	NR/NR	NR/P-1	NR/NR	
\$ (10,981)	Total swaps			

<sup>1</sup> If no rating exists, "NR" is reported.

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Counterparty credit ratings for forward currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2010, are listed below (in thousands).

**FRS Pension Trust Fund**  
**Forward Foreign Currency Exchange Contract Counterparty Credit Ratings**  
**As of June 30, 2010**

Receivable Fair Value	Payable Fair Value	Net Unrealized Gain/(Loss)	S&P Counterparty Credit Rating (Long/Short) <sup>1</sup>	Moody Counterparty Credit Rating (Long/Short) <sup>1</sup>	Fitch Counterparty Credit Rating (Long/Short) <sup>1</sup>
\$ 33,433	\$ (33,503)	\$ (70)	A/A-/A-1	Aaa/P-1	NR/F1
11,449	(11,656)	(207)	A/A-/A-1	Aa/P-1	NR/F1
897	(901)	(4)	A/A-/A-1	Aa/P-1	NR/NR
9,204	(9,019)	185	A/A-/A-1	A/P-1	NR/F1
195,721	(195,660)	61	A/A-/A-1	Aa/P-1	NR/F1
52,010	(52,045)	(35)	A/A-/A-1	A/P-1	NR/F1
24,401	(24,430)	(29)	A/A-/A-1	NR/P-1	NR/F1
151,763	(150,320)	1,443	A/A-/A-1	NR/P-1	NR/NR
23,600	(23,877)	(277)	NR/A-1	NR/P-1	NR/F1
57,259	(56,516)	743	NR/NR	NR/P-1	NR/NR
4,025	(4,028)	(3)	NR/NR	NR/NR	NR/F1
867	(863)	4	NR/NR	NR/NR	NR/NR
<b>\$ 564,629</b>	<b>\$ (562,818)</b>	<b>\$ 1,811</b>			

<sup>1</sup> If no rating exists, "NR" is reported.

The schedule below discloses credit quality ratings on investments held in all funds managed by the SBA (except the FRS Pension Trust Fund) at June 30, 2010 (in thousands).

**All SBA Managed Funds (except FRS Pension Trust Fund)**  
**Credit Quality Ratings**  
**As of June 30, 2010**

Certificates of deposit	Commercial paper/bankers' acceptances	Money market & short-term bond funds	Federal agencies	Domestic bonds & notes	Domestic & notes commingled funds	International bonds & notes	Total <sup>1</sup>	S&P rating <sup>2</sup>	Moody's rating <sup>2</sup>
\$ 20,605	\$ -----	\$ 1,783,821	\$ 1,973,145	\$ 486,107	\$ -----	\$ 76,680	\$ 4,319,753	AAA/AAAm	
-----	-----	-----	31,203	247,316	107,169	82,157	457,247	AA	
-----	-----	-----	-----	1,034,647	-----	86,755	1,152,605	A	
-----	-----	-----	-----	330,404	-----	48,384	378,788	BBB	
-----	-----	-----	-----	6,701	-----	-----	6,701	B	
-----	-----	-----	29,186	31,532	-----	-----	31,532	CCC	Aaa
73,769	-----	-----	-----	47,147	-----	11,411	91,831		Aa
29,973	-----	-----	-----	94,526	-----	-----	124,499		A
-----	3,931,006	-----	-----	-----	-----	-----	3,931,006	A-1	
3,649,431	19,871	883,848	1,973,619	359,770	-----	196,956	7,083,495	Not rated	Not rated
<b>\$ 3,773,778</b>	<b>\$ 3,950,877</b>	<b>\$ 2,667,669</b>	<b>\$ 4,007,153</b>	<b>\$ 2,644,801</b>	<b>\$ 107,169</b>	<b>\$ 502,343</b>	<b>\$ 17,653,790</b>		
Repurchase agreements							3,385,010	Not rated	Not rated
Security lending collateral pool							3,992	Not rated	Not rated
U.S. guaranteed obligations							8,152,885	Not rated	Not rated
Domestic bonds & notes commingled funds							1,647,567	Not rated	Not rated
Domestic stocks							948,431	Not rated	Not rated
Domestic equity commingled funds							1,702,661	Not rated	Not rated
International stocks							78,348	Not rated	Not rated
International equity commingled funds							817,390	Not rated	Not rated
Total investments							<b>\$ 34,390,074</b>		

<sup>1</sup> All investments are included in this schedule, including security lending collateral investments.

<sup>2</sup> S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "AAAm", "A-1". The "AAAm" rating is the top S&P rating for money market funds. The "A-1" rating is a short-term rating for S&P.

The LGIP held investments with Bank of America (11.1%), Morgan Stanley (7.9%), and Federal Home Loan Banks (8.1%) in excess of 5% of the LGIP's fair value.

### Component Units

Investment policies with regard to credit risk of debt securities vary from component unit to component unit. In addition, investment policies vary among Universities' direct support organizations. Investment policies may be obtained separately from component units. Presented below are reported credit quality ratings for debt securities of major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

**Major Component Units**  
**Credit Quality Ratings**  
**As of June 30, 2010**

Component Unit	Certificates of deposit	Federal agencies	Bonds & notes	Mutual funds	Money market funds	Total	S&P rating
Florida Housing Finance Corporation *	\$ -----	\$ -----	\$ -----	\$ -----	\$ -----	\$ -----	A-
FHFC (continued)	-----	-----	269,570	-----	-----	269,570	AAA-BB+
FHFC (continued)	-----	12,981	28,491	-----	-----	41,472	AAA
FHFC (continued)	-----	55,714	-----	-----	-----	55,714	Not rated
University of Florida (UF)	-----	39	25,916	2,782	-----	28,737	AAA
UF (continued)	-----	424	635	24,595	1,319	26,973	AA
UF (continued)	-----	-----	2,543	9,123	315	11,981	A
UF (continued)	-----	17	84	47,739	-----	47,840	Not rated
	<b>\$ -----</b>	<b>\$ 69,175</b>	<b>\$ 327,239</b>	<b>\$ 84,239</b>	<b>\$ 1,634</b>	<b>\$ 482,287</b>	

Component Unit	Certificates of deposit	Federal agencies	Bonds & notes	Mutual funds	Other	Total	Moody's
Citizens Property Insurance Corporation (CPIC)	\$ 7,995	\$ -----	\$ -----	\$ -----	\$ -----	\$ 7,995	P-1
CPIC (continued)	-----	3,526,605	-----	-----	-----	3,526,605	Aaa
CPIC (continued)	-----	-----	1,390,242	-----	-----	1,390,242	Aaa/P-1
CPIC (continued)	-----	-----	-----	193,779	-----	193,779	Not rated
	<b>\$ 7,995</b>	<b>\$ 3,526,605</b>	<b>\$ 1,390,242</b>	<b>\$ -----</b>	<b>\$ 193,779</b>	<b>\$ 5,118,621</b>	

\* Florida Housing Finance Corporation (FHFC) reported total investments with a fair value in the amount of \$1,075 million subject to concentration of credit risk. These investments and amounts were issued by Trinity Funding (\$284 million) and FannieMae (\$791 million).

### 2. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the state will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

#### Pooled Investments with the State Treasury

The State Treasury does not have an overall policy addressing custodial credit risk. However, as required by negotiated trust and custody contracts, many of the state's investments were held in the state's name by the Treasury's custodial financial institutions at June 30, 2010. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, included the following (in thousands):

State Treasury Custodial Credit Risk As of June 30, 2010		Fair value
Invested security lending collateral:		
Repurchase agreements	\$	1,310,781
Commercial paper		68,280
Domestic bonds & notes		484,570
Federal agencies		49,979
International bonds & notes		48,076
Certificates of deposit		135,941
Total	<b>\$</b>	<b>2,097,627</b>

### Other Investments

The SBA's custodial credit policy states that custodial credit risk will be minimized through the use of trust accounts maintained by top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name by the SBA's custodial financial institutions at June 30, 2010. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, included the following (in thousands):

**Other Investments**  
**Custodial Credit Risk**  
**As of June 30, 2010**

	FRS Pension Trust Fund	Other funds
Repurchase agreements	\$ -----	\$ 22
Invested security lending collateral:		
Certificates of deposit	-----	600,243
Commercial paper	-----	236,331
Repurchase agreements	1,780,000	605,000
Domestic bonds & notes	469,565	559,372
International bonds & notes	196,402	79,238
Total	<b>\$ 2,445,967</b>	<b>\$ 2,080,206</b>

### Component Units

Component units manage their exposure to custodial credit risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable custodial credit risk information for a major component unit (in thousands):

**Major Component Unit**  
**Custodial Credit Risk**  
**As of June 30, 2010**

Component unit / Investment type	Fair value
University of Florida	
Bonds & notes	\$ 28,961
Mutual funds	1,319
Total	<b>\$ 30,280</b>

**3. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt investments.

**Pooled Investments with the State Treasury**

Through its investment policy, the State Treasury manages its exposure to interest rate risk by limiting either the maturities or durations of the various investment strategies used for the investment pool. The maximum effective weighted duration allowed, per externally managed portfolio with various investments, is six years. In addition, the security lending portfolios manage exposure to interest rate risk by limiting the weighted average maturity. The maximum weighted average maturity for security lending portfolios is 120 days.

Presented below is the interest rate risk table for the debt investments with the State Treasury (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to security lending collateral portfolios are presented using weighted average maturity.

**Debt Investments  
As of June 30, 2010**

Investment type	Fair value	Effective weighted duration (in years)	Sec Lending Market Value	Weighted average maturity (in days)
Commercial paper	\$ 936,117	0.01	\$ 68,280	36
Repurchase agreements	403,146	NA	1,310,781	1
U.S. guaranteed obligations:				
U.S. Treasury bonds & notes	2,510,786	4.35		
U.S. Treasury strips	18,062	11.85		
U.S. Treasury bills	2,058,694	0.31		
GNMA mortgage-backed pass-through	127,959	2.00		
GNMA TBA pass-thru	102,521	2.05		
GNMA collateralized mortgage obligations (CMO's)	15,583	1.00		
GNMA CMO's - interest only	-----	NA		
GNMA CMO's - principal only	-----	NA		
SBA asset-backed	7,488	0.21		
Federal agencies				
Discount notes	4,507,274	0.30		
Unsecured bonds & notes	1,967,842	1.23		
Mortgage-backed pass-through	1,048,552	2.25		
TBA mortgage-backed pass-thru	329,470	2.24		
Mortgage-backed CMO's	105,946	0.33		
Mortgage-backed CMO's - principal only	36	2.06		
Mortgage-backed CMO's - interest only	13,187	0.47		
Agency bonds & notes	-----	NA	49,979	26
Domestic bonds & notes:				
Corporate	1,623,207	4.95	484,570	25
Non-government backed CMO's & CMBS*	592,530	2.87		
Non-government backed CMO's & CMBS* - principal only	-----	NA		
Non-government backed CMO's & CMBS* - interest only	13,978	2.31		
Municipal/provincial	20,966	12.71		
Corporate asset-backed	216,154	0.72		
International bonds & notes:				
Agency bonds & notes	4,154	11.28		
Corporate	350,380	5.61	48,076	83
Corporate asset-backed	5,439	NA		
Money market mutual funds	875,046	0.08	2,271	1
Certificates of deposit	-----	NA	135,941	39
Total portfolio weighted effective duration/average maturity		1.81		16
Total debt investments	\$ 17,854,517		\$ 2,099,898	

\* Commercial Mortgage-Backed Securities (CMBS)

Note: The remaining \$134,339 (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool, cash on hand and deposit, and outstanding warrants as presented in the Schedule of Pooled Investments with State Treasury.

Presented below is effective weighted duration for derivative investments in the State Treasury at June 30, 2010.

**Derivative Investments  
As of June 30, 2010**

Investment type	Fair value (Duration)	Effective weighted duration (in years)
Futures	\$ -----	11.86
GNMA commitments to purchase	102,521	2.05
FHLMC, FNMA commitments to purchase	329,470	2.24
Total derivative investments	\$ 431,991	

**Other Investments**

The SBA manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for debt investments within the FRS Pension Trust Fund are presented below.

Investments authorized by Section 215.47, F.S., are managed through individual portfolios within various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of debt portfolios are listed below.

**Short-term portfolios** – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. In the STIPFRS, no individual security shall have a final maturity date longer than one year except for U.S. Treasury and Agency securities, which shall not exceed five years. For securities without a fixed interest rate, the next coupon reset date is used as the maturity date for the WAM calculation. The Cash and Central Custody portfolio is a participant in STIPFRS.

**Mortgage portfolios** – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 1 year of index duration. The index is the Barclays Capital U.S. MBS Index component of the Barclays Capital U.S. Aggregate Bond Index.

**Government/Corporate portfolios** – Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Aggregate Bond Index less the MBS index component.

**Core portfolios** – Portfolio duration should remain within plus or minus 0.50 – 1.0 year of the Barclays Capital U.S. Aggregate Bond Index duration.

**Core Plus portfolios** – Portfolio duration should remain within plus or minus 1.0 year of the Barclays Capital U.S. Aggregate Bond Index duration.

**High Yield portfolios** – Portfolio duration should remain within 2.5 years of the Barclays Capital Ba/B 2% Issuer Cap index duration.

**Security Lending portfolios** – Maximum WAM for a portfolio is 60 to 90 days, depending on the lending program.

Presented in the following schedule is the interest rate risk table for the FRS Pension Trust Fund (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to short-term and security lending collateral portfolios are presented using weighted average maturity.

**FRS Pension Trust Fund  
Debt Investments  
As of June 30, 2010**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ -----	NA	\$ 584,932	30
Commercial paper	-----	NA	3,656,140	24
Money market funds	-----	NA	8,528	1
Repurchase agreements	-----	NA	5,821,227	1
U.S. guaranteed obligations:				
U.S. Treasury bonds & notes	4,233,740	6.82	-----	NA
U.S. Treasury strips	127,937	11.88	-----	NA
Index linked government bonds	539,667	4.66	-----	NA
U.S. government guaranteed	405,510	2.57	-----	NA
GNMA mortgage-backed	525,737	2.19	-----	NA
GNMA commitments to purchase (TBAs)	503,429	1.98	-----	NA
GNMA collateralized mortgage obligations (CMO's)	20,559	2.51	-----	NA
GNMA interest-only CMO's	1,138	-51.14	-----	NA
GNMA interest-only inverse floating CMO's	449	-1.46	-----	NA
Federal agencies:				
Discount notes	7,824	0.15	-----	NA
Unsecured bonds & notes	1,035,915	4.23	-----	NA
Agency strips	18,920	7.96	-----	NA
Mortgage-backed	4,082,564	2.21	-----	NA
Mortgage-backed commitments to purchase (TBAs)	2,713,922	2.39	-----	NA
Mortgage-backed CMO's	47,580	1.34	-----	NA
Interest-only CMO's	14,305	-16.87	-----	NA
Interest-only inverse floating CMO's	26,221	3.45	-----	NA
Inverse floating CMO's	4,343	3.62	-----	NA
Principal-only CMO's	18,174	5.97	-----	NA
Domestic bonds & notes:				
Corporate	9,578,122	4.74	24,609	16
Non-government asset-backed & mortgage-backed	1,256,599	2.97	402,317	25
Non-government backed CMO's & CMBS	3,311,919	2.90	246,120	19
Non-government backed interest-only CMO's	11,848	1.22	-----	NA
Municipal/provincial	111,940	7.01	-----	NA
Real estate mortgage loans	18,945	6.31	-----	NA
Domestic bonds & notes commingled funds	177,152	2.92	-----	NA
International bonds & notes:				
Government & regional	521,372	4.61	-----	NA
Government agency	82,076	3.10	-----	NA
Corporate	2,668,612	3.71	-----	NA
Non-government asset-backed & mortgage-backed	82,100	-0.01	29,183	46
Non-government backed CMO's & CMBS	-----	NA	183,646	36
Futures contracts - long*	-----	4.52	-----	NA
Futures contracts - short*	-----	2.27	-----	NA
Option contracts purchased	5,615	-334.29	-----	NA
Swap contracts (debt related)*	(10,981)	1.09	-----	NA
Total debt investments	\$ 32,233,253		\$ 10,956,702	

\* The futures and swap contracts' weighted duration was calculated using notional rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2010.

Interest rate risk information for debt investments sold short is presented below (in thousands).

**FRS Pension Trust Fund  
Short Debt Investment Positions  
As of June 30, 2010**

Investment type	Fair value (Duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (16,321)	1.01
FNMA, FHLMC commitments to sell (TBAs)	(73,536)	1.85
Options sold	(8,757)	-177.54
Total short positions in debt investments <sup>1</sup>	\$ (98,614)	

<sup>1</sup> Investments sold short are reported as liabilities on the Statement of Fiduciary Net Assets.

Presented below are interest rate risk schedules for all debt-related investments managed by the SBA (excluding the FRS Pension Trust Fund), as of June 30, 2010 (in thousands). Certain investment types may be presented using two or more interest rate risk methods, if the investment types are managed using different techniques. For example, if investments are purchased to match scheduled debt payments, to coincide with Lottery prize payouts, or are entirely client directed investments, the investments are presented using the segmented time distribution method. If investments are in a portfolio that contains weighted average maturity restrictions, the investments are presented using this method. If investments are subject to certain restrictions on duration, then that method is used. Individual investments are only included in one of the following three methods scheduled below.

**Debt Investments Managed by SBA (except FRS Pension Trust Fund)  
That Use Segmented Time Distribution Method  
As of June 30, 2010**

Investment type	Total fair value	Investment maturities (in years)						
		Less than or equal to 1	> 1 to 3	> 3 to 5	> 5 to 10	> 10 to 15	> 15 to 20	> 20
U.S. guaranteed obligations:								
U.S. Treasury bills	\$ 135,618	\$ 135,618	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
U.S. Treasury bonds, notes, & SLGS*	944,197	790,815	117,315	35,039	821	207		
U.S. Treasury strips	971,497	204,944	335,144	191,432	132,986	52,935	47,871	6,185
Index linked government bonds	10,154	.....	.....	10,154	.....	.....	.....	.....
Federal agencies:								
Unsecured bonds & notes	138,687	45,904	45,280	39,998	7,505	.....	.....	.....
Agency strips	55,734	16,079	28,008	11,647	.....	.....	.....	.....
Inverse floating rate CMO's	282	.....	.....	.....	.....	282	.....	.....
Total debt investments	\$ 2,256,169	\$ 1,193,360	\$ 525,747	\$ 288,270	\$ 141,312	\$ 53,424	\$ 47,871	\$ 6,185

\* Special U.S. Treasury securities for State and Local Governments.

**Debt Investments Managed by SBA (except FRS Pension Trust Fund)  
That Use Weighted Average Maturity Method or Duration Method  
As of June 30, 2010**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ 6,153	1.56	\$ 3,767,625	36
Commercial paper	350	0.13	3,945,555	28
Bankers' acceptances	.....	NA	4,972	63
Money market funds	883,847	0.06	1,783,822	1
Security lending collateral pools	.....	NA	3,992	236
Repurchase agreements	.....	NA	3,385,010	1
U.S. guaranteed obligations:				
U.S. Treasury bills	11,992	0.35	.....	NA
U.S. Treasury bonds & notes	417,127	6.14	888,701	6
U.S. Treasury strips	4,203,430	11.49	.....	NA
Index linked government bonds	307,844	3.71	.....	NA
U.S. government guaranteed	136,348	1.97	105,415	71
GNMA mortgage-backed	16,454	1.70	.....	NA
GNMA collateralized mortgage obligations (CMO's)	4,108	8.10	.....	NA
Federal agencies:				
Discount notes	1,499	0.23	1,163,062	77
Unsecured bonds & notes	170,457	9.15	1,726,639	120
Agency strips	377,780	11.02	.....	NA
Mortgage-backed	197,384	2.40	.....	NA
Mortgage-backed CMO's	175,629	4.64	.....	NA
Domestic bonds & notes:				
Corporate	752,068	7.58	900,098	87
Non-government asset-backed & mortgage-backed	354,099	8.05	363,536	19
Non-government backed CMO's & CMBS	264,806	4.59	9,444	7
Municipal/provincial	.....	NA	750	7
Domestic bonds & notes commingled funds	1,754,736	4.05	.....	NA
International bonds & notes:				
Government & regional	57	5.54	.....	NA
Government agency	20,323	4.03	.....	NA
Corporate	180,775	6.32	244,831	17
Non-government asset-backed & mortgage-backed	.....	NA	13,405	77
Non-government backed CMO's & CMBS	.....	NA	42,952	28
Total debt investments	\$ 10,237,266		\$ 18,349,809	

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**Component Units**

Component units manage their exposure to interest rate risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable interest rate risk information for major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

**Major Component Units  
Debt Investments  
That Use Segmented Time Distribution Method  
As of June 30, 2010**

Component unit / Investment type	Total fair value	Investment maturities (in years)			
		Less than or equal to 1	> 1 to 5	> 6 to 10	> 10
University of Florida					
U.S. guaranteed obligations	\$ 21,814	\$ 5,825	\$ 13,139	\$ 2,849	\$ .....
Federal agencies	480	424	7	.....	49
Bonds & notes	29,179	1,521	22,294	1,404	3,960
Mutual funds	85,559	1,319	84,240	.....	.....
Total debt investments	\$ 137,032	\$ 9,089	\$ 119,680	\$ 4,253	\$ 4,009

**Major Component Units  
Debt Investments  
That Use Duration or Weighted Average Maturity Method  
As of June 30, 2010**

Component unit / Investment type	Fair value (duration)	Modified duration (in years)	Fair value (WAM)	Weighted average maturity (in years)
Florida Housing Finance Corporation				
Certificates of deposit	\$ .....	NA	\$ .....	NA
U.S. guaranteed obligations	15,482	2.36	.....	NA
Federal agencies	68,694	1.21	.....	NA
Bonds & notes	298,061	1.51	.....	NA
Citizens Property Insurance Corporation				
U.S. guaranteed obligations	.....	NA	357,784	NA
Federal agencies	.....	NA	3,168,821	6.70
Bonds & notes	.....	NA	1,592,016	1.11
Total debt investments	\$ 382,237		\$ 5,118,621	

**4. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

**Pooled Investments with the State Treasury**

The State Treasury does not have any investments in foreign currency. State law and investment policy do not authorize investments in foreign currency related to State Treasury investment operations.

**Other Investments**

The FRS Pension Trust Fund and the Lawton Chiles Endowment Fund had exposure to foreign currency risk at June 30, 2010. These funds are managed primarily by the use of "asset classes."

The FRS Pension Trust Fund's foreign equities asset class range limits, as adopted in the SBA's Investment Policy Statement for most of the fiscal year, were 11-25% of total fund assets, with a target of 20%. On June 8, 2010, a new Investment Policy Statement was adopted that merged domestic and foreign equities together, thus eliminating this policy range for foreign equities. Other asset classes may hold non-U.S. securities as well, depending on portfolio guidelines. The Lawton Chiles Endowment Fund's foreign equities asset class range limits, as adopted in the fund's investment plan, are 6-18% of total fund assets, with a target of 12%. A limited amount of exposure occurs in certain Fixed Income portfolios. In all cases, Florida law limits the total

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exposure to foreign securities to 35% of the total fund. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the managers use them in many cases.

Presented below in U.S. dollars are the FRS Pension Trust Fund and Lawton Chiles Endowment Fund investments exposed to foreign currency risk as of June 30, 2010, listed in total, by currency (in thousands).

**FRS Pension Trust Fund and Lawton Chiles Endowment Fund (LCEF)  
Investments Exposed to Foreign Currency Risk  
As of June 30, 2010**

Currency	Bonds		Equity		Limited Partnerships <sup>1</sup>		Short-Sells Equity <sup>2</sup>		Total		LCEF Investment type	
Australian dollar	\$ .....	\$ 621,990	\$ .....	\$ (1,699)	\$ .....	\$ 622,261	\$ .....	\$ 3,720				
Brazilian real	.....	266,868	.....	.....	.....	266,868	.....	1,234				
British pound sterling	.....	2,462,332	.....	(18,236)	.....	2,444,096	.....	5,100				
Canadian dollar	23,526	757,571	.....	(18,117)	.....	762,960	.....	3,147				
Czech koruna	.....	45,195	.....	.....	.....	45,195	.....	527				
Danish krone	.....	153,317	.....	(3,132)	.....	150,185	.....	.....				
Egyptian pound	.....	36,711	.....	.....	.....	36,711	.....	.....				
Euro currency unit	3,035	3,437,071	154,928	(33,035)	.....	3,561,999	.....	18,454				
Hong Kong dollar	.....	1,132,921	.....	(955)	.....	1,131,966	.....	4,933				
Hungarian forint	.....	17,920	.....	.....	.....	17,920	.....	176				
Indian rupee	.....	299,262	.....	.....	.....	299,262	.....	.....				
Indonesian rupiah	.....	54,406	.....	.....	.....	54,406	.....	.....				
Israeli shekel	.....	47,878	.....	.....	.....	47,878	.....	309				
Japanese yen	.....	2,444,831	.....	(49,817)	.....	2,395,014	.....	15,117				
Malaysian ringgit	.....	74,603	.....	.....	.....	74,603	.....	2,806				
Mexican peso	26,127	120,660	.....	.....	.....	146,787	.....	1,607				
Norwegian krone	.....	85,787	.....	(523)	.....	85,264	.....	624				
Philippines peso	.....	23,827	.....	.....	.....	23,827	.....	202				
Polish zloty	.....	46,757	.....	.....	.....	46,757	.....	813				
Singapore dollar	.....	309,628	.....	(131)	.....	309,497	.....	2,228				
South African rand	.....	225,100	.....	.....	.....	225,100	.....	659				
South Korean won	.....	385,599	.....	.....	.....	385,599	.....	5,740				
Swedish krona	.....	279,415	.....	(696)	.....	278,719	.....	1,156				
Swiss franc	.....	1,086,930	.....	(1,380)	.....	1,085,550	.....	1,326				
Taiwan new dollar	.....	387,517	.....	.....	.....	387,517	.....	2,829				
Thailand baht	.....	147,429	.....	.....	.....	147,429	.....	776				
Turkish lira	.....	166,667	.....	.....	.....	166,667	.....	557				
Other	.....	101,097	.....	.....	.....	101,097	.....	309				
Equity linked notes (various currencies) <sup>3</sup>	.....	10,327	.....	.....	.....	10,327	.....	.....				
International equity commingled funds <sup>4</sup>	.....	4,958,217	.....	.....	.....	4,958,217	.....	.....				
International private equity limited partnerships <sup>1</sup>	.....	.....	358,118	.....	.....	358,118	.....	.....				
Total investments subject to foreign currency risk	\$ 52,688	\$ 20,193,833	\$ 513,046	\$ (127,721)	\$ 520,631,846	\$ 20,631,846	\$ 74,349					

<sup>1</sup> International equity commingled funds and international private equity limited partnerships are commingled investments where the FRS Pension Trust Fund owns only a portion of the overall investment. The overall investment is reported in U.S. dollars, but the underlying investments are exposed to foreign currency risk in various currencies. If the private equity limited partnership provided financial statements in Euro currency units, it was reported as having foreign currency risk in Euro currency units.

<sup>2</sup> Equity securities sold short are reported as liabilities on the Statement of Fiduciary Net Assets. They are included here since they do have exposure to foreign currency risk.

<sup>3</sup> Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The notes themselves may be valued in U.S. dollars, but the underlying assets are subject to foreign currency risk.

In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in the SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party broker. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2010, that have exposure to foreign currency risk are presented below (in thousands).

**FRS Pension Trust Fund  
Futures Positions Exposed to Foreign Currency Risk  
As of June 30, 2010**

		In Local Currency			Unrealized Gain/(Loss) (in U.S. \$)	
Currency	Number of Contracts <sup>1</sup>	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss) <sup>2</sup>		
Bond Futures:						
UK Long Gilt	British pounds sterling	26	\$ 3,093	\$ 3,147	\$ 54	\$ 81
Euro BOBL	Euro currency unit	490	58,888	59,246	358	438
Euro Bund	Euro currency unit	(46)	(5,951)	(5,952)	(1)	(1)
Japan 10 Year Bond	Japanese yen	(75)	(10,544,250)	(10,624,500)	(80,250)	(907)
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	130	\$ 6,741	\$ 6,345	(396)	(593)
Canada S&P/TSX 60 Index	Canadian dollar	45	6,136	5,933	(203)	(191)
DJ Euro STOXX 50	Euro currency unit	465	12,436	11,941	(495)	(606)
TOPIX Index Future	Japanese yen	86	740,156	721,110	(19,046)	(215)

<sup>1</sup> Long positions are positive and short positions are negative.

<sup>2</sup> Margin receipts or payments are settled periodically in the respective local currency and are subject to foreign currency risk.

In addition, the FRS Pension Trust Fund holds positions in several interest rate swap agreements that are subject to foreign currency risk. The FRS Pension Trust Fund either receives or pays a fixed interest rate and also pays or receives a variable three- or six-month LIBOR (London Inter-Bank Offered Rate) in each currency. A summary of interest rate swaps with currency exposure is presented below (in thousands).

**FRS Pension Trust Fund  
Interest Rate Swaps with Foreign Currency Exposure  
As of June 30, 2010**

Currency	Notional Amount (local currency)	Receive <sup>1</sup>	Pay <sup>1</sup>	Maturity Dates	Fair Value in Local Currency	Fair Value in U.S. Dollars
Euro currency unit	11,510	EURIBOR 6 month	3.94% - 4.055%	5/12/40 - 5/14/40	(526)	(644)
Euro currency unit	131,730	4.085% - 4.36%	EURIBOR 6 month	4/23/20 - 4/23/40	448	549
British pound sterling	220,640	GBP 6 month LIBOR	3.41% - 4.44%	8/4/15 - 8/16/25	(12,412)	(18,570)
British pound sterling	201,210	4.1331% - 4.1926%	GBP 6 month LIBOR	8/4/20 - 8/16/20	12,693	18,990
South Korean won	112,867,158	3.262% - 3.9%	KWDC 3 Month LIBOR	6/12/11 - 7/8/11	683,023	559
					683,226	\$ 884

<sup>1</sup> If a range of interest rates are presented, they represent the lowest to highest fixed rates received or paid. The EURIBOR (Euro Interbank Offered Rate) is the rate at which euro wholesale money market (or interbank market) term deposits within the euro zone are offered by one prime bank to another prime bank. The "KWDC 3 Month LIBOR" is the South Korean Won 3 month LIBOR rate.

The FRS Pension Trust Fund also holds credit default swaps where it either buys or sells protection against default of an underlying debt security or basket of debt securities. If protection is purchased and the underlying debt security(s) goes into default, the FRS Pension Trust Fund would be made whole. If protection is sold and the underlying debt security(s) goes into default, the FRS Pension Trust Fund would be required to make the purchaser whole. The premiums are paid or received in foreign currency and are thus subject to foreign currency risk. A summary of credit default swaps with currency exposure are presented below (in thousands).

FRS Pension Trust Fund Credit Default Swaps with Foreign Currency Exposure As of June 30, 2010							
Currency	Local Currency Notional Amount	Buying or Selling Protection	Payment Frequency	Annual Premium Rate <sup>1</sup>	Maturity Dates	Fair Value in Local Currency	Fair Value in U.S. Dollars
Euro currency units	38,000	Buying	Quarterly	1.00%	6/20/2015	507	\$ 621

<sup>1</sup> The FRS Pension Trust Fund pays an annual 1% premium on 38,000,000 euro currency units notional value. Premiums are paid quarterly and are subject to foreign currency risk.

The FRS Pension Trust Fund also enters into forward foreign currency exchange contracts. Forward foreign currency exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The contracts are subject to foreign currency risk. The contracts are reported as receivables and payables on the Statement of Fiduciary Net Assets. A schedule of the FRS Pension Trust Fund's forward foreign currency exchange contracts outstanding at June 30, 2010, is presented below, by currency (in thousands).

FRS Pension Trust Fund  
Forward Foreign Currency Exchange Contracts  
As of June 30, 2010

Currency to Buy	Amount to Buy		Currency to Sell	Amount to Sell		Receivable Fair Value		Payable Fair Value		Net
	(Local)	(U.S. \$)		(Local)	(U.S. \$)	(in U.S. \$)	(in U.S. \$)	(in U.S. \$)	Unrealized Gain/(Loss)	
Australian dollar	8,257		Swiss franc	(7,700)		\$6,914		(\$7,150)	(\$236)	
Australian dollar	7,680		U.S. dollar	(6,669)		6,442		(6,669)	(227)	
Brazilian real	1,227		U.S. dollar	(685)		681		(685)	(4)	
British pound sterling	4,771		Euro currency unit	(5,784)		7,137		(7,088)	49	
British pound sterling	7,482		U.S. dollar	(11,224)		11,194		(11,224)	(30)	
Canadian dollar	7,295		Euro currency unit	(5,745)		6,861		(7,040)	(179)	
Canadian dollar	41,695		U.S. dollar	(39,824)		39,232		(39,824)	(592)	
Egyptian pound	1		U.S. dollar	.....		.....		.....	.....	
Euro currency unit	2,908		Australian dollar	(4,317)		3,563		(3,614)	(51)	
Euro currency unit	2,875		British pound sterling	(2,349)		3,523		(3,515)	8	
Euro currency unit	2,875		Canadian dollar	(3,607)		3,523		(3,392)	131	
Euro currency unit	2,908		Japanese yen	(319,927)		3,564		(3,620)	(56)	
Euro currency unit	8,524		Norwegian krone	(68,106)		10,445		(10,433)	12	
Euro currency unit	5,630		Swedish krona	(54,034)		6,899		(6,943)	(44)	
Euro currency unit	5,670		Swiss franc	(7,656)		6,948		(7,110)	(162)	
Euro currency unit	58,084		U.S. dollar	(72,071)		71,163		(72,071)	(908)	
Hong Kong dollar	17,605		U.S. dollar	(2,262)		2,261		(2,262)	(1)	
Indonesian rupiah	9,330,686		U.S. dollar	(1,028)		1,029		(1,028)	1	
Israeli shekel	181		U.S. dollar	(47)		47		(47)	.....	
Japanese yen	318,052		Euro currency unit	(2,868)		3,599		(3,514)	85	
Japanese yen	771,785		U.S. dollar	(8,685)		8,726		(8,685)	41	
Kenyan shilling	3,769		U.S. dollar	(47)		46		(47)	(1)	
New Zealand dollar	12,916		U.S. dollar	(8,873)		8,833		(8,873)	(40)	
Nigerian naira	23,875		U.S. dollar	(160)		159		(160)	(1)	
Norwegian krone	57,201		Euro currency unit	(7,213)		8,763		(8,839)	(76)	
Norwegian krone	22,972		Japanese yen	(316,529)		3,519		(3,581)	(62)	
Norwegian krone	2,335		U.S. dollar	(360)		359		(360)	(1)	
S. African rand	2,049		U.S. dollar	(268)		267		(268)	(1)	
Singapore dollar	605		U.S. dollar	(434)		433		(434)	(1)	
South Korean won	29		U.S. dollar	.....		.....		.....	.....	
Swedish krona	24,556		Euro currency unit	(2,577)		3,156		(3,158)	(2)	
Swedish krona	86,785		U.S. dollar	(11,114)		11,152		(11,114)	38	
Swiss franc	3,992		Australian dollar	(4,173)		3,707		(3,494)	213	
Swiss franc	14,553		Euro currency unit	(10,418)		13,513		(12,767)	746	
Swiss franc	4,973		U.S. dollar	(4,603)		4,611		(4,603)	8	
Turkish new lira	1,621		U.S. dollar	(1,024)		1,024		(1,024)	.....	
UAE dirham	74		U.S. dollar	(20)		20		(20)	.....	
U.S. dollar	15,308		Australian dollar	(18,401)		15,308		(15,418)	(110)	
U.S. dollar	931		British pound sterling	(618)		931		(925)	6	
U.S. dollar	54,135		Canadian dollar	(56,569)		54,135		(53,232)	903	
U.S. dollar	3		Croatian kuna	(17)		3		(3)	.....	
U.S. dollar	1,102		Danish krone	(6,730)		1,102		(1,107)	(5)	
U.S. dollar	135,260		Euro currency unit	(107,290)		135,260		(131,453)	3,807	
U.S. dollar	2,048		Hong Kong dollar	(15,950)		2,049		(2,048)	1	
U.S. dollar	667		Indian rupee	(31,280)		667		(673)	(6)	
U.S. dollar	2,682		Indonesian rupiah	(24,407,934)		2,682		(2,692)	(10)	
U.S. dollar	515		Israeli shekel	(1,944)		515		(501)	14	
U.S. dollar	66,763		Japanese yen	(6,009,396)		66,763		(67,944)	(1,181)	
U.S. dollar	1,100		Mexican new peso	(14,139)		1,100		(1,097)	3	
U.S. dollar	3,475		New Zealand dollar	(4,937)		3,475		(3,376)	99	
U.S. dollar	72		Singapore dollar	(101)		72		(72)	.....	
U.S. dollar	621		South Korean won	(770,158)		621		(630)	(9)	
U.S. dollar	12,442		Swedish krona	(99,523)		12,442		(12,789)	(347)	
U.S. dollar	1,729		Swiss franc	(1,867)		1,729		(1,731)	(2)	
U.S. dollar	2,462		Thailand baht	(80,045)		2,462		(2,471)	(9)	
Total	11,169,811			(32,619,300)		\$564,629		(\$562,818)	\$1,811	

## Component Units

Component unit information regarding foreign currency risk was not readily available.

## 5. Security Lending

### Pooled Investments with the State Treasury

Section 17.6(1), F.S. authorizes the State Treasury to participate in a security lending program. Agents of the State Treasury loan securities, including U.S. government and federally guaranteed obligations, bonds, and notes to broker/dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Collateral for loaned securities cannot be less than 100% of the fair value of the underlying security plus accrued interest. Such collateral may consist of cash; government securities; unconditional, irrevocable standby letters of credit; or other assets specifically agreed to in writing. Cash collateral is invested by the agent in investments authorized by Section 17.57, F.S. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned because security loan agreements are generally open-ended with no fixed expiration date. Since the collateral under security lending agreements (including accrued interest) exceeded the fair value of the securities underlying those agreements (including accrued interest), the Treasury had no credit risk exposure at June 30, 2010. If a situation occurs where an agent does not receive collateral sufficient to offset the fair value of any securities lent, or the borrowers fail to return the securities or fail to pay the State Treasury for income distributions by the securities' issuers while the securities are on loan, the agent is required to indemnify the State Treasury for any losses that might occur. The State Treasury received \$2,103,718,906 cash collateral for securities loaned to others. Since the State Treasury does not have the ability to pledge or sell non-cash collateral securities, any non-cash portion of the collateral is not reported on the balance sheet. Securities held with others under security lending agreements with cash collateral totaled \$2,060,798,309. There were no securities held with others under security lending agreements with non-cash collateral. Security lending asset and liability balances are allocated at fiscal year end and reported among all participating funds of the primary government. The securities held with others under security lending agreements as of June 30, 2010, are as follows (fair value equals carrying value of investment on loan): Domestic bonds and notes of \$138,637,138, Federal agencies of \$258,056,596, International bonds and notes of \$44,437,858 and U.S. guaranteed obligations of \$1,619,666,717.

### Other Investments

Through the SBA, various funds, including the FRS Pension Trust Fund, the Florida Lottery Trust Fund, the Lawton Chiles Endowment Fund, and the Florida Prepaid College Trust Fund participate in security lending programs. Initial collateral requirements for securities on loan primarily must be 102% or greater. The SBA had received and invested \$7,576,630,601 in cash and \$21,386,728 in U.S. government securities as collateral for the lending programs as of June 30, 2010. At June 30, 2010, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the balance sheet or the Statement of (Fiduciary) Net Assets. All security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security loan agreements are generally open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 0% to 44% of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

In July, 2009, following a third party study of current practices in securities lending, the SBA began transitioning the FRS Pension Trust Fund security lending program from a general collateral/cash re-investment program to an intrinsic/repo only lending model. The latter model recognizes and monetizes only the demand driven lending value of securities held in the portfolio and avoids the credit and liquidity risk of a credit oriented re-investment portfolio. Existing re-investment portfolios contained legacy non-repo securities which would be supported by lending until they are either sold without loss or matured. All new lending would be done using one day repurchase agreements of U.S. Government guaranteed securities as re-investment. The expectation was that both lending revenue and utilization would drop substantially, resulting in the need to reduce the number of lending agents in the program. One agent lender's program was transitioned to the FRS custodian, leaving two third party agents. At June 30, 2010, approximately 82% of the lending program was intrinsic, with full implementation expected by June 30, 2011.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2010 (in thousands):

### Schedule of Other Investments on Loan Under Security Lending Agreements As of June 30, 2010

Securities on Loan for Cash Collateral, by Investment type	Fair value <sup>1</sup>		Other funds Managed by SBA		Total
	FRS Pension Trust Fund				
U.S. guaranteed obligations	\$ 788,956		\$ 1,978,963		\$ 2,767,919
Federal agencies	239,701		16,851		256,552
Domestic bonds & notes	538,976		157,661		696,637
International bonds & notes	146,134		.....		146,134
Domestic stocks	2,228,136		68,898		2,297,031
International stocks	1,178,119		3,565		1,181,684
Total securities on loan for cash collateral	\$ 5,120,022		\$ 2,225,935		\$ 7,345,957
Securities on Loan for Non-Cash Collateral, by Investment Type					
U.S. guaranteed obligations	\$ .....		\$ 3,540		\$ 3,540
Domestic stocks	17,010		.....		17,010
Total securities on loan for non-cash collateral	17,010		3,540		20,550
Total securities on loan	\$ 5,137,032		\$ 2,229,475		\$ 7,366,507

<sup>1</sup> The fair value equals the carrying value of investments on loan. Fair value includes accrued interest on debt securities.

## 6. Derivatives

### Pooled Investments with the State Treasury

Pursuant to the State Treasury's established investment policy guidelines, interest rate futures are used as part of the investment strategy related to interest rate risk, duration adjustments, and yield curve strategies. Although put and call options on any security permitted under the State Treasury's investment guidelines are authorized interest rate futures were the only type of derivative utilized. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2010. As of June 30, 2010, all of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2010.

A summary of investment derivatives traded in the State Treasury is presented below (in thousands).

State Treasury	Changes in Fair Value		Fair Value at June 30, 2010		Notional (in US \$)
	Classification	Amount	Classification	Amount	
Investment derivative instruments:					
Futures	Investment Income	\$ 13,714	Investments	\$ 2,133	\$ 128,800
GNMA commitments to purchase	Investment Income	6,093	Investments	102,521	96,466
FNMA, FHLMC commitments to purchase	Investment Income	13,206	Investments	329,470	311,561

This schedule includes both long and short positions.

See section 1E of Note 1 to these financial statements regarding State Treasury's securities pricing policies and independent pricing services methodologies related to securities not available on quoted market pricing exchanges.

**Other Investments**

Effective July 1, 2009, the SBA adopted GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, which was issued in June 2008. GASB 53 establishes accounting and reporting requirements for derivative instruments. Per GASB 53, a derivative instrument is defined as a financial instrument or other contract that has all of the following characteristics:

- Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Net settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The implementation of GASB 53 had no impact on the financial statements for the fiscal year ended June 30, 2010, as the change in the fair value of derivative instruments was recorded in the accompanying financial statements. The derivative instruments were recorded at fair value in the accompanying financial statements as of June 30, 2010. Derivative instruments consisted of futures, options, mortgage TBAs, forward currency contracts, and swaps.

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets. Derivative instruments shall only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgage-backed security prepayment risk, as well as to cost effectively manage exposure to domestic and international equities and bond and real estate markets.

A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price or rate.

A forward contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward, while the seller of the forward, or "short", agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments with a counterparty. Swaps are available in and between all active financial markets, including, but not limited to, interest rate swaps and credit default swaps. A credit default swap is an agreement that allows one party to "buy" protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The "buyer" of protection pays a premium for the protection, and the "seller" of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit even occurs.

A summary of investment derivatives traded in the Lawton Chiles Endowment Fund and the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2010, all of the SBA investment derivatives were reported at fair value.

Changes in Fair Value			Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	(in US \$)
<b>Governmental activities (Lawton Chiles Endowment Fund)</b>					
Investment derivative instruments:					
Futures	Investment Income	\$ 1	Investment	\$ .....	\$ 902
Forward currency exchange contracts	Investment Income	(99)	Not applicable <sup>4</sup>	.....	.....
<b>Fiduciary funds (FRS Pension Trust Fund)</b>					
Investment derivative instruments:					
Futures <sup>1</sup>	Investment Income	\$ 204,635	Receivable/ Payable	\$ .....	\$ 236,776
Options	Investment Income	3,486	Investment/Liability <sup>2</sup>	(3,142)	(1,226,880)
Forward currency exchange contracts	Investment Income	(11,108)	Receivable/ Payable <sup>3</sup>	1,811	1,811
GNMA commitments to purchase/sell TBAs	Investment Income	35,044	Investment/Liability <sup>2</sup>	487,109	457,455
FNMA, FHLMC commitments to purchase/sell TBAs	Investment Income	152,200	Investment/Liability <sup>2</sup>	2,640,385	2,496,939
Interest rate swaps	Investment Income	(11,577)	Investment/Liability	(6,853)	1,024,840
Credit default swaps	Investment Income	41,954	Investment/Liability	(8,286)	386,636
Total return swaps	Investment Income	37,555	Investment/Liability	4,157	377,665
Equity index swaps	Investment Income	515,033	Not applicable <sup>4</sup>	.....	.....

<sup>1</sup> The total unrealized loss for open futures contracts in the FRS Pension Trust Fund at June 30, 2010, was \$29,335,153. However, the majority of this loss has been settled with cash payments totaling \$26,881,788 sent to the futures clearing broker on or before June 30, 2010. Outstanding remaining net futures trade equity at June 30, 2010, totaled (\$2,453,365). The total notional values on long and short futures positions were \$5,512,165,847 and (\$5,275,389,880), respectively.

<sup>2</sup> Purchased options and mortgage TBAs are reported as investments. Sold options and mortgage TBAs are reported as liabilities. This schedule nets purchase and sell commitments.

<sup>3</sup> The total Receivable and Payable notional and fair values (in U.S. \$) for forward currency exchange contracts in the FRS Pension Trust Fund were \$564,628,863 and (\$562,818,119) as of June 30, 2010. These amounts are reported as "Forward contracts" receivable and "Forward contracts payable" on the Statement of Fiduciary Net Assets.

<sup>4</sup> The forward currency exchange contracts in the Lawton Chiles Endowment Fund and the equity index swaps in the FRS Pension Trust Fund were closed prior to the end of the fiscal year.

The FRS Pension Trust Fund also held units in the SSGA Daily Active Emerging Markets Fund, BlackRock Small Cap Plus, and BlackRock Index Plus Funds. The Funds use equity return swaps and equity futures to gain exposure to certain international equity markets. The FRS Pension Trust Fund does not directly hold positions in these derivatives; it only holds units of the commingled funds.

**7. Reverse Repurchase Agreements**

Section 17.57, F.S., authorizes the State Treasury to enter into reverse repurchase agreements. As of June 30, 2010, the State Treasury was not entered into any Reverse Repurchase Agreements.

**8. Commitments**

At June 30, 2010, the FRS Pension Trust Fund had total unfunded capital commitments of \$6.6 billion that is not recorded on the FRS Pension Trust Fund Statement of Fiduciary Net Assets. The following table depicts the unfunded commitments by asset class (in thousands).

FRS Pension Trust Fund Unfunded Commitments As of June 30, 2010	
Asset Class	Unfunded Commitments (in U.S. \$)
Private Equity <sup>1</sup>	\$ 4,242,412
Strategic Investments	2,126,964
Real Estate	276,661
Total	\$ 6,646,037

<sup>1</sup> Includes \$3,894,293,719 in U.S. dollars and 284,201,694 in Euro currency units with a June 30, 2010 U.S. dollar value of \$348,118,657.

**9. Local Government Investment Pool – Pending Matters Closed**

On March 3, 2010, the SEC completed its investigation relating to the purchase and sale of secured notes issued by KKR Atlantic, KKR Pacific, Ottimo, and Axon (among others) to the SBA on behalf of the LGIP and other funds by various broker-dealers and did not recommend any enforcement action by the Commission.

**NOTE 3 - RECEIVABLES AND PAYABLES**

"Receivables, net" and "Other loans and notes receivables, net," as presented on the Government-wide Statement of Net Assets and the applicable balance sheets and statements of net assets in the fund financial statements, consist of the following (in thousands):

GOVERNMENTAL ACTIVITIES					
General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	
Accounts receivable	\$ 303,436	\$ 26,593	\$ 1	\$ 266,661	\$ 61,249
Due from Federal government	982	21,468	49,282	1,678,187	50,209
Due from other governmental units	364	1,061	.....	6,257	52,822
Interest & dividends receivable	6,396	3,150	3,180	305	5,533
Loans & notes receivable	27,526	94,022	2,520	.....	.....
Fees Receivable	102,873	95	.....	127,672	.....
Taxes receivable	2,263,691	21,150	56,473	.....	188,663
Allowance for uncollectibles	(1,329,866)	(21,736)	(2,455)	(27,464)	(513)
<b>Receivables, net</b>	<b>\$ 1,375,402</b>	<b>\$ 145,803</b>	<b>\$ 109,001</b>	<b>\$ 2,051,618</b>	<b>\$ 357,963</b>
Loans & notes receivable	.....	1,001,158	.....	.....	744,269
Long-term interest receivable	.....	.....	.....	.....	1,138
Other loans & notes receivable	5,809	.....	.....	195,554	1,401
Allowance for uncollectibles	(170)	.....	.....	(173,330)	(9,881)
<b>Other loans &amp; notes receivable, net</b>	<b>\$ 5,639</b>	<b>\$ 1,001,158</b>	<b>\$ 22,224</b>	<b>\$ 736,927</b>	

(Continued below)					
Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities	
Accounts receivable	\$ 285,549	\$ 943,489	\$ 15,720	\$ 53,135	\$ 1,012,344
Due from Federal government	87,279	1,887,407	.....	.....	1,887,407
Due from other governmental units	33,459	93,963	3,431	.....	97,394
Interest & dividends receivable	5,393	23,957	1,264	.....	25,211
Loans & notes receivable	127,491	251,559	.....	.....	251,559
Fees Receivable	232	230,872	.....	.....	230,872
Taxes receivable	5,449	2,535,426	.....	.....	2,535,426
Allowance for uncollectibles	(135,988)	(1,518,022)	(47)	.....	(1,518,069)
<b>Receivables, net</b>	<b>\$ 408,864</b>	<b>\$ 4,448,651</b>	<b>\$ 20,368</b>	<b>\$ 53,135</b>	<b>\$ 4,522,154</b>
Loans & notes receivable	870,860	2,616,287	.....	.....	2,616,287
Long-term interest receivable	397,582	600,346	.....	.....	600,346
Other loans & notes receivable	(165,906)	(349,287)	.....	.....	(349,287)
<b>Other loans &amp; notes receivable, net</b>	<b>\$ 1,102,536</b>	<b>\$ 2,868,484</b>	<b>\$ 20,368</b>	<b>\$ 53,135</b>	<b>\$ 2,868,484</b>

## BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation
Accounts receivable	\$ 3,008	\$ 20,921	\$ 99,417	\$ 10,921	\$ 174,674
Due from Federal government	.....	.....	.....	.....	204,671
Due from other governmental units	175	.....	.....	.....	3,580
Interest & dividends receivable	1,429	760	1,577	23,441	86,565
Loans & notes receivable	.....	.....	.....	339,314	.....
Fees Receivable	.....	.....	.....	.....	2,303
Taxes receivable	.....	.....	.....	.....	345,694
Allowance for uncollectibles	.....	(1,632)	.....	(4)	(216,562)
<b>Receivables, net</b>	<b>\$ 4,612</b>	<b>\$ 20,049</b>	<b>\$ 100,994</b>	<b>\$ 373,672</b>	<b>\$ 600,925</b>

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts receivable	\$ 25,298	\$ 334,239	\$ 5,773	\$ 340,012
Due from Federal government	.....	204,671	.....	204,671
Due from other governmental units	31	3,786	.....	3,786
Interest & dividends receivable	480	114,252	.....	114,252
Loans & notes receivable	.....	339,314	.....	339,314
Fees Receivable	28	2,331	.....	2,331
Taxes receivable	.....	345,694	.....	345,694
Allowance for uncollectibles	(1,541)	(219,739)	.....	(219,739)
<b>Receivables, net</b>	<b>\$ 24,296</b>	<b>\$ 1,124,548</b>	<b>\$ 5,773</b>	<b>\$ 1,130,321</b>

## COMPONENT UNITS

Accounts receivable	\$ 1,452,289
Contracts & grants receivable	209,102
Due from Federal government	13,213
Due from other governmental units	482,486
Interest & dividends receivable	93,543
Loans & notes receivable	97,305
Allowance for uncollectibles	(361,633)
<b>Receivables, net</b>	<b>\$ 1,986,305</b>
Other loans & notes receivable	\$ 3,662,825
Allowance for uncollectibles	(230,188)
<b>Other loans &amp; notes receivable, net</b>	<b>\$ 3,432,637</b>

"Accounts payable and accrued liabilities," as presented on the Government-wide Statement of Net Assets and the applicable balance sheets and statements of net assets in the fund financial statements, consist of the following (in thousands):

	General Fund	Recreation and Conservation	Public Education	Family Services	Transportation
Accounts payable	\$ 403,482	\$ 42,588	\$ 51,029	\$ 1,871,444	\$ 193,676
Accrued salaries & wages	45,133	1,200	43	18,903	7,588
Claims payable	.....	.....	.....	.....	.....
Construction contracts	.....	.....	.....	.....	468,016
Current accrued interest	.....	.....	.....	.....	.....
Deposits payable	160	334	621	12	3,925
Due to Federal government	.....	.....	.....	8,327	.....
Due to other governmental units	135,364	9,895	.....	6,076	8,030
Other payables	.....	.....	.....	.....	.....
Vouchers payable	10,250	.....	.....	.....	8
<b>Accounts payable and accrued liabilities</b>	<b>\$ 594,389</b>	<b>\$ 54,017</b>	<b>\$ 51,693</b>	<b>\$ 1,904,762</b>	<b>\$ 681,243</b>

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts payable	\$ 197,457	\$ 2,759,676	\$ 23,614	\$ 657,612	\$ 3,440,902
Accrued salaries & wages	7,369	80,236	1,572	.....	81,808
Claims payable	.....	.....	61,149	.....	61,149
Construction contracts	3,699	471,715	.....	.....	471,715
Current accrued interest	.....	.....	6,231	.....	6,231
Deposits payable	1,164	6,216	.....	.....	6,216
Due to Federal government	1,222	9,549	.....	.....	9,549
Due to other governmental units	32,083	191,448	22	.....	191,470
Other payables	8,170	8,170	.....	.....	8,170
Vouchers payable	75	10,333	.....	.....	10,333
<b>Accounts payable and accrued liabilities</b>	<b>\$ 251,239</b>	<b>\$ 3,537,343</b>	<b>\$ 92,588</b>	<b>\$ 657,612</b>	<b>\$ 4,287,543</b>

## BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation
Accounts payable	\$ 166	\$ 13,708	\$ 786,566	\$ 28,639	\$ 201,187
Accrued interest payable	.....	.....	41,286	.....	.....
Accrued salaries & wages	.....	50	.....	.....	.....
Construction contracts	25,810	.....	.....	.....	.....
Deposits payable	200	2,450	.....	.....	.....
Due to other governmental units	.....	.....	.....	.....	15,395
<b>Accounts payable and accrued liabilities</b>	<b>\$ 26,176</b>	<b>\$ 16,208</b>	<b>\$ 827,852</b>	<b>\$ 28,639</b>	<b>\$ 216,582</b>

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts payable	\$ 4,280	\$ 1,034,546	\$ 1,850	\$ 1,036,396
Accrued salaries & wages	1,513	1,563	.....	1,563
Construction contracts	.....	25,810	.....	25,810
Deposits payable	46	2,696	.....	2,696
Due to other governmental units	.....	15,395	.....	15,395
<b>Accounts payable and accrued liabilities</b>	<b>\$ 5,839</b>	<b>\$ 1,121,296</b>	<b>\$ 1,850</b>	<b>\$ 1,123,146</b>

## COMPONENT UNITS

Accounts payable	\$ 1,160,880
Accrued interest payable	100,213
Accrued salaries & wages	161,922
Claims payable	1,554,684
Construction contracts	82,277
Deposits payable	83,175
Due to Federal government	2,822
Due to other governmental units	1,198
Other payables	12,186
<b>Accounts payable and accrued liabilities</b>	<b>\$ 3,159,357</b>

## NOTE 4 – TAXES

Florida levies neither a personal income tax nor an ad valorem tax on real or tangible personal property. Taxes are, however, one of the principal sources of financing state operations. A schedule of tax revenues by major tax type for each applicable major governmental fund, and for nonmajor governmental funds in the aggregate, is presented below (in thousands):

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Sales and use tax	\$ 16,969,252	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ 16,969,252
Fuel taxes:							
Motor fuel tax	.....	.....	.....	.....	2,158,080	.....	2,158,080
Pollutant tax	.....	235,274	.....	.....	.....	.....	235,274
Aviation fuel tax	.....	.....	.....	.....	52,407	.....	52,407
Solid minerals severance tax	.....	55,108	.....	.....	.....	.....	55,108
Oil and gas production tax	4,324	.....	.....	.....	.....	.....	4,324
Total fuel taxes	4,324	290,382	.....	.....	2,210,487	.....	2,505,193
Corporate income tax	1,785,291	.....	.....	.....	.....	.....	1,785,291
Documentary stamp tax	1,077,836	.....	.....	.....	.....	.....	1,077,836
Intangible personal property tax	158,643	.....	.....	.....	.....	.....	158,643
Communications service tax	1,083,761	.....	431,914	.....	.....	.....	1,515,675
Estate tax	3,444	.....	.....	.....	.....	.....	3,444
Gross receipts utilities tax	.....	7,131	665,882	.....	.....	.....	673,013
Beverage and tobacco taxes:							
Alcoholic beverage tax	552,156	.....	.....	.....	.....	11,800	563,956
Cigarette tax	1,283,085	.....	.....	.....	.....	.....	1,283,085
Smokeless tobacco tax	25,605	.....	.....	.....	.....	.....	25,605
Total beverage and tobacco taxes	1,860,846	.....	.....	.....	.....	11,800	1,872,646
Other taxes:							
Insurance premium tax	854,748	.....	.....	.....	.....	7,772	862,520
Hospital public assistance tax	.....	.....	.....	765,539	.....	.....	765,539
Citrus excise tax	.....	.....	.....	.....	.....	41,204	41,204
Pari-mutuel wagering tax	5,225	.....	.....	.....	.....	155,781	161,006
Total other taxes	859,973	.....	.....	765,539	.....	204,757	1,830,269
<b>Total</b>	<b>\$ 23,803,370</b>	<b>\$ 297,513</b>	<b>\$ 1,097,796</b>	<b>\$ 765,539</b>	<b>\$ 2,210,487</b>	<b>\$ 216,557</b>	<b>\$ 28,391,262</b>

A reconciliation of balances in governmental fund statements to government-wide financial statements follows (in thousands):

	Sales and Use Tax
Governmental fund statements	\$ 16,969,252
Government-wide accruals	132,802
Government-wide statements	<b>\$ 17,102,054</b>

## NOTE 5 - CAPITAL ASSETS

Capital 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

For financial statement purposes, the state reports capital assets under the following categories and has established a reporting capitalization threshold for each category. Applicable capital assets are depreciated over the appropriate estimated useful lives using the straight-line method.

Capital Asset Category	Financial Statement Capitalizing Threshold	Estimated Useful Life (in Years)
<b>Land and other nondepreciable assets</b>	Capitalize all	Not depreciable
<b>Nondepreciable infrastructure</b>	Capitalize all	Not depreciable
<b>Construction work in progress</b>	\$100,000 when work is completed	Not depreciable
<b>Buildings, equipment, and other depreciable assets</b>		
Buildings and building improvements	\$100,000	5 - 50
Infrastructure and infrastructure improvements (depreciable)	\$100,000	3 - 50
Leasehold improvements	\$100,000	2 - 15
Intangible assets	\$4,000,000	2 - 30
Property under capital lease	Threshold correlates to asset category	2 - 20
Furniture and equipment	\$1,000 and \$250 for non-circulated books	2 - 25
Works of art and historical treasures	Items capitalized as of June 30, 1999, remain capitalized; capitalize unless considered a collection	5 - 50
Library resources	\$25	5 - 50
Other capital assets	\$1,000	3 - 20

The state has elected to use the modified approach for accounting for its bridges and roadways included in the State Highway System. Under this approach, the Department of Transportation has made the commitment to preserve and maintain these assets at levels established by the Department of Transportation and approved by the Florida Legislature. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The Department of Transportation maintains an inventory of these assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. In addition, the Department of Transportation makes annual estimates of the amounts that must be expended to preserve and maintain these assets at the predetermined condition levels. Refer to the Required Supplementary Information for additional information on infrastructure using the modified approach.

Not included in the reported capital assets are the irreplaceable collections at various historic sites and museums throughout the state. For example, the Museum of Florida History, located in Tallahassee, currently has artifacts illustrating the history of Florida since the arrival of human beings on the peninsula. It also has access to collections that include Florida upland and underwater archaeology, Florida archives, and Florida and Spanish colonial numismatics.

Depreciation expense charged to functions of governmental activities for the year ended June 30, 2010, is as follows (in thousands):

General Government	\$	62,490
Education		5,804
Human Services		37,660
Criminal Justice & Correction		93,553
Natural Resources & Environment		62,267
Transportation		51,229
State Courts		3,849
<b>Total depreciation expense (governmental activities)</b>	<b>\$</b>	<b>316,852</b>

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Primary government capital asset activities for the fiscal year ended June 30, 2010, are as follows (in thousands):

## GOVERNMENTAL ACTIVITIES

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
<b>Capital assets, not being depreciated:</b>				
Land and other nondepreciable assets	\$ 16,230,555	495,418	24,565	\$ 16,701,408
Infrastructure and infrastructure improvements - nondepreciable	31,381,879	1,843,546	.....	33,225,425
Construction work in progress	7,124,918	1,908,880	1,928,790	7,105,008
<b>Total capital assets, not being depreciated</b>	<b>54,737,352</b>	<b>4,247,844</b>	<b>1,953,355</b>	<b>57,031,841</b>
<b>Capital assets, being depreciated:</b>				
Buildings and building improvements	3,836,907	416,063	65,788	4,187,182
Infrastructure and infrastructure improvements	546,904	17,389	1,101	563,192
Leasehold improvements	268	346	.....	614
Property under capital lease	420,057	8,530	246,722	181,865
Furniture and equipment	1,781,128	174,341	176,059	1,779,410
Works of art and historical treasures	1,457	.....	.....	1,457
Library resources	29,999	9,702	9,241	30,460
Other	57,572	9,736	676	66,632
<b>Total capital assets, being depreciated</b>	<b>6,674,292</b>	<b>636,107</b>	<b>499,587</b>	<b>6,810,812</b>
<b>Less accumulated depreciation for:</b>				
Buildings and building improvements	1,829,177	127,277	451	1,956,003
Infrastructure and infrastructure improvements	255,038	23,209	465	277,782
Leasehold improvements	125	35	.....	160
Property under capital lease	51,889	3,104	16,819	38,174
Furniture and equipment	1,248,084	153,146	111,024	1,290,206
Works of art and historical treasures	612	30	21	621
Library resources	12,397	2,913	2,032	13,278
Other	37,464	7,138	377	44,225
<b>Total accumulated depreciation</b>	<b>3,434,786</b>	<b>316,852</b>	<b>131,189</b>	<b>3,620,449</b>
<b>Total capital assets, being depreciated, net</b>	<b>3,239,506</b>	<b>319,255</b>	<b>368,398</b>	<b>3,190,363</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 57,976,858</b>	<b>\$ 4,567,099</b>	<b>\$ 2,321,753</b>	<b>\$ 60,222,204</b>

## BUSINESS-TYPE ACTIVITIES

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
<b>Capital assets, not being depreciated:</b>				
Land and other nondepreciable assets	\$ 881,194	\$ 35,957	4,607	\$ 912,544
Infrastructure and infrastructure improvements - nondepreciable	5,542,756	573,907	5,699	6,110,964
Construction work in progress	845,547	358,254	579,640	624,161
<b>Total capital assets, not being depreciated</b>	<b>7,269,497</b>	<b>968,118</b>	<b>589,946</b>	<b>7,647,669</b>
<b>Capital assets, being depreciated:</b>				
Buildings and building improvements	257,562	17,822	2,544	272,840
Infrastructure and infrastructure improvements	60	591	.....	651
Furniture and equipment	169,258	13,684	11,718	171,224
Library resources	2	.....	2	.....
Other	8,544	1,042	.....	9,586
<b>Total capital assets, being depreciated</b>	<b>435,426</b>	<b>33,139</b>	<b>14,264</b>	<b>454,301</b>
<b>Less accumulated depreciation for:</b>				
Buildings and building improvements	108,635	8,499	1,422	115,712
Infrastructure and infrastructure improvements	40	14	.....	54
Furniture and equipment	111,656	11,368	5,940	117,084
Other	8,215	361	.....	8,576
<b>Total accumulated depreciation</b>	<b>228,546</b>	<b>20,242</b>	<b>7,362</b>	<b>241,426</b>
<b>Total capital assets, being depreciated, net</b>	<b>206,880</b>	<b>12,897</b>	<b>6,902</b>	<b>212,875</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 7,476,377</b>	<b>\$ 981,015</b>	<b>\$ 596,848</b>	<b>\$ 7,860,544</b>

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Component units' capital asset activities for the fiscal year ended June 30, 2010, are as follows (in thousands):

## COMPONENT UNITS

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
<b>Capital assets, not being depreciated:</b>				
Land and other non-depreciable assets	\$ 5,714,928	\$ 128,085	\$ 81,390	\$ 5,761,623
Construction work in progress	2,051,028	951,108	1,409,265	1,592,871
<b>Total capital assets, not being depreciated</b>	<b>7,765,956</b>	<b>1,079,193</b>	<b>1,490,655</b>	<b>7,354,494</b>
<b>Capital assets, being depreciated:</b>				
Buildings and building improvements	12,616,217	1,632,558	280,823	13,967,952
Infrastructure and infrastructure improvements	1,972,187	97,148	6,632	2,062,703
Leasehold improvements	240,949	44,937	5,740	280,146
Property under capital lease	137,814	2,079	19,247	120,646
Furniture and equipment	3,366,283	354,864	207,110	3,514,037
Works of art and historical treasures	2,885	190	136	2,939
Library resources	814,527	43,265	16,926	840,866
Other	197,415	21,862	4,225	215,052
<b>Total capital assets, being depreciated</b>	<b>19,348,277</b>	<b>2,196,903</b>	<b>540,839</b>	<b>21,004,341</b>
<b>Less accumulated depreciation for:</b>				
Buildings and building improvements	3,952,962	367,522	106,900	4,213,584
Infrastructure and infrastructure improvements	622,661	66,655	2,361	686,955
Leasehold improvements	64,329	12,390	5,536	71,183
Property under capital lease	53,021	6,952	3,632	56,341
Furniture and equipment	2,276,831	268,436	172,817	2,372,450
Works of art and historical treasures	904	203	98	1,009
Library resources	584,759	42,531	13,812	613,478
Other	150,659	20,466	2,843	168,282
<b>Total accumulated depreciation</b>	<b>7,706,126</b>	<b>785,155</b>	<b>307,999</b>	<b>8,183,282</b>
<b>Total capital assets, being depreciated, net</b>	<b>11,642,151</b>	<b>1,411,748</b>	<b>232,840</b>	<b>12,821,059</b>
<b>Component units capital assets, net</b>	<b>\$ 19,408,107</b>	<b>\$ 2,490,941</b>	<b>\$ 1,723,495</b>	<b>\$ 20,175,553</b>

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## NOTE 6 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

## A. Pensions

## 1. The Florida Retirement System

The Florida Retirement System (FRS) was created in Chapter 121, F. S., effective December 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, Florida Statutes [F.S.]), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.), and the Highway Patrol Pension Trust Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Section 121.046, F.S.) was closed and consolidated into the FRS. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the Public Employee Optional Retirement Program (PEORP), also referred to as the FRS Investment Plan. Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, F.S., was consolidated under the Florida Retirement System defined benefit plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, F.S., also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class membership, and faculty and specified employees in the state university system and state community colleges. Provisions relating to the FRS are also contained in Chapter 112, F.S.

FRS membership is compulsory for all employees filling a regularly established position in a state agency, county agency, state university, state community college, or district school board. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five general classes of membership, as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the Senior Management Service Class in lieu of the Elected Officers' Class.
- *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers, certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class (EOC)* - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

The FRS defined benefit plan (the FRS Pension Plan) provides vesting of benefits after six years of service for all membership classes. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may

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be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

- **Regular Class, Senior Management Service Class, and Elected Officers' Class Members** - Six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. 30 years of creditable service regardless of age before age 62.
- **Special Risk Class and Special Risk Administrative Support Class Members** - Six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. 25 years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

*Note: Any member not employed in a regularly established position on July 1, 2001, becomes vested upon completion of one year of creditable service after July 1, 2001.*

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a 3% cost-of-living adjustment.

The Deferred Retirement Option Program (DROP) became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. Defined benefit plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest. As of June 30, 2010, the FRS Trust Fund projected \$2,331,167,940 in accumulated benefits and interest for 33,577 current and prior participants in the DROP.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan. The State Board of Administration invests the assets of the Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded through earnings on investments of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The State Board of Administration administers the defined contribution plan officially titled the Public Employee Optional Retirement Program (FRS Investment Plan). Service retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service for Investment Plan contributions regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. The Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.05% of payroll and for forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Except in those instances where employees have elected to remain in pre-existing plans, employees make no required contributions. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3)(f), F.S., any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for all defined benefit pension plans at June 30, 2010, was \$107,245,391,462. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

### FRS Retirement Contribution Rates:

Membership Class	Fiscal Year 2009-2010*	Rates* (Ch. 121, F.S.)
Regular	9.57%	8.69%
Senior Management Service	12.93%	11.96%
Special Risk	21.99%	19.76%
Special Risk Administrative Support	12.04%	11.39%
Elected Officers - Judges	20.57%	18.40%
Elected Officers - Legislators/Attorneys/Cabinet	14.83%	13.32%
Elected Officers - County	17.27%	15.37%
Deferred Retirement Option Program - applicable to members from all of the above classes or plans	11.14%	9.80%

\* Rates indicated are uniform rates for all FRS members created by blending the FRS Investment Plan and FRS Pension Plan rates and do not include a 0.05% contribution for the FRS Investment Plan administration and educational program fee. The FRS Pension Plan rates for 2009-10 used in the statutory rates are offset (reduced) using surplus actuarial assets.

### FRS Participating Employers:

State Agencies	55
County Agencies	396
District School Boards	67
Community Colleges	28
Cities	182 *
Special Districts	231 *
Hospitals	5 *
Other	12
<b>Total Participating Employers</b>	<b>976</b>

\* These totals include the 26 cities, 5 independent hospitals, and 12 independent special districts that are closed to new FRS members as of January 1, 1996.

### FRS Membership:

Member Types	Regular Class	SMSC	Special Risk	Special Risk Admin Supp	EOC	Total
Active:						
Non-vested	153,183	1,430	22,964	1	403	177,981
Vested	417,015	6,318	52,102	70	1,881	477,386
DROP Participants	29,678	575	3,053	6	265	33,577
Current Retirees and Beneficiaries	273,766	2,267	25,295	165	2,059	303,552
Vested Terminated	82,209	934	5,263	17	333	88,756
<b>Total Members</b>	<b>955,851</b>	<b>11,524</b>	<b>108,677</b>	<b>259</b>	<b>4,941</b>	<b>1,081,252</b>

The above counts for "Current Retirees and Beneficiaries" do not reflect the FRS Investment Plan members who retired.

Additional information about the FRS Pension Plan can be obtained from the Research and Education Section, Division of Retirement by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877) 377-1737 or (850) 488-5706; by email at rep@dms.myflorida.com; or at the Division's website (<http://frs.myflorida.com>).

### FRS Participation by the State of Florida

The State of Florida contributes to the FRS as a participating employer. State participation for the following disclosure includes the employees of state agencies and the State University System that elect to participate in the FRS. The state contributes to both the defined benefit and defined contribution plans within the FRS. For the fiscal year ended June 30, 2010, the state's total covered payroll for its 140,198 active members and 8,672 DROP participants is \$5,816,142,537 with contributions totaling \$686,993,414, or 11.81% of payroll. Contributions for the fiscal years ending June 30, 2008, and June 30, 2009, were \$672,250,883 and \$678,565,996, respectively. These amounts were equal to the required contributions for each year. Covered payroll refers to FRS-eligible compensation paid by the state to active FRS-participating employees on which contributions are owed. The state's contributions represented 21.87% of the total contributions required of all participating employers.

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services (OPS) status are not covered by the FRS.

### 2. Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2010, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees. For the fiscal year ended June 30, 2010, the contribution rate was 1.11% of payroll pursuant to Section 112.363, F.S. The state contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

The Other Required Supplementary Information section of this report includes actuarial and other information regarding this HIS Program. The HIS Program disclosures are also included in the FRS Annual Report prepared by the Division of Retirement. For a copy of that report or other information regarding this benefit, please contact the Division of Retirement by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877) 377-1737 or (850) 488-5706; or by email at rep@dms.myflorida.com. The table below provides additional information for the HIS as of June 30 (in thousands where amounts are dollars):

	2008	2009	2010
Recipients	244,390	256,452	269,999
Contributions	\$334,819	\$341,569	\$332,023
Benefits paid	\$305,682	\$321,742	\$338,892
Trust Fund net assets	\$275,139	\$294,547	\$291,459

### 3. Funded Status for Defined Benefit Pension Plans

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

Pension Plan	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
FRS	July 1, 2009	\$ 118,764,692	\$ 136,375,597	\$ 17,610,905	87.09%	26,573,196 <sup>(1)</sup>	66.27%
HIS	July 1, 2008	\$ 275,139	\$ 5,109,683	\$ 4,834,544	5.38%	30,665,477 <sup>(2)</sup>	15.77%

Additional information as of the latest actuarial valuation follows:

	FRS	HIS
Valuation date	July 1, 2009	July 1, 2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Equivalent single amortization period	30 Years <sup>(3)</sup> Open	30 Years <sup>(3)</sup> Open
Asset valuation method	5-Year Smoothed Method	Market Value
Actuarial assumptions:		
Investment rate of return	7.75% <sup>(4)</sup>	7.75% <sup>(4)</sup>
Projected salary increases	5.85% <sup>(4,5)</sup>	6.25% <sup>(4,5)</sup>
Cost-of-living adjustments	3.00%	0.00%

<sup>(1)</sup> Includes Deferred Retirement Option Program (DROP) payroll.

<sup>(2)</sup> Includes Deferred Retirement Option Program (DROP) and Public Employee Optional Retirement Program (PEORP) payroll.

<sup>(3)</sup> Used for GASB Statement No. 27 reporting purposes.

<sup>(4)</sup> Includes inflation at 3.00%.

<sup>(5)</sup> Includes individual salary growth of 4.00% plus an age- and service-graded merit scale defined by gender and employment class.

The FRS schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to actuarial accrued liability for benefits. The Retiree HIS schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits as of July 1, 2008, the most recent actuarial valuation available.

**4. Other Defined Contribution Programs (Optional Retirement Programs)****State University System Optional Retirement Program (SUSORP)**

Section 121.35, F.S., created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. This program is designed to aid universities in recruiting employees who may not remain in the FRS long enough to vest. The SUSORP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed by the participant to provide retirement and death benefits. Employees in eligible positions are compulsory participants in the SUSORP unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP participants and cannot elect FRS membership.

The employing universities were statutorily required to contribute 10.43% of the participants' gross monthly compensation from July 2009 through June 2010. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize any unfunded actuarial liability (UAL). There was no UAL payment required for fiscal year 2009-10. In accordance with Chapter 60U-2, Florida Administrative Code, 0.01% of the employer contribution rate was used for the administration of the SUSORP program and 10.42% was distributed to the provider companies designated by the participant. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. Additional information pertaining to the SUSORP is as follows:

Members	16,322	
Payroll	\$ 1,311,788,724	
Contributions:		
Employee	\$ 63,097,250	4.81% of payroll
Employer	\$ 139,387,909	10.63% of payroll

**Senior Management Service Optional Annuity Program (SMSOAP)**

Section 121.055, F.S., created the SMSOAP as an optional retirement program for state members of the Senior Management Service Class. The SMSOAP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed to provide retirement and death benefits. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers were required to contribute 12.49% of covered payroll from July 2009 through June 2010. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability (UAL). There was no UAL payment required for fiscal year 2009-10. The employers' contributions were paid to the provider companies designated by the participant. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the employer. Additional information pertaining to the SMSOAP is as follows:

Members	43	
Payroll	\$ 4,230,968	
Contributions:		
Employee	\$ 7,077	0.17% of payroll
Employer	\$ 558,682	13.20% of payroll

**B. Other Postemployment Benefits (OPEB)**

The following is based on the actuarial valuation as of July 1, 2009 of the State Employees' Health Insurance Program.

Plan Description

The state implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same group health plan offered to active employees. Although retirees pay 100% of the premium amount, the premium cost to the retiree is implicitly subsidized due to increasing health care costs with age and the commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. Section 110.123, F.S., authorizes the offering of health insurance benefits to retired state and university employees. Section 112.0801, F.S., requires all public employers that offer benefits through a group insurance plan to allow their retirees to continue participation in the plan. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active

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employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the plan is secondary payer to Medicare Parts A and B. The State Employees' Group Health Insurance Program (Program) operates as a cost-sharing multiple-employer defined benefit health plan; however, current administration of the Program is not through a formal trust and therefore disclosure requirements are those applicable to an agency multiple-employer plan. The Division of State Group Insurance within the Department of Management Services is designated by Section 110.123, F.S., to be responsible for all aspects of the purchase of healthcare for state and university employees and retirees under the Program.

There are eighteen participating employers including the primary government of the state, the eleven state universities, and other governmental entities. There was an average enrollment of 177,197 contracts including 35,588 retirees and 141,609 employees and COBRA participants for fiscal year 2009-10. Employees must make an election to participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

The asset and liability balances relating to retiree participation in the state group health insurance program are reported in an Agency Fund on the accrual basis of accounting. Premium payments from retirees are recognized as revenue in the period in which the payments are due. Costs for providing benefits, which include premiums and direct healthcare services, are recognized as an expense when incurred.

Funding Policy

Benefit provisions are described by Section 110.123, F.S., and along with contributions, can be amended by the Florida Legislature. The state has not advance-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the budget levels needed for the state's planning and budgeting process. The Governor's recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis. Monthly premiums, through May 2010 coverage, for active employees and retirees under the age of 65 for the standard plan were \$498.68 and \$1,127.74 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through May 2010 coverage, for the standard Preferred Provider Organization Plan were \$264.78 for a single contract, \$529.56 for two Medicare eligible members, and \$763.46 when only one member is Medicare eligible.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2010 (dollars in thousands):

Annual required contribution (ARC)	\$ 254,754
Interest on the net OPEB obligation	5,856
Adjustments to the ARC	(4,879)
Annual OPEB Cost	255,731
Employer contribution	(82,375)
Increase/Decrease in net OPEB obligation	173,356
Net OPEB obligation - July 1, 2009	146,394
Net OPEB obligation - June 30, 2010	\$ 319,750
Percent of annual OPEB cost contributed	32.21%

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Funded Status

The funded status of the plan as of June 30, 2010, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2009
Actuarial accrued liability (AAL)*	\$ 3,742,846
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 3,742,846
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	\$ 4,639,396
UAAL as a percentage of covered payroll	80.68%

\*Forecasted for June 30, 2010 from the July 1, 2009 valuation

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, immediately following the notes to the financial statements, presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The entry age actuarial cost method was used for the actuarial valuation as of July 1, 2009. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 4% payroll growth rate. An initial healthcare cost trend rate for the Preferred Provider Organization (PPO) Plans and the Health Maintenance Organization (HMO) Plans of 10.32% and 10.0%, respectively, grading to 5.10% over the course of 70 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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**NOTE 7 - COMMITMENTS AND OPERATING LEASES****A. Construction Commitments**

Road and bridge construction projects, supervised by the Department of Transportation, are included in the Department of Transportation work program, which is updated during each budget cycle. As of June 30, 2010, the Department had available approximately \$5.7 billion in budget authority committed on executed contracts arising from both current and prior year projects. Other major construction commitments of the State of Florida at June 30, 2010, totaled \$780 million. Additional disclosures on construction in progress are included in the capital assets note (Note 5). Construction commitments for component units totaled \$9.5 billion.

**B. Florida Ports Financing Commission Revenue Bonds**

The state has enacted legislation obligating it to remit annually \$25 million to a designated trustee for the purpose of repaying the debt on certain Florida Ports Financing Commission revenue bonds. The Florida Ports Financing Commission is not part of the state's reporting entity. These revenue bonds do not create or constitute a legal obligation or debt of the state. Funding for the annual remittance comes from the State of Florida, Department of Transportation's portion of motor vehicle registration fees, which was \$455,481,483 for the fiscal year ended June 30, 2010. Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2010, amounted to \$282,685,000 including Series 1996 bonds payable of \$161,380,000 and Series 1999 bonds payable of \$121,305,000.

**C. Operating Leases**

Operating leases are not recorded on the balance sheets or statements of net assets; however, operating lease payments are recorded as expenditures/expenses when incurred. Total operating lease payments for the state's governmental activities, business-type activities, and component units were \$150 million, \$11.6 million, and \$65.5 million, respectively, for the year ended June 30, 2010. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2010 (in thousands):

Year Ending June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2011	\$ 139,370	\$ 9,947	\$ 56,945
2012	136,914	9,160	35,686
2013	127,474	8,158	29,021
2014	115,564	7,396	17,873
2015	107,760	7,031	13,403
2016-2020	261,901	28,419	35,659
2021-2025	19,019	11,691	18,127
2026-2030	3,270	11,691	10,957
2031-2035	897	11,691	3,007
2036-2040	928	11,691	1,757
2041-2045			1,427
2046-2050			1,427
2051-2055			827
2056-2060			85
Total	\$ 913,097	\$ 116,875	\$ 226,201

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## NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

## A. Bonds Payable

## 1. Outstanding Bonds

Bonds payable at June 30, 2010, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
<b>Governmental Activities:</b>				
Road and Bridge Bonds	\$ 2,185,775	\$ 1,909,440	3.000%-6.375%	2039
SBE Capital Outlay Bonds	852,625	642,660	3.000%-5.375%	2029
Lottery Education Bonds	3,561,165	2,940,420	2.000%-6.584%	2029
Public Education Bonds	14,139,752	11,230,384	2.000%-9.125%	2039
State University System Bonds	325,625	234,435	3.700%-6.500%	2033
University Auxiliary Bonds	869,037	682,382	2.000%-6.875%	2039
Inland Protection Bonds	96,730	95,185	4.260%-5.400%	2024
Conservation and Recreation Lands Bonds	32,670	5,670	5.375%-5.375%	2012
Save Our Coast Bonds	74,575	10,770	3.250%-5.000%	2012
Preservation 2000 Bonds	587,855	197,875	4.000%-6.000%	2013
Florida Forever Bonds	2,751,505	2,153,210	2.000%-7.045%	2029
Water Pollution Control Bonds	389,775	323,565	2.200%-5.500%	2029
Florida Facilities Pool Bonds	493,755	394,000	3.500%-5.750%	2039
State Infrastructure Bank Bonds	123,615	100,040	4.250%-5.000%	2027
Everglades Restoration Bonds	242,105	224,295	0.220%-6.450%	2029
	26,726,564	21,144,331		
Unamortized premiums (discounts) on bonds payable		557,278		
Less amount deferred on refunding		(151,060)		
Total Bonds Payable	\$ 26,726,564	\$ 21,550,549		
<b>Business-type Activities:</b>				
Toll Facilities Bonds	\$ 3,521,135	\$ 2,949,750	2.000%-6.800%	2040
Florida Hurricane Catastrophe Fund Bonds	6,150,945	5,649,860	1.130%-5.250%	2017
	9,672,080	8,599,610		
Unamortized premiums (discounts) on bonds payable		126,729		
Less amount deferred on refunding		(41,101)		
Total Bonds Payable	\$ 9,672,080	\$ 8,685,238		

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## 2. Types of Bonds

**Road and Bridge (serial and term) Bonds** are secured by a pledge of a portion of the state-assessed motor fuel tax revenues, discretionary sales tax levied by the City of Jacksonville, and by a pledge of the full faith and credit of the state.

**State Board of Education (SBE) Capital Outlay Bonds** are issued to finance capital outlay projects of school districts and community colleges. The bonds mature serially and are secured by a pledge of a portion of the state-assessed motor vehicle license tax and by a pledge of the full faith and credit of the state.

**Lottery Education Bonds** are issued to finance all or a portion of the costs of various local school district educational facilities. The bonds mature serially and are secured by a pledge of a portion of the lottery revenues transferred to the Educational Enhancement Trust Fund.

**Public Education Bonds** are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's gross receipts tax revenues and by a pledge of the full faith and credit of the state.

**State University System Bonds** are issued to construct university student life facilities. The bonds mature serially and are secured by a system pledge of Capital Improvement Fee and net Student Building Fee revenues.

**University Auxiliary Bonds** are issued to construct university facilities, including parking and housing. The bonds mature serially and are secured by university pledges of certain housing system revenues, parking system revenues, and student fee assessments.

**Conservation and Recreation Lands Bonds** are issued to acquire lands, water areas, and related resources. The bonds mature serially and are primarily secured by a pledge of the documentary stamp tax and a portion of the phosphate severance tax.

**Save Our Coast Bonds** are used to finance the purchase of environmentally significant coastal property. The bonds mature serially and are secured by a pledge of State Land Acquisition Trust Fund collections (primarily documentary stamp taxes).

**Preservation 2000 Bonds** are issued to pay the cost of acquiring lands and related resources in furtherance of outdoor recreation and natural resources conservation. The bonds mature serially and are secured by a pledge of a portion of the documentary stamp tax.

**Florida Forever Bonds** are issued to finance the cost of acquisition and improvements of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development, or historical preservation. The bonds mature serially and are secured by a pledge of a portion of the documentary stamp tax.

**Water Pollution Control Bonds** are issued by the Water Pollution Control Financing Corporation (a blended component unit) to fund loans to local governments to finance or refinance the cost of wastewater treatment and storm water management projects. The bonds mature serially and are secured by a pledge of the loan payments from local governments.

**Inland Protection Bonds** are issued by the Inland Protection Financing Corporation (a blended component unit) for the purpose of financing the rehabilitation of petroleum contaminated sites. The bonds mature serially and are secured by a pledge of moneys derived from a wholesale excise tax primarily on petroleum products.

**State Infrastructure Bank Bonds** are issued primarily to finance loans made for the purpose of financing qualified transportation projects. The bonds mature serially and are secured by a pledge of repayments on pledged loans and moneys and investments held in reserve accounts.

**Florida Facilities Pool Bonds** are issued to provide funds for the acquisition and construction of facilities to be leased to state agencies. The bonds, serial and term, are secured by a pledge of the revenues derived from the leasing and operations of these facilities.

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**Everglades Restoration Bonds** are revenue bonds issued to finance or refinance the costs of acquisition and improvement of lands, water areas, and related property interests and resources for the purpose of implementing the Comprehensive Everglades Restoration Plan. The bonds mature serially and are secured by a pledge of a portion of the documentary stamp tax.

**Toll Facilities Bonds** are issued to provide construction funds for roads and bridges. Toll bonds, serial and term, are secured by a pledge of toll facility revenues.

**Florida Hurricane Catastrophe Fund Bonds** are issued by the Florida Hurricane Catastrophe Fund Finance Corporation to make payments to participating insurers for losses resulting from 2005 covered events (hurricanes). The bonds mature serially and are secured by emergency assessments and reimbursement premiums. Pre-event notes are also issued to provide a source of funds to reimburse participating insurers for losses relating to future covered events and are secured by reimbursement premiums.

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## 3. Pledged Revenues (in thousands):

Bond Type	Revenue <sup>4</sup>	Less Operating Expenses	Net Available for Debt Service	Debt Service <sup>2</sup>	Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio
Florida Turnpike (Toll Facility)	\$ 611,596	\$ 172,422	\$ 439,174	\$ 91,405	132.816	1.96 2039/2040	\$ 4,845,440	71.81%
Save Our Coast <sup>1</sup>	85,749	—	85,749	9,450	937	8.26 2011/2012	11,380	8.72%
Florida Forever/P2000/Everglades <sup>1</sup>	622,282	—	622,282	275,925	127.008	1.54 2028/2029	3,501,387	63.31%
Conservation and Recreation Land <sup>1,2</sup>	44,599	—	44,599	2,580	443	14.75 2011/2012	6,132	3.12%
Lottery Education <sup>1,3</sup>	1,247,150	—	1,247,150	156,660	145.787	4.12 2028/2029	4,154,927	Not Available
Alligator Alley (Toll Facility)	19,948	6,360	13,588	1,460	1.988	3.94 2026/2027	58,637	68.12%
State Infrastructure Bank	48,924	—	48,924	7,075	5.296	3.95 2026/2027	129,317	Not Available
Florida Hurricane Catastrophe	1,798,380	15,467	1,782,913	256,655	115.739	4.79 2015/2016	6,113,679	99.14%

<sup>1</sup> Operating Expenses are not listed for the Lottery Program and the Environmental Programs e.g. Save Our Coast, Florida Forever/Preservation 2000 and Conservation Recreation Land Programs. For these programs, either no operating expenses reduce revenues available for debt service, or, in the case of the Lottery, include expenses unrelated to the operation of the program, such as payment of lottery prizes. Instead, for these programs, the revenue shown is the amount available to pay debt service.

<sup>2</sup> Phosphate Severance Tax and Documentary Stamp Tax Revenue: pledged to the bonds are combined in calculating revenue. The Phosphate Severance Tax is a fixed amount of \$10,000,000 per year. Revenues are reduced by amounts transferred to State Game Trust Fund pursuant to Section 201.15(5), Florida Statutes.

<sup>3</sup> Source: Department of Lottery, Audited Financial Statements.

<sup>4</sup> Refer to Note 8A.2. for information on the sources of pledged revenues.

<sup>5</sup> Debt service interest is shown net of interest subsidy payments received from the Federal Government for Build America Bonds.

## 4. State Debt Limitations

Section 215.98, F.S., establishes the ratio of tax-supported debt service to tax-supported revenues as the benchmark debt ratio for purposes of setting the state's legal debt margin. Under the policy, if the ratio exceeds 6%, additional tax-supported debt may be authorized only if the legislature determines the additional debt is in the best interest of the state. If the ratio exceeds 7%, additional tax-supported debt may be authorized only if the legislature determines it is necessary to address a critical state emergency. During fiscal years 2008-09 and 2009-10, the ratio exceeded 7%, primarily because of the reductions in tax revenues. Section 57, Chapter 2009-82, Laws of Florida, provided the legislature's determination that the authorization and issuance of debt for the 2009-10 fiscal year was in the best interest of the state and necessary to address a critical state emergency.

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**5. Debt Service Requirements**

Annual debt service requirements to amortize bonds at June 30, 2010, are as follows (in thousands):

Year Ending June 30	Primary Government					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,114,590	\$ 1,036,120	\$ 2,150,710	\$ 370,010	\$ 271,853	\$ 641,863
2012	1,173,897	983,321	2,157,218	387,710	266,898	654,608
2013	1,228,592	925,406	2,153,998	3,906,900	218,734	4,125,634
2014	986,974	863,397	1,850,371	415,455	186,911	602,366
2015	1,006,579	814,607	1,821,186	443,985	166,256	610,241
2016-2020	5,306,529	3,308,714	8,615,243	1,348,510	565,948	1,914,458
2021-2025	5,036,191	2,023,420	7,059,611	631,170	370,395	1,001,565
2026-2030	2,880,709	997,858	3,878,567	484,270	228,492	712,762
2031-2035	1,777,840	409,465	2,187,305	415,535	116,589	532,124
2036-2040	632,430	65,736	698,166	196,065	25,970	222,035
Bonds Payable and Interest	21,144,331	11,427,734	32,572,065	8,599,610	2,418,146	11,017,756
Unamortized premiums (discounts)	557,278	.....	557,278	126,729	.....	126,729
Less amount deferred or refunded	(151,060)	.....	(151,060)	(41,101)	.....	(41,101)
Total bonds payable and interest	\$ 21,550,549	\$ 11,427,734	\$ 32,978,283	\$ 8,685,238	\$ 2,418,146	\$ 11,103,384

Year Ending June 30	Component Units		
	Principal	Interest	Total
	Principal	Interest	Total
2011	\$ 1,045,691	\$ 359,941	\$ 1,405,632
2012	469,288	320,555	789,843
2013	356,009	302,056	658,065
2014	250,367	288,559	538,926
2015	417,577	272,712	690,289
2016-2020	1,871,975	1,163,887	3,035,862
2021-2025	717,892	751,443	1,469,335
2026-2030	899,395	562,209	1,461,604
2031-2035	1,242,658	315,688	1,558,346
2036-2040	770,680	103,309	873,989
2041-2045	233,140	25,524	258,664
2046-2050	69,181	1,486	70,667
Bonds payable and interest	8,343,853	4,467,369	12,811,222
Unamortized premiums (discounts)	(50,814)	.....	(50,814)
Less amount deferred or refunded	(1,269)	.....	(1,269)
Total bonds payable and interest	\$ 8,291,770	\$ 4,467,369	\$ 12,759,139

Annual debt service requirements for university capital improvement debt payable at June 30, 2010, are as follows (in thousands):

Year Ending June 30	Universities		
	Principal	Interest	Total
	Principal	Interest	Total
2011	\$ 30,639	\$ 27,504	\$ 58,143
2012	32,300	27,106	59,406
2013	33,932	25,951	59,883
2014	35,380	24,717	60,097
2015	35,396	23,388	58,784
2016-2020	175,582	95,768	271,350
2021-2025	159,717	60,210	219,927
2026-2030	115,710	30,149	145,859
2031-2035	50,973	9,844	60,817
2036-2040	8,482	1,281	9,763
Total capital improvement debt payable and interest	\$ 678,111	\$ 325,918	\$ 1,004,029

**6. Advance Refundings and Current Refundings**

During the fiscal year ended June 30, 2010, the state took advantage of favorable conditions and issued bonds for the purpose of refunding previously issued bonds. The refundings of these bond series were made in order to obtain lower interest rates and the resulting savings in debt service payments over the life of the bonds. The economic gains obtained by these refundings are the differences between the present value of old debt service and new debt service requirements.

The proceeds of the current refundings are used to call the refunded bonds within 90 days of issuance of the refunding bonds. The proceeds of the advance refundings are deposited into irrevocable trusts and, if a legal defeasance invested in direct obligations of the Federal government and/or obligations guaranteed by the Federal government. The funds deposited along with the interest to be earned will be sufficient to meet the future principal and interest payments on the refunded bonds as they become due.

Bonds legally defeased through the consummation of refunding transactions are not included in Florida's outstanding debt. Irrevocable escrow accounts held by the State Board of Administration to service the refunded bonds are reported as agency funds. The following refundings occurred during the fiscal year:

**Current Refundings****Governmental Activities**

State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2009 Series A in the amount of \$146,790,000 along with additional funds of \$1,937,867 were used to refund \$161,340,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education, Capital Outlay Refunding Bonds, 1998 Series C maturing in the years 2010 through 2022. The refunding resulted in debt savings of \$18,794,601, an economic gain of \$15,251,679, and no deferred loss on refunding.

State of Florida, Full Faith and Credit, State Board of Education, Capital Outlay Bonds, 2009 Series A in the amount of \$52,915,000 were used in part to refund \$42,050,000 of the State of Florida, Full Faith and Credit, State Board of Education, Capital Outlay Bonds, 1999 Series A maturing in the years 2010 through 2019. The refunding resulted in debt savings of \$3,597,256, an economic gain of \$3,123,943, and a deferred loss on refunding of \$420,527.

State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2009 Series B in the amount of \$165,760,000 along with additional funds of \$2,889,193 were used to refund \$183,305,000 of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 1998 Series D maturing in the years 2010 through 2024. The refunding resulted in debt savings of \$18,173,445, an economic gain of \$13,994,886, and no deferred loss on refunding.

State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2009 Series C in the amount of \$156,380,000 along with additional funds of \$2,737,907 were used to refund \$172,245,000 of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 1999 Series A maturing in the years 2010 through 2023. The refunding resulted in debt savings of \$17,728,974, an economic gain of \$14,091,475, and a deferred loss on refunding of \$1,722,494.

State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2009 Series D in the amount of \$300,775,000 along with additional funds of \$6,109,875 were used to refund \$105,080,000 of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds, 1996 Series B maturing in the years 2010 through 2023, \$119,835,000 of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds, 1997 Series B maturing in the years 2010 through 2023, and \$115,560,000 of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 1999 Series B maturing in the years 2010 through 2024. The refunding resulted in debt savings of \$44,152,178, an economic gain of \$34,944,421, and a deferred loss on refunding of \$1,155,689.

State of Florida, Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2009B in the amount of \$206,695,000 along with additional funds of \$8,360,062 were used to refund

\$227,420,000 of the State of Florida, Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 1999A maturing in the years 2010 through 2028. The refunding resulted in debt savings of \$23,366,745, an economic gain of \$16,519,639, and a deferred loss on refunding of \$2,274,318.

State of Florida, Department of Environmental Protection, Florida Forever Revenue Bonds, consisting of, in part, Series 2010C Tax-Exempt Refunding Bonds in the amount of \$87,910,000 along with additional funds of \$16,408,333 were used to refund \$100,000,000 of the State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Bonds, Series 1998B maturing in the years 2010 through 2013. The refunding resulted in debt savings of \$6,966,550, an economic gain of \$6,594,182, and no deferred loss on refunding.

State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds, 2008 Series C in the amount of \$252,080,000 along with additional funds of \$4,711,102 were used in part, to refund \$246,040,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education, Capital Outlay Refunding Bonds, 1999 Series D maturing in the years 2011 through 2022. The refunding resulted in debt savings of \$56,013,743, an economic gain of \$44,503,068, and a deferred loss on refunding of \$2,460,400.

State of Florida, Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2010D in the amount of \$227,160,000 along with additional funds of \$4,263,929 were used to refund \$75,795,000 of the State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Bonds, Series 1997A maturing in the years 2011 through 2013, \$79,660,000 of the State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Bonds, Series 1999A maturing in the years 2011 through 2013, and \$86,860,000 of the State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Bonds, Series 2000A maturing in the years 2011 through 2013. The refunding resulted in debt savings of \$19,855,930, an economic gain of \$19,378,163, and a deferred loss on refunding of \$868,533.

State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series 2010B in the amount of \$12,960,000 were used to refund \$4,845,000 of the State of Florida, Board of Regents, Florida Agricultural and Mechanical University Student Apartment Facility Revenue Bonds, Series 1992 maturing in the years 2011 through 2023, and \$8,020,000 of the State of Florida, Board of Regents, Florida Agricultural and Mechanical University, Student Apartment Facility Revenue Bonds, Series 1996 maturing in the years 2011 through 2025. The refunding resulted in debt savings of \$1,596,667, an economic gain of \$1,060,377, and no loss on refunding.

**Business-type Activities**

State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 2010A in the amount of \$211,255,000 were used in part to refund \$125,100,000 of the State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 1998A maturing in the years 2011 through 2023, \$58,670,000 of the State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 1999A maturing in the years 2011 through 2024, and \$43,295,000 of the State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 2000B maturing in the years 2011 through 2030. The refunding resulted in debt savings of \$24,414,702, an economic gain of \$18,729,425, and a deferred loss on refunding of \$8,758,243.

**Advance Refunding****Governmental Activities**

State of Florida, State Board of Education, Lottery Revenue Bonds, consisting of, in part, Series 2010C Refunding Bonds in the amount of \$243,560,000 along with additional funds of \$6,951,740 were used to refund \$64,975,000 of the State of Florida, State Board of Education, Lottery Revenue Bonds, Series 1998A maturing in the years 2010 through 2018, \$103,870,000 of the State of Florida, State Board of Education, Lottery Revenue Bonds, Series 1998B maturing in the years 2011 through 2018, and to advance refund \$71,980,000 of the State of Florida, State Board of Education, Lottery Revenue Bonds, Series 2000A maturing in the years 2011 through 2019. The refunding resulted in debt savings of \$23,455,571, an economic gain of \$20,610,944, and a deferred loss on refunding of \$719,790.

**7. Prior-year Defeased Bonds**

In prior years, the state has deposited with escrow agents in irrevocable trusts amounts sufficient to meet the debt service requirements of certain bonds. These defeased bonds are not reported as outstanding debt. Irrevocable trusts established with the State Board of Administration are reported in an agency fund. Debt considered defeased consists of the following (in thousands):

	Principal at 6/30/2010
<b>Governmental Activities</b>	
Road and Bridge Bonds	\$ 11,750
Public Education Capital Outlay Bonds	7,515
Florida Facilities Pool Bonds	11,810
University Auxiliary Bonds	1,994
Total	\$ 33,069
<b>Business-type Activities</b>	
Toll Facilities	\$ 100,400

**8. Arbitrage Regulations**

The State of Florida complies with Federal arbitrage regulations.

**9. Direct Interest**

The state's bonds are issued for the creation or continuing existence of various programs. Interest is reported in the following governmental activities as direct expenses on the Statement of Activities (in thousands):

Governmental Activities	Interest
Education:	
SBE Capital Outlay Bonds	\$ 28,287
Lottery Education Bonds	139,320
Public Education Bonds	520,151
State University System Bonds	12,107
University Auxiliary Bonds	30,704
Total Education	<u>730,569</u>
Natural Resources and Environment:	
Inland Protection Bonds	1,947
Conservation and Recreation Lands Bonds	443
Everglades Restoration	5,255
Water Pollution Control Bonds	13,302
Save Our Coast Bonds	915
Florida Forever Bonds	82,914
Preservation 2000 Bonds	34,122
Total Natural Resources and Environment	<u>138,898</u>
Transportation:	
Road and Bridge Bonds (Right of Way)	85,769
State Infrastructure Bonds	4,478
Total Transportation	<u>90,247</u>
Total Direct Interest	<u>\$ 959,714</u>

**10. Governmental Activities – Unrestricted Net Asset Deficit**

Governmental activities reflect a negative unrestricted net asset balance of \$15.8 billion at June 30, 2010. This deficit is primarily the result of education-related bonds in which the state is responsible for the debt while the state colleges, state universities, or local school districts own the capital assets. Because the state does not own these capital assets, the bonded debt is not netted on the line item "Invested in capital assets, net of related debt." Instead, this bonded debt is netted with unrestricted net assets. Education-related bonds include SBE Capital Outlay Bonds; PECO Bonds; State University System Improvement Bonds; and Lottery Education Bonds; which have a total ending balance at June 30, 2010, of \$15.3 billion. The state has an additional \$2.0 billion in bonded debt in which the state does not own the related capital assets, including some Road and Bridge Bonds, and Preservation 2000/Florida Forever Bonds. The resources related to the payment of this debt will be provided from future revenue sources. If these bonds were removed, the adjusted unrestricted net assets for governmental activities would be \$1.5 billion.

**B. Certificates of Participation**

The state has issued certificates of participation (original amount of \$945,800,000) to finance privately operated detention and mental health facilities. The certificates of participation's interest rates range from 1.250% - 6.825% and the last maturity is during the fiscal year ending August 1, 2030. The following is a schedule of future minimum principal and interest payments for certificates of participation for governmental activities at June 30, 2010 (in thousands):

Year Ending June 30	Principal	Interest	Total
2011	\$ 38,190	\$ 42,469	\$ 80,659
2012	39,575	41,034	80,609
2013	41,395	39,233	80,628
2014	43,450	37,162	80,612
2015	44,585	35,022	79,607
2016-2020	205,710	140,921	346,631
2021-2025	220,060	91,409	311,469
2026-2030	200,075	29,136	229,211
Total	833,040	456,386	1,289,426
Unamortized premiums (discounts)	11,979	.....	11,979
Amount deferred upon refunding	500	.....	500
Total certificates of participation payable	<u>\$ 845,519</u>	<u>\$ 456,386</u>	<u>\$ 1,301,905</u>

Component units (universities and a water management district) have issued certificates of participation (original amount of \$1,219,570,000) primarily to finance academic and student facilities and construction projects for Everglades restoration. The certificates of participation's interest rates range from 2.550% to 6.000% and the last maturity is during the fiscal year ending July 1, 2037. The following is a schedule of future minimum principal and interest payments for certificates of participation for component units at June 30, 2010 (in thousands):

Year Ending June 30	Principal	Interest	Total
2011	\$ 22,925	\$ 53,053	\$ 75,978
2012	23,935	52,164	76,099
2013	24,860	51,141	76,001
2014	26,025	50,056	76,081
2015	27,175	48,941	76,116
2016-2020	158,900	224,955	383,855
2021-2025	193,170	184,814	377,984
2026-2030	243,125	135,131	378,256
2031-2035	306,605	72,230	378,835
2036-2037	149,465	9,496	158,961
Total	1,176,185	881,981	2,058,166
Unamortized premiums (discounts)	27,911	.....	27,911
(Amount deferred upon refunding)	.....	.....	.....
Total certificates of participation payable	<u>\$ 1,204,096</u>	<u>\$ 881,981</u>	<u>\$ 2,086,077</u>

**NOTE 9 - INSTALLMENT PURCHASES AND CAPITAL LEASES****A. Installment Purchases**

The state has a number of installment purchase contracts providing for the acquisition of buildings, furniture, and equipment. At June 30, 2010, installment purchase contracts for governmental activities and component units were primarily for furniture and equipment. The following is a schedule of future minimum installment purchase contract payments for the primary government and component units at June 30, 2010 (in thousands):

Year Ending June 30	Primary Government Activities	Component Units
2011	\$ 8,118	\$ 3,808
2012	3,850	2,355
2013	2,306	686
2014	1,485	289
2015	1,212	146
2016-2020	5,210	235
2021-2025	1,670	.....
Total	23,851	7,519
Less: Interest	(3,100)	(298)
Present value of future minimum payments	<u>\$ 20,751</u>	<u>\$ 7,221</u>

**B. Capital Leases**

The state has a number of capital leases providing for the acquisition of land, buildings, and furniture and equipment. At June 30, 2010, 57% of the state's capital leases for governmental activities were for buildings, and the remaining 43% for furniture and equipment. Capital leases for component units consisted of 52% for buildings, 42% for furniture and equipment, and 6% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2010 (in thousands):

Year Ending June 30	Primary Government Activities	Component Units
2011	\$ 9,678	\$ 13,362
2012	9,483	11,785
2013	9,160	8,288
2014	8,605	5,412
2015	6,520	5,961
2016-2020	12,669	15,776
2021-2025	2,957	10,471
2026-2030	598	4,918
Total	59,670	75,973
Less: Interest	(10,334)	(16,940)
Present value of future minimum payments	<u>\$ 49,336</u>	<u>\$ 59,033</u>

**NOTE 10 - CHANGES IN LONG-TERM LIABILITIES**

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2010, are as follows (in thousands):

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010	Due Within One Year (Current)
<b>Governmental Activities</b>					
Bonds payable:					
Road and Bridge Bonds	\$ 1,792,920	\$ 406,695	\$ 290,175	\$ 1,909,440	\$ 58,335
SBE Capital Outlay Bonds	694,515	52,915	104,770	642,660	65,560
Lottery Education Bonds	2,933,305	404,600	397,485	2,940,420	171,697
Public Education Bonds	10,929,265	1,782,729	1,481,610	11,230,384	400,894
State University System Bonds	.....	249,960	15,525	234,435	16,270
University Auxiliary Bonds	.....	724,197	41,815	682,382	30,839
Inland Protection Bonds	.....	96,730	1,545	95,185	5,080
Conservation and Recreation Lands Bonds	8,250	.....	2,580	5,670	2,745
Save Our Coast Bonds	20,220	.....	9,450	10,770	5,985
Preservation 2000 Bonds	672,105	.....	474,230	197,875	62,225
Florida Forever Bonds	1,712,420	577,025	136,235	2,153,210	236,155
Water Pollution Control Bonds	341,310	.....	17,745	323,565	21,285
State Infrastructure Bank Bonds	107,115	.....	7,075	100,040	8,265
Everglades Restoration Bonds	188,455	43,615	7,775	224,295	9,705
Florida Facilities Pool Bonds	412,045	.....	18,045	394,000	19,550
	19,811,925	4,338,466	3,006,060	21,144,331	1,114,590
Unamortized bond premiums (discounts)	422,844	234,026	99,592	557,278	.....
Amounts deferred on refunding	(150,441)	(14,364)	(13,745)	(151,060)	.....
Total bonds payable	20,084,328	4,558,128	3,091,907	21,550,549	1,114,590
Certificates of participation payable	394,753	467,186	16,420	845,519	38,190
Deposits	691,556	545,853	580,220	657,189	493,642
Compensated absences	868,947	354,029	361,800	861,176	233,667
Claims payable	2,498,215	694,496	610,318	2,582,393	677,251
Installment purchases/capital leases	206,674	16,941	152,628	70,087	14,818
Due to other governments:					
Federal arbitrage liability	141	66	.....	207	.....
Other liabilities	233,183	212,943	5,110	441,016	.....
<b>Total Governmental Activities</b>	<u>\$ 24,977,797</u>	<u>\$ 6,848,742</u>	<u>\$ 4,818,403</u>	<u>\$ 27,008,136</u>	<u>\$ 2,572,158</u>

Long-term liabilities for governmental activities are generally liquidated by the applicable governmental funds and/or internal service funds. Specifically, the special revenue funds, capital projects funds, and/or internal service funds will liquidate the certificates of participation payable, installment purchase contracts, and capital lease obligations. The applicable special revenue funds and internal service funds will reduce deposits when such monies are earned. The governmental and internal service funds that account for employees' salaries and wages will liquidate the compensated absences liabilities. The General Fund and the non-major special revenue fund will generally liquidate claims payable. The applicable special revenue funds and internal service funds, as well as the debt service fund, will liquidate obligations to other governments. The nonmajor special revenue funds will generally liquidate other liabilities. The other liabilities reported above include \$303 million for Other Postemployment Benefits (OPEB) related to all governmental funds. The state does not currently fund the OPEB liability so it is non-liquidating. Refer to Note 6 for additional information on OPEB.

Changes in long-term liabilities for business-type activities and component units during the fiscal year ended June 30, 2010, are as follows » (in thousands):

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010	Due Within One Year (Current)
<b>Business-type Activities</b>					
Bonds payable:					
Toll Facility Bonds	\$ 2,483,900	\$ 785,780	\$ 319,930	\$ 2,949,750	\$ 100,525
Florida Hurricane Catastrophe Fund Bonds	5,230,595	675,920	256,655	5,649,860	269,485
	7,714,495	1,461,700	576,585	8,599,610	370,010
Unamortized bond premiums (discounts)	71,620	75,950	20,841	126,729	.....
Amounts deferred on refunding	(38,389)	(8,758)	(6,046)	(41,101)	.....
Total Bonds Payable	7,747,726	1,528,892	591,380	8,685,238	370,010
Accrued prize liability	991,490	3,089,872	3,218,172	863,190	267,398
Deposits	480,811	10,784	451,406	40,189	7,707
Compensated absences	22,104	8,896	9,540	21,460	5,098
Tuition and housing benefits payable	8,279,687	1,590,244	353,506	9,516,425	589,532
Advances from Federal Government	.....	1,612,500	.....	1,612,500	.....
Other liabilities	10,033	3,472	2,328	11,177	.....
<b>Total Business-type Activities</b>	<b>\$ 17,531,851</b>	<b>\$ 7,844,660</b>	<b>\$ 4,626,332</b>	<b>\$ 20,750,179</b>	<b>\$ 1,239,745</b>
<b>Component Units</b>					
Bonds payable	\$ 9,462,827	\$ 2,125,396	\$ 3,296,453	\$ 8,291,770	\$ 1,045,691
Deposits	18,732	3,636	6,375	15,993	15,638
Compensated absences	616,617	91,340	69,123	638,834	64,919
Installment purchases/capital leases	144,656	11,976	90,378	66,254	14,587
Claims payable	130,190	34,905	31,329	133,766	21,091
Certificates of participation payable	1,249,155	2	45,061	1,204,096	22,925
Due to other governments/primary	3,664	738,117	41,805	699,976	30,639
Other liabilities	986,672	649,813	262,217	1,374,268	239,657
<b>Total Component Units</b>	<b>\$ 12,612,513</b>	<b>\$ 3,655,185</b>	<b>\$ 3,842,741</b>	<b>\$ 12,424,957</b>	<b>\$ 1,455,147</b>

## NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2010, amounts to be received or paid with current available resources are reported as due from or due to other funds, whereas the noncurrent portion is reported as advances to or advances from other funds. Interfund balances at June 30, 2010, consist of the following (in thousands):

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
<b>Governmental Activities</b>					
General Fund	\$ 7,182	\$ 5,516	\$ 7	\$ 69,879	\$ 5,445
Environment, Recreation and Conservation	.....	.....	.....	947	10,974
Public Education	134	.....	.....	.....	.....
Health and Family Services	4,381	.....	221	.....	8,177
Transportation	5,715	2,237	.....	140	.....
Nonmajor	59,278	8,855	2,804	5,149	26,777
Internal Service Funds	2,032	4	.....	570	12
<b>Business-type Activities</b>					
Transportation	144	.....	.....	.....	65,224
Lottery	20	.....	59,308	.....	.....
Hurricane Catastrophe Fund	6	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Unemployment Compensation	376	5	.....	.....	.....
Nonmajor	4,156	.....	.....	78	.....
<b>Fiduciary Funds</b>					
Private-purpose Trust Funds	20	.....	1,442	.....	7
Pension and Other Employee Benefits Trust Funds	4	.....	.....	.....	.....
Agency Funds	38,221	.....	1,718	3,399	6,463
Investment Trust Funds	.....	.....	.....	.....	.....
<b>Total</b>	<b>\$ 121,669</b>	<b>\$ 16,617</b>	<b>\$ 65,500</b>	<b>\$ 80,162</b>	<b>\$ 123,079</b>

(Continued Below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor	Internal Service Funds
<b>Governmental Activities</b>		
General Fund	\$ 20,924	\$ 6,892
Environment, Recreation and Conservation	642	158
Public Education	2,507	95
Health and Family Services	4,457	7,059
Transportation	20,287	2,334
Nonmajor	13,859	24,958
Internal Service Funds	210	641
<b>Business-type Activities</b>		
Transportation	.....	.....
Lottery	9	35
Hurricane Catastrophe Fund	.....	.....
Prepaid College Program	.....	.....
Unemployment Compensation	1,222	.....
Nonmajor	1,871	106
<b>Fiduciary Funds</b>		
Private-purpose Trust Funds	300	1
Pension and Other Employee Benefits Trust Funds	.....	29
Agency Funds	1,531	.....
Investment Trust Funds	.....	.....
<b>Total</b>	<b>\$ 67,819</b>	<b>\$ 42,306</b>

(Continued next page)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Business-type Activities			
	Transportation	Unemployment Compensation	Nonmajor	
<b>Governmental Activities</b>				
General Fund	\$ ..... \$	1,772	\$ 15	
Environment, Recreation and Conservation	84	125	.....	
Public Education	.....	5	.....	
Health and Family Services	.....	864	30	
Transportation	224	76	.....	
Nonmajor	.....	498	11	
Internal Service Funds	.....	32	.....	
<b>Business-type Activities</b>				
Transportation	.....	.....	.....	
Lottery	.....	4	4	
Hurricane Catastrophe Fund	.....	.....	100	
Prepaid College Program	.....	.....	.....	
Unemployment Compensation	.....	.....	.....	
Nonmajor	.....	62	.....	
<b>Fiduciary Funds</b>				
Private-purpose Trust Funds	.....	.....	.....	
Pension and Other Employee Benefits Trust Funds	.....	4	4,219	
Agency Funds	1,490	.....	35	
Investment Trust Funds	.....	.....	25	
<b>Total</b>	<b>\$ 1,798</b>	<b>\$ 3,454</b>	<b>\$ 4,444</b>	

(Continued below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Fiduciary Funds			
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	Total
<b>Governmental Activities</b>				
General Fund	\$ ..... \$	10	\$ 25,108	\$ 135,568
Environment, Recreation and Conservation	.....	.....	.....	20,112
Public Education	178	.....	.....	2,934
Health and Family Services	.....	20	28	25,237
Transportation	.....	.....	8,855	39,868
Nonmajor	.....	.....	.....	142,189
Internal Service Funds	.....	1,704	22,662	27,867
<b>Business-type Activities</b>				
Transportation	.....	.....	276	65,644
Lottery	.....	.....	.....	59,380
Hurricane Catastrophe Fund	.....	.....	.....	106
Prepaid College Program	.....	.....	.....	.....
Unemployment Compensation	.....	.....	1,576	3,179
Nonmajor	.....	.....	.....	6,273
<b>Fiduciary Funds</b>				
Private-purpose Trust Funds	.....	.....	.....	1,770
Pension and Other Employee Benefits Trust Funds	.....	.....	.....	4,256
Agency Funds	.....	.....	.....	52,857
Investment Trust Funds	.....	.....	.....	25
<b>Total</b>	<b>\$ 178</b>	<b>\$ 1,734</b>	<b>\$ 58,505</b>	<b>\$ 587,265</b>

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)			
	Business-type Activities			
	General Fund	Transportation	Health & Family Services	Transportation
<b>Governmental Activities</b>				
General Fund	\$ ..... \$	100	\$ ..... \$	500
Public Education	.....	.....	172	.....
Nonmajor	625	.....	.....	.....
Internal Service Funds	2,003	800	.....	.....
<b>Business-type Activities</b>				
Transportation	.....	267,422	.....	.....
<b>Fiduciary Funds</b>				
Private-purpose Trust Funds	.....	.....	.....	.....
Agency Funds	.....	.....	.....	.....
<b>Total</b>	<b>\$ 2,628</b>	<b>\$ 268,322</b>	<b>\$ 172</b>	<b>\$ 500</b>

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)	
	Fiduciary Funds	
	Private-purpose Trust Funds	Total
<b>Governmental Activities</b>		
General Fund	\$ ..... \$	600
Public Education	540,331	540,503
Nonmajor	.....	625
Internal Service Funds	.....	2,803
<b>Business-type Activities</b>		
Transportation	.....	267,422
<b>Fiduciary Funds</b>		
Private-purpose Trust Funds	.....	.....
Agency Funds	.....	.....
<b>Total</b>	<b>\$ 540,331</b>	<b>\$ 811,953</b>

During the course of operations, there are numerous transactions between funds within the State. Interfund transfers during the year are as follows (in thousands):

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
<b>Governmental Activities</b>					
General Fund	\$ .....	\$ 629,378	\$ 664	\$ 1,734,782	\$ 94,425
Environment, Recreation and Conservation	335,134	.....	.....	3,947	500
Public Education	983	.....	.....	203	.....
Health and Family Services	36,676	.....	147	.....	46,896
Transportation	225,784	27,289	.....	1,286	.....
Nonmajor	319,512	94,908	267,159	80,930	929,411
Internal Service Funds	7,029	504	.....	26	473
<b>Business-type Activities</b>					
Transportation	.....	.....	.....	.....	19,429
Lottery	331	.....	1,246,794	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Unemployment Compensation	.....	.....	.....	.....	.....
Nonmajor	77,570	.....	.....	5,023	.....
<b>Fiduciary Funds</b>					
Private-purpose Trust Funds	9	.....	1,460	342	.....
Pension and Other Employee Benefits Trust Funds	2,444	.....	.....	.....	.....
Investment Trust Funds	.....	.....	.....	.....	.....
<b>Total</b>	<b>\$ 1,005,472</b>	<b>\$ 752,079</b>	<b>\$ 1,516,224</b>	<b>\$ 1,826,539</b>	<b>\$ 1,091,134</b>

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor	Internal Service Funds
<b>Governmental Activities</b>		
General Fund	\$ 580,986	\$ 362
Environment, Recreation and Conservation	474,902	.....
Public Education	1,485,648	.....
Health and Family Services	437,078	.....
Transportation	540,092	.....
Nonmajor	444,741	7,338
Internal Service Funds	7,890	.....
<b>Business-type Activities</b>		
Transportation	.....	.....
Lottery	175	.....
Hurricane Catastrophe Fund	10,000	.....
Prepaid College Program	.....	.....
Unemployment Compensation	16,728	.....
Nonmajor	11,902	.....
<b>Fiduciary Funds</b>		
Private-purpose Trust Funds	2,069	.....
Pension and Other Employee Benefits Trust Funds	111	17,896
Investment Trust Funds	.....	.....
<b>Total</b>	<b>\$ 4,012,322</b>	<b>\$ 25,596</b>

(Continued next page)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)		
	Business-type Activities		
	Transportation	Unemployment Compensation	Nonmajor
<b>Governmental Activities</b>			
General Fund	\$ 1,449	\$ 8,359	\$ 1,321
Environment, Recreation and Conservation	84	597	.....
Public Education	.....	119	.....
Health and Family Services	.....	3,612	3,478
Transportation	8,048	342	.....
Nonmajor	2,539	2,415	2,737
Internal Service Funds	.....	182	1
<b>Business-type Activities</b>			
Transportation	.....	.....	.....
Lottery	.....	32	.....
Hurricane Catastrophe Fund	.....	.....	.....
Prepaid College Program	.....	.....	.....
Unemployment Compensation	.....	.....	.....
Nonmajor	.....	250	.....
<b>Fiduciary Funds</b>			
Private-purpose Trust Funds	.....	9	.....
Pension and Other Employee Benefits Trust Funds	.....	15	13,886
Investment Trust Funds	.....	.....	.....
<b>Total</b>	<b>\$ 12,120</b>	<b>\$ 15,932</b>	<b>\$ 21,423</b>

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)			
	Fiduciary Funds			
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Total
<b>Governmental Activities</b>				
General Fund	\$ .....	\$ .....	\$ .....	\$ 3,051,726
Environment, Recreation and Conservation	.....	.....	.....	815,164
Public Education	5,589	.....	.....	1,492,542
Health and Family Services	.....	.....	.....	527,887
Transportation	.....	.....	.....	802,841
Nonmajor	.....	.....	.....	2,151,690
Internal Service Funds	.....	1,400	.....	17,505
<b>Business-type Activities</b>				
Transportation	.....	.....	.....	19,429
Lottery	.....	.....	.....	1,247,332
Hurricane Catastrophe Fund	.....	.....	.....	10,000
Prepaid College Program	1,818	.....	.....	1,818
Unemployment Compensation	.....	.....	.....	16,728
Nonmajor	.....	.....	.....	94,745
<b>Fiduciary Funds</b>				
Private-purpose Trust Funds	.....	.....	.....	3,889
Pension and Other Employee Benefits Trust Funds	.....	695,733	.....	730,085
Investment Trust Funds	.....	.....	92,929	92,929
<b>Total</b>	<b>\$ 7,407</b>	<b>\$ 697,133</b>	<b>\$ 92,929</b>	<b>\$ 11,076,310</b>

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## NOTE 12 - RISK MANAGEMENT

## A. State Risk Management Trust Fund

The State Risk Management Trust Fund provides property insurance coverage for state buildings and contents against loss from fire, lightning, sinkholes, flood, and other hazards customarily insured by extended coverage and loss from the removal of personal property from such properties when endangered by covered perils. The property insurance program self-insures the first \$2 million per occurrence for all perils except named windstorm and flood. The property insurance program self-insures the first \$2 million per occurrence with an annual aggregate of \$40 million for named windstorm and flood. Commercial excess insurance is purchased for losses over the self-insured retention up to \$58.75 million per occurrence for named windstorm, \$58.75 million per occurrence for flood losses, and \$200 million per occurrence for fire, lightning, and sinkhole losses.

The Fund's estimated liability for unpaid property insurance claims at the fiscal year-end is determined by an actuarial method and includes an amount for losses incurred but not yet reported. The amount of claims paid for property claims did not exceed insurance coverage for each of the last three years. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2009, and June 30, 2010, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2009	\$ 485	\$ 395	\$ (231)	\$ 649
June 30, 2010	\$ 649	\$ 85	\$ (477)	\$ 257

The State Risk Management Trust Fund also provides casualty insurance coverage for the risks of loss related to Federal civil rights and employment actions, workers' compensation, court-awarded attorney fees, automobile liability, and general liability. The state is self-insured for all claims associated with liability risks and workers' compensation coverage.

The estimated liability for unpaid casualty insurance claims at June 30, 2010, was \$1,084.7 million. This amount was determined through an actuarial method based on historical paid and incurred losses and includes an amount for losses incurred but not yet reported. In addition, this amount includes the present value of workers' compensation indemnity reserves discounted using a 4% annual percentage rate. The undiscounted carrying amount of the workers' compensation indemnity reserves is \$370.9 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2009, and June 30, 2010, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2009	\$ 892,319	\$ 293,691	\$ (139,146)	\$ 1,046,864
June 30, 2010	\$ 1,046,864	\$ 183,860	\$ (145,985)	\$ 1,084,739

The above current year claims and changes in estimate include an adjustment for the amount discounted for workers' compensation indemnity reserves. Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2010, decreased by \$109.8 million. Future payments for legal fees will be classified as operating expenditures beginning July 1, 2010, and are not included in the accrued liability.

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## B. Employee and Retiree Health Insurance Funds

Employees and retirees may obtain health care services through participation in the state's group health insurance plan or through membership in a health maintenance organization plan under contract with the state. The state's risk financing activities associated with state group health insurance, such as the risks of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund, an internal service fund. It is the practice of the state not to purchase commercial coverage for the risks of losses covered by this program.

The program's estimated fiscal year-end liability includes an amount for claims that have been incurred but not reported, which is based on analyses of historical data performed by both the state and its contractors. Changes in claims liability amounts for the fiscal years ended June 30, 2009, and June 30, 2010, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2009	\$ 61,563	\$ 794,589	\$ (793,519)	\$ 62,633
June 30, 2010	\$ 62,633	\$ 856,242	\$ (840,060)	\$ 78,815

During the year, for program operations, both employee and retiree participation in the state group health insurance program are accounted for in the State Employees Group Health Insurance Trust Fund. Retiree participation in the program is considered an Other Postemployment Benefit (OPEB) for purposes of this report. See Note 6, Section B regarding OPEB for additional information. Asset and liability balances related to retiree participation in the program as of June 30, 2010 were transferred from the State Employees Group Health Insurance Trust Fund and reported in Other Agency Funds in accordance with the requirements of Governmental Accounting Standards Board Codification Section Po50, *Postemployment Benefit Plans Other Than Pension Plans - Defined Benefit*.

## NOTE 13 – FLORIDA PREPAID COLLEGE PROGRAM

The Stanley G. Tate Florida Prepaid College Program was created in 1987 to provide a medium through which the costs of tuition, tuition differential fee, local fees, and dormitory residence may be paid in advance of enrollment in a state postsecondary institution at a rate lower than the projected corresponding cost at the time of actual enrollment. The Program is administered by the Florida Prepaid College Board and the State of Florida guarantees the obligations of the Board to qualified beneficiaries if moneys in the Program are insufficient. The Program is accounted for in an enterprise fund. An actuarial study is performed to determine the Program's funding status. Additional information as of June 30, 2010, is as follows:

Actuarial present value of future contract benefits and expenses payable	\$ 9,516,424,983
Net assets available	\$ 9,999,051,564
Net assets as a percentage of future contract benefits and expenses obligation	105.1%

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The State of Florida was not hit by any hurricanes during the 2009 season. There were no hurricane losses incurred for the year ended June 30, 2010. In May, 2010 the Corporation issued post-event Series 2010A Revenue Bonds in the amount of \$675.9 million. These bond proceeds and their investment earnings will enhance the Fund's ability to make payments to participating insurers for losses resulting from the 2005 hurricane season. The funding for these bonds will come from emergency assessments on the direct written premium for all property and casualty lines of business in Florida including property and casualty business of surplus lines insurers, but not including workers' compensation or medical malpractice premiums. An Order was issued by OIR concurrently with the issuance of the 2010A Bonds to supersede the existing 1% emergency assessment with a 1.3% emergency assessment. The increased assessment is effective on all policies issued or renewed on or after January 1, 2011. These bonds are stated to mature, without prior right of redemption, on July 1 of the following years and bear interest at rates ranging from 3.5% to 5.0% as follows (in thousands):

2015	\$ 15,775	3.5%
2015	5,765	4.0
2015	320,915	5.0
2016	17,990	3.75
2016	<u>315,475</u>	5.0
	<u>\$675,920</u>	

## B. CITIZENS PROPERTY INSURANCE CORPORATION

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. The original intent of the legislation was that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Office of Insurance Regulation (the Office). For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process. In 2007, the Act was amended to recognize Citizens' status as a governmental entity and the necessity of Citizens to provide insurance that was affordable.

Citizens operates pursuant to a Plan of Operation (the Plan) approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State. Prior to October 1, 2006, the Plan was subject to the approval of the Office.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the High-Risk Account. A brief history of each account follows:

**Personal Lines Account history** - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), Florida Statutes, to provide certain residential property insurance coverage to qualified risks in the State of Florida (on a statewide basis) to applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account under Citizens.

**Commercial Lines Account history** - The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage, i.e., coverage for condominium associations, apartment buildings and homeowner associations, to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. These policies excluded

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## NOTE 14 –INSURANCE ENTERPRISES

The State of Florida has established multiple enterprises that provide insurance, reinsurance, and guarantee services. The primary risk exposures to the state relate to catastrophic hurricane losses, access to liquidity from credit markets, and ultimate dependence on public assessments.

## A. FLORIDA HURRICANE CATASTROPHE FUND

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 by the Florida Legislature, as a state fund administered by the State Board of Administration (SBA) to provide a source of reinsurance to most residential property insurers for catastrophic hurricane losses, thereby creating additional insurance capacity. Most admitted residential property insurers writing FHCF covered policies are required to purchase mandatory reinsurance coverage with the FHCF. Chapter 2007-1, Laws of Florida, was enacted in 2007 amending statutes to require the FHCF provide optional increase in coverage with the Temporary Emergency Options for Additional Coverage (TEACO layer) and the Temporary Increase in Coverage Limit Options (TICL layer) and the \$10 million coverage for certain statutorily designated companies.

The mandatory layer covers a portion of hurricane losses in excess of the industry wide retention, up to the lesser of either the statutory limit or the actual claims-paying capacity of the FHCF. For the contract year ending May 31, 2010, the industry wide retention was \$7.223 billion per hurricane for the first two hurricanes and \$2.408 billion for each subsequent hurricane in the contract year. The aggregate coverage capacity for the contract year (in excess of retention) was \$17.2 billion. The statute requires that an actuarially indicated formula developed by an independent actuary be used to calculate the reimbursement premiums collected for the mandatory layer.

The optional TEACO layer provides coverage for a portion of the losses underneath the mandatory layer with industry wide retentions ranging as low as \$3 billion. The statutory authority for TEACO sunset effective May 31, 2010.

The optional TICL layer covers a portion of hurricane losses in excess of the mandatory layer, up to the lesser of either \$12 billion or the actual claims-paying capacity of the FHCF. In 2009, statutes were amended to phase out the entire \$12 billion in TICL coverage at a rate of \$2 billion per year for 6 years, to completely phase out TICL coverage by 2014. The TICL coverage capacity for the contract year ending May 31, 2010, was \$10 billion.

The maximum reimbursable claims for the optional coverages (no TEACO option was selected) and mandatory layers (in the contract year ending May 31, 2010) was \$27.175 billion.

The SBA contracts with each insurer writing covered policies in the state to reimburse the insurer for a percentage of losses incurred from covered events. The obligation of the SBA with respect to all contracts covering a particular contract year shall not exceed the actual claims-paying capacity (as determined by the FHCF's bond underwriters and financial adviser). The FHCF has a fiscal year end of June 30 and its reimbursement contracts expire on May 31. As of June 30, 2010, the FHCF had net assets of \$3.2 billion, including net assets of the FHCF Finance Corporation.

If available resources and pre-catastrophe debenture financing are not adequate to satisfy reimbursement claims, the FHCF Finance Corporation may issue revenue bonds secured by emergency assessments. The SBA has the sole authority to direct the Florida Office of Insurance Regulation (OIR) and the Florida Surplus Lines Service Office to levy assessments on most property and casualty insurance policy premiums on behalf of the FHCF. Aggregate assessments may not exceed 10% and assessments in relation to losses in one contract year may not exceed 6%. As of June 30, 2010, the FHCF is levying assessments of 1%. This assessment authority is neither related to nor restricted by the assessments levied by either Citizens Property Insurance Corporation (Citizens), a discretely presented component unit, or the Florida Insurance Guarantee Association (FIGA).

To build up cash resources and reduce the reliance on post-event bonding, legislation was passed in 2009 that allows for a "cash build up" factor of 5% to be included in rates for coverage in the mandatory layer. This factor increases each year by 5% until it ultimately reaches 25% in year five and thereafter. This provision was designed to address the liquidity needs of the FHCF over the long run by allowing it to accelerate the build-up of its cash balance for paying claims.

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windstorm coverage on properties within eligible areas. This portion of the FRPCJUA's activities became the Commercial Lines Account under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the Commercial Lines Account.

**High-Risk Account history** - The FWUA, which was a residual market mechanism for windstorm and hail coverage in selected areas of the State, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account.

Section 627.351(6)(n), Florida Statutes, requires Citizens to charge actuarially sound rates; however, legislation in 2007 and 2008 froze Citizens rates to amounts established in 2006 with no rate increases to be made until January 1, 2010 at the earliest.

Citizens' enabling legislation and Plan of operations established a process by which Citizens may levy assessments to recover any deficits incurred in a given year. Citizens' determination of the amount of assessment is subject to the verification of the mathematical calculation by the Office of Insurance Regulation. Citizens' ability to assess provides some assurance of its financial stability.

## ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are accordingly levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with accounting principles generally accepted in the United States adjusted for certain items.

In the event of a Plan Year Deficit in an Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the "Citizens Policyholder Surcharge") in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premiums. If the Citizens Policyholder Surcharge is insufficient to eliminate the deficit in an Account, Citizens would then levy a Regular Assessment on Assessable Insurers and Assessable Insureds, each as defined herein. The Regular Assessment is applied as a uniform percentage of the premium of the policy up to 6% of such premium per account.

Regular Assessments are levied on Assessable Insurers, as defined in Section 627.351(6), Florida Statutes, based upon each Assessable Insurer's share of direct written premium for the subject lines of business in the State of Florida for the calendar year preceding the year in which the deficit occurred. Regular Assessments on Assessable Insureds, collectively, are based on the ratio of the amount being assessed for an Account to the aggregate statewide direct written premiums for the subject lines of business for the preceding year.

If the deficit in any year in any Account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all Assessable Insurers, Surplus Lines Agents and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the Account. The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs. The Regular Assessment base excludes Citizens policies (while the Emergency Assessment base includes Citizens policies). Prior to the enactment of the 2007 Legislation, the Regular Assessment base for each Account was only the property lines of business.

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**C. FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.**

The Florida Insurance Guaranty Association, Inc. (the Association), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Act of 1970 (the Act). The Association was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurers' insolvencies. The Association operates under the supervision and approval of a board of directors, comprised of eight persons, recommended by member insurers pursuant to Chapter 631.56, Florida Statutes, and subsequently appointed by the Florida Department of Financial Services.

The members of the Association are all insurers that provide property and casualty coverages in the State of Florida.

The funding of the Association's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the state of Florida in the classes protected by the Act. The Association obtains the amount of the net direct written premiums, by company and by class of protection, to use as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted the Association the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b). Also in 2006, the Association was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, Florida Statutes, to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b). As of December 31, 2010, the Association has not needed to utilize this bonding authority and no tax-exempt bonds have been issued.

**NOTE 15 – CONTINGENCIES****A. Federal Family Education Loans Program**

The Florida Department of Education (FDOE) administers the Federal Family Education Loans Program (FFELP), under which the FDOE guarantees loans made to eligible students and their parents by financial institutions. At June 30, 2010, approximately \$3.9 billion of loans were outstanding under this Program. The United States Department of Education participates in the Program as a reinsurer and reimburses the FDOE for defaulted loans at various rates based on the incidence of default. For loans made prior to October 1, 1993, the reimbursement rate for defaulted loans can be 80, 90, or 100%. For loans made on or after October 1, 1993, the reimbursement rate for defaulted loans can be 78, 88, or 98%. For loans made on or after October 1, 1998, the reimbursement rate for defaulted loans can be 75, 85, and 95%. During the 2009-2010 fiscal year, the actual rates were 95, 98, and 100%. A potential liability exists for loans defaulted in excess of the federal reimbursement. The specific amount of this potential liability is indeterminable.

**B. Federally Assisted Grant Programs**

Florida participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state. Any foreseeable disallowances will not have a material adverse effect on the State of Florida's financial position.

**Component units** - The United States Department of Health and Human Services, Office of Inspector General is auditing and reviewing the University of Florida's practices relating to Federal awards finances and accounting; at this early time in the process, university management is unable to make a determination of the outcome or estimate costs that the University may incur as a result of this audit.

**C. Peak Oil Superfund Site Remediation**

The U.S. Environmental Protection Agency identified the Florida Department of Transportation (FDOT) as a Potentially Responsible Party for past and future response costs at the Peak Oil Superfund Site. The FDOT made payments under a consent decree in 1998, as entered in the case of *United States of America v. Bill Currie Ford, et al.*, Case No. 8:97-cv-01566-RAL, United States District Court, Middle District of Florida, Tampa Division. Implementation of remedial design is in process and the evaluation of the need for remedy in wetlands and deep aquifer is ongoing. Based on the remediation performed to date pursuant to the consent decree, FDOT has determined that its share of the potential future cost of remediation is not expected to exceed \$25 million.

**NOTE 16 – LITIGATION**

Due to its size and broad range of activities, the state is involved in various, though sometimes routine, legal actions. The following are the significant loss contingencies associated with legal proceedings:

**A. Welch v. Theodorides-Bustle, et al., Case No. 4:09cv00302-RH/WCS (U.S. District Court, N.D. of Florida, Tallahassee Division)**

A Florida driver brought punitive class action against officials of the Florida Department of Highway Safety and Motor Vehicles, alleging violations of the Federal Driver Privacy Protection Act (DPPA) for disclosure of information to a private corporation and another entity. The Defendants filed a motion to dismiss that was denied on January 5, 2010. Both parties filed motions for summary judgment which were both denied on July 1, 2010. Trial is set for February 28, 2011. Should the plaintiff prevail in this case, the potential outcome could be in excess of \$25 million.

**B. DirecTV and EchoStar Satellite LLC n/k/a Dish Network, LLC v. Department of Revenue, Case No. 05-CA-1037 (2<sup>nd</sup> Cir.) and Ogborn v. Department of Revenue, Case No. 05-CA-1354 (2<sup>nd</sup> Cir.) (Now Consolidated Case No. 05-CA-1037)**

These consolidated cases challenge the statutory distinction made in the application of the Communication Services Tax of Chapter 202, Florida Statutes, to cable and satellite TV providers. DirecTV challenges the statute as a provider, while Ogborn challenges on behalf of a class of subscribers. The Plaintiffs argue that applying a different statutory rate of tax on the sale of these computing services violates the Commerce Clause and the Equal Protection Clause. The amount of tax refund at issue is \$40 million annually. These two cases were consolidated on September 30, 2008. The Florida Cable Telecommunications Association (FCTA) filed a motion to intervene in the consolidated cases, which was heard and granted on January 6, 2009. DirecTV filed an amended complaint on October 31, 2008. The Department filed a motion to strike allegations in the amended complaint and a motion to dismiss on January 9, 2009. The Ogborns then filed a second amended class action complaint on March 27, 2009, and the Department filed a motion to dismiss the second amended complaint on April 27, 2009. The FCTA also filed a motion to dismiss DirecTV's amended complaint. DirecTV deposed corporate representatives of Comcast Corporation on May 13, 2009, and of Bright House Networks on May 14, 2009. On July 6, 2009, DirecTV and the Ogborns filed a motion for entry of a confidentiality order, which was granted on August 14, 2009. DirecTV responded to the Ogborns' request for admissions on July 15, 2009. The Department served DirecTV and EchoStar Satellite a second request to produce on October 28, 2009. The motions to dismiss were heard on October 14, 2009. On April 6, 2010, the Judge issued an order converting the Department's and FCTA's motions to dismiss to motions for summary judgment and allowing parties to take discovery to develop a full factual record. Discovery is ongoing.

**C. General Motors Corporation v. Florida Department of Revenue, Case No. 04-CA-2739 (2<sup>nd</sup> Cir.)**

General Motors repairs vehicles that fall outside the contractual terms of new or extended vehicle warranties under programs known as Special Policy or Goodwill Policy Adjustments. General Motors alleges the State illegally imposed a use tax on the tangible personal property that is incorporated into repairs made under these programs. The total tax, penalty, and interest at stake in this case exceeds \$30 million. In 2009, General Motors entered, and subsequently exited, bankruptcy. General Motors has since agreed that the sales tax assessment survived the emergence from bankruptcy, and the parties have agreed, and an order entered, to substitute General Motors LLC as the party plaintiff in the action. Discovery is ongoing.

**D. Home Depot USA, Inc. v. Florida Department of Revenue, Case No. 07-CA-4335 (13<sup>th</sup> Cir.)**

Home Depot is challenging four sales tax refund denials. Customers purchased merchandise at Home Depot using private label credit cards. These private label credit cards were issued by a separate entity bank that reimbursed Home Depot for the sales price, including sales tax, less a discount. The issue in this case is whether the "discount" (the difference between the sales price, plus tax charged to a customer and the amount reimbursed by the separate entity to Home Depot), is an

unpaid balance due on worthless accounts for the purposes of Section 212.17(3), Florida Statutes, thus authorizing Home Depot certain tax credits.

The Department filed its answer and affirmative defenses on April 30, 2007. Home Depot filed a reply to the Department's affirmative defenses and filed a motion to strike the Department's second affirmative defense on May 14, 2007. Discovery is ongoing. The potential refund to Home Depot is approximately \$17.5 million and there could be a substantial recurring financial impact, exceeding \$25 million annually.

**E. Bank of America, N.A. v. Florida Department of Revenue, Case No. 05-CA-7427 (13<sup>th</sup> Cir.)**

In an action for refund pursuant to Chapter 86, Florida Statutes, Plaintiff challenges whether certain notes secured by mortgages are exempt from Documentary Stamp Tax (DST) pursuant to Sections 201.08 and 201.09, Florida Statutes, as a renewal, and from Nonrecurring Intangible Personal Property Tax (IPPT) pursuant to Sections 199.133 and 199.145(4), Florida Statutes, as a refinancing, when they replace prior notes and mortgages between the same lender and borrowers and a satisfaction of the prior note and mortgage was recorded. The parties settled the matter and the case has been closed.

**F. Robert C. Bruner, et al v. Hartsfield, et al., Case No. 07-003247/1D08 5524 (2<sup>nd</sup> Cir./1<sup>st</sup> DCA); Jerome K. Lanning et al. v. Pilcher, et. al., Case No. 07-582/D07-6564/SC09-1796 (2<sup>nd</sup> Cir./1<sup>st</sup> DCA); Delucio, et. al. v. Havill, et. al., Case No. 08-001412/1D08-5529 (2<sup>nd</sup> Cir./1st DCA)**

These three cases are separate class action refund cases against various Defendants including the Florida Department of Revenue concerning a constitutional challenge to the Save Our Homes (SOH) provisions in Article VII, section 4(c) of the Florida Constitution, and as implemented by Section 193.155, Florida Statutes. The essence of these claims is that the SOH provisions violate equal protection under the Florida and U. S. Constitutions by discriminating against new homeowners by creating an ad valorem tax system that favored long-term homeowners thus infringing upon homeowners' constitutional right to travel.

In *Bruner*, the trial court ruled the SOH taxation system did not violate either the State or Federal constitutions, but found it had jurisdiction to hear the matter. Both sides appealed the ruling to the 1<sup>st</sup> DCA, which affirmed both holdings. In *Lanning*, the Plaintiffs had the entirety of their claim dismissed by the trial court, which ruling the Plaintiffs appealed to the 1<sup>st</sup> DCA. The 1<sup>st</sup> DCA affirmed and the Plaintiffs sought also to invoke discretionary review by the Florida Supreme Court. In both *Bruner and Pilcher*, the Florida Supreme Court and the United States Supreme Court denied review of the cases. Both these cases are concluded. In *Delucio*, the trial court dismissed all of the Plaintiff's claims on three separate grounds. The Plaintiffs appealed to the 1<sup>st</sup> DCA, which remanded the case to the trial court as that court had erroneously ruled it lacked jurisdiction to hear the claim as one of the grounds for dismissal. Both sides moved the 1<sup>st</sup> DCA for either a rehearing or clarification of its opinion, which the 1<sup>st</sup> DCA denied, and remanded the case to trial court with instructions to render a ruling on the merits consistent with *Bruner*. The trial court entered a final judgment on the merits consistent with *Bruner*. The Plaintiffs appealed to the 1<sup>st</sup> DCA. The 1<sup>st</sup> DCA upheld the constitutionality of SOH. The Florida Supreme Court denied to review the case on January 26, 2011. It is anticipated that the plaintiffs will appeal the decision of the 1<sup>st</sup> DCA to the United States Supreme Court.

**G. Citizens for Strong Schools, et al. v. Florida State Board of Education, et al., Case No. 09-CA-4534 (2<sup>nd</sup> Cir.)**

A citizen's advocacy group brought suit against the Department of Education, the Governor, and the Legislature broadly alleging that the state has failed to make "adequate provision... for a uniform, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education..." The plaintiffs seek an order requiring the state to develop a remedial plan making sweeping changes to the funding and delivery of public K-12 education.

The defendants filed a joint motion to dismiss the case, on the grounds that the issues presented are non-justifiable political questions. On August 20, 2010, the trial court denied that motion. On November 29, 2010, the defendants filed a petition for writ of prohibition with the 1<sup>st</sup> DCA, seeking an order requiring the trial court to dismiss the case, *Haridopolos v. Citizens for Strong Schools*, 1D10-6285. On December 16, 2010, the 1<sup>st</sup> DCA issued a show cause order, thereby staying the trial court proceeding. The parties now await the decision of the 1<sup>st</sup> DCA.

**H. Florida Gas Transmission Company v. Florida Department of Transportation, Case No. CACE07001922 (1<sup>st</sup> Cir.)**

Plaintiff's claim is based on an alleged breach of easement and seeks injunctive relief and reimbursement of natural gas pipeline relocation costs. Plaintiff seeks damages in excess of \$90 million for relocating the pipelines. The Florida Department of Transportation has counterclaimed for breach of easement, unjust enrichment, promissory estoppel, and trespass, seeking damages in excess of \$30 million, and declaratory and injunctive relief. The trial commenced on January 4, 2011. On January 27, 2011, the jury returned a verdict in favor of Plaintiff in the amount of \$82,697,567 for Plaintiff's costs in relocating its pipelines. The Court has not ruled on a number of other claims by Plaintiff and by the Florida Department of Transportation. The Florida Department of Transportation has filed post trial motions and Plaintiff has filed a motion for pre-judgment interest, all of which are set for hearing on March 18, 2011. The jury's verdict could be voided if the Court grants the Florida Department of Transportation's post trial motions or enters declaratory relief in favor of the Department.

**I. AMEC Civil LLC v. Florida Department of Transportation, Case No. 16-2008-CA-001722-XXXX-MA (4<sup>th</sup> Cir.)**

The Florida Department of Transportation contracted with AMEC for reconstruction of an intersection. AMEC commenced this action on February 7, 2008, claiming additional money damages arising from this contract of approximately \$37 million. On February 20, 2009, the Court entered final summary judgment in favor of the Department, which the 1<sup>st</sup> DCA affirmed (Case No. 1D09-1211), and subsequently denied AMEC's motions requesting rehearing and certification to the Florida Supreme Court. AMEC is presently seeking discretionary review by the Florida Supreme Court. The Court's decision is pending.

**J. In re Citrus Canker Litigation, Case No. 00-18394 (17<sup>th</sup> Cir.); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717 (15<sup>th</sup> Cir.); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120#37 (9<sup>th</sup> Cir.); In re Citrus Canker Litigation, Case No. 03-8255 CA 13 (11<sup>th</sup> Cir.); Martínez v. Florida Department of Agriculture and Consumer Services, Case No. 03-30110 CA (11<sup>th</sup> Cir.); and Dellaseva v. Florida Department of Agriculture and Consumer Services, Case No. 03-1947 (20<sup>th</sup> Cir.).**

*In re Citrus Canker Litigation* concerns a group of Broward County homeowners who sought damages for the removal of their trees that had been exposed to citrus canker after January 1, 2000. Plaintiff class received summary judgment of liability for damages under Section 581.1845, Florida Statutes, and a liability trial for inverse condemnation was concluded in December, 2007. Plaintiffs were awarded prejudgment interest and damages totaling \$8,043,451 on October 6, 2008, and may ultimately be awarded attorney fees and costs. The Fourth District Court of Appeal affirmed the judgment, and the DOACS is requesting the Florida Supreme Court review the decision. Related but separate class action lawsuits have been started in Palm Beach, Orange, Miami-Dade, and Lee Counties. Class actions have been certified in all these cases. In the Palm Beach County case, *Mendez*, the class has prevailed on liability for damages under Section 581.1845, Florida Statutes, and liability on the class' claim for inverse condemnation. A compensation trial is scheduled for February 22, 2011. The liability portion of the Lee County matter is scheduled to be heard on April 21, 2011. In *Martínez*, the circuit court declined certification of a class, the Third District Court of Appeal affirmed, and the plaintiffs are requesting review of the decision by the Florida Supreme Court. Plaintiffs are claiming damages, interest, costs, and attorneys' fees in excess of \$25 million.

**K. Angelfish Swim School, et. al. v. Browning, Case No. 2003-13413-CA-01 (11<sup>th</sup> Cir.)**

Class action lawsuit alleges the late charge for late corporate filing imposed by Section 607.193(2)(b), Florida Statutes, and fee for reinstatement of corporation after administrative dissolution imposed by Section 607.0122(13), Florida Statutes, are excessive fines in violation of the Florida Constitution. Summary judgment was denied in part and deferred in part. The trial court certified the case as a class action. The Department of State has appealed the Class Certification Order to the Third District Court of Appeal. Potential liability to the state is an estimated \$150 million, plus prejudgment interest.

**L. Christine R. Dunham, et. al. v. State of Florida, Agency for Health Care Administration, et. al., Case No. 2009 CA 03720 (2<sup>nd</sup> Cir.)**

Plaintiff class alleged AHCA and other state actors violated 42 U.S.C. §1396(k) and 1396(p)(a)(1), U.S. Const. amend. V and XIV, Florida Const., art. X, §6, and committed a breach of contract. The allegations indicate that Defendants asserted liens and received recovery out of workers' compensation settlements when no reimbursement of medical expenses was part of such settlement. This case is among recent actions regarding the Medicaid anti-lien provision decided by the United States Supreme Court in *Arkansas Department of Health & Human Services v. Ahlborn*, 126 S.Ct. 1752 (2006) (where the Court held Medicaid liens may be recovered only from the portion of a settlement that applied to reimbursement of medical expenses). Plaintiffs seek injunctive relief alleging violation of federal law and *Ahlborn*.

The Agency was served on April 14, 2009. Defendants moved to dismiss and change venue to Leon County. Plaintiffs agreed to the transfer of venue. The hearing on the Motion to Dismiss was held on December 17, 2009, resulting in the dismissal of Defendant Health Management Services without prejudice. On February 7, 2011, the Agency filed a Motion for Summary Judgment. Discovery is presently ongoing.

Management's response is to litigate. It is not possible at this stage in the case to evaluate the outcome or the potential loss. The plaintiffs do not seek tort damages, but appear to seek restitution or contractual damages. The monetary impact could exceed \$25 million.

**NOTE 17 – DEFICIT FUND EQUITY****A. Governmental Funds**

The *State School Trust Fund* has a deficit fund balance of approximately \$471.2 million. The deficit is primarily the result of establishing an advance (long-term liability) for potential future claims on a portion of the cash advanced by the Unclaimed Property Trust Fund. Due to the long-term nature of the liability, the Department of Education pays claims as they are made rather than funding the full amounts which may ultimately be payable.

The *State Risk Management Trust Fund* has a deficit fund balance of approximately \$11.1 million. The deficit is predominantly a result of casualty insurance expenditures exceeding the assessed casualty insurance premiums in fiscal year 2009-2010. The State Division of Risk Management met with the Governor's Office of Policy and Budget and the Senate and House Legislative Appropriations Staff to resolve the deficit. Additional appropriations of \$17.1 million were placed in the 2010 General Appropriations Act to offset the deficit in fiscal year 2009-2010. However, this was not enough to offset the deficit for fiscal year 2009-2010. For the 2010-2011 fiscal year, the 2010 General Appropriations Act included increased casualty premiums of \$39.1 million, increasing the total casualty premiums to \$175.4 million, to offset the projected rise in casualty insurance expenditures.

The Executive Office of the Governor *Tourism Promotion Trust Fund* has a deficit fund balance of \$1.3 million. The deficit is due to declining Rental Car Surcharge receipts that fund the operations of the Florida Commission on Tourism and the Office of Tourism, Trade, and Economic Development. As a corrective action, the Office of Tourism, Trade, and Economic Development reduced the fourth quarter contractual payment to the Florida Commission on Tourism and closely monitored their internal expenses to align with actual Rental Car Surcharge receipts. Additionally, the 2011-2012 Legislative Budget Request requested an overall reduction in spending authority for this trust fund to more closely align future obligations with projected revenues.

**B. Proprietary Funds**

The *Correctional Work Program Trust Fund* has a net asset deficit of approximately \$2.2 million. The deficit is a result of revenues being insufficient to cover long-term obligations, consisting mainly of a compensated absences liability. Due to the long-term nature of the liability, the Department of Corrections plans to continue operating the program and liquidate the liability on a pay-as-you-go basis.

The *Beachline East Expressway Toll Trust Fund* (formerly known as the *Beeline East Expressway Toll Trust Fund*) has a net asset deficit of approximately \$31.9 million. The deficit is a result of committing Beachline toll revenues to pay a portion of the construction costs of SR 520, an adjoining non-tolled road. Expenses incurred to date are greater than toll revenues. The Department of Transportation has agreed to fund certain costs in advance thereby creating a liability for Beachline to repay. Future toll revenues continue to be used to pay additional SR 520 costs and the associated liability.

The *State Employee Health Insurance Trust Fund* reported an overall deficit of approximately \$41.4 million. The most significant factor is a \$35.2 million operational loss due to claims expense exceeding premium revenue. The operational loss combined with \$5.5 million attributable to market value declines in pooled investments with the State Treasury and unfunded costs for Other Postemployment Benefits (OPEB) produced the overall deficit. For the coverage period beginning December 1, 2010, the state share of premiums will increase to mitigate the operational loss. In addition, the Legislature approved some benefit changes and limits in HMO premium payment increases effective January 2011 that are expected to bring savings to the Program. Market values for pooled investments with the State Treasury are expected to increase as the overall economic and financial market recovery continues. Due to the long-term and implicit nature of the OPEB, the state currently funds it on a pay-as-you-go basis.

The *Legal Service Trust Fund* has a net asset deficit of approximately \$2.4 million. The deficit is a result of revenues being insufficient to cover long-term obligations, consisting mainly of a compensated absences liability. Due to the long-term nature of the liability, the Department of Legal Affairs plans to continue providing legal services and liquidate the liability on a pay-as-you-go basis.

The *Unemployment Compensation Trust Fund* has a net asset deficit of approximately \$903.6 million. The deficit is a result of revenues being insufficient to cover unemployment benefit payments to claimants. In August 2009 the State trust fund balance was exhausted. In order to continue making benefit payments the State requested Title XII advances from the Federal

Government, as provided for under Section 1201 of the Social Security Act, thereby creating a liability for the State to repay from future State Unemployment Insurance Tax collections. The cumulative advances through June 30, 2010 total approximately \$1.612 billion. The trust fund is projected to remain in a deficit fund equity position until state fiscal year 2014-15. Current Title XII advances as of January 19, 2011 were \$2.051 billion.

**C. Fiduciary Funds**

The *Life and Other Benefits Fund* has a net asset deficit of approximately \$517 thousand. The deficit is a result of an accrual of Other Postemployment Benefits (OPEB) in accordance with the Governmental Accounting Standards Board (GASB) Codification Section P50, *Postemployment Benefits Other Than Pension Benefits – Employer Reporting*.

## NOTE 18 – SUBSEQUENT EVENTS

**A. Bonds and Certificates of Participation**

The following bond and certificates of participation for governmental and business-type activities of the primary government were issued subsequent to June 30, 2010:

Agency/Bond	Series	Amount	Matures	Interest Rate
<b>Governmental Activities:</b>				
Full Faith and Credit, State Board of Education Capital Outlay Bonds	2010A	\$ 53,405,000	1/1/2011-1/1/2030	3.000% - 5.000%
Board of Governors University System Improvement Revenue Refunding Bonds	2011A	\$ 38,930,000	7/1/2012-7/1/2019	5.000% - 5.000%
Board of Governors, Florida State University Mandatory Student Fee Revenue Bonds	2010A	\$ 31,320,000	7/1/2011-7/1/2030	3.000% - 5.000%
Board of Governors, Florida State University Dormitory Revenue Bonds	2010A	\$ 18,910,000	5/1/2011-5/1/2040	2.500% - 4.750%
Florida Water Pollution Control Financing Corporation Water Pollution Control Revenue Bonds	2010A	\$ 225,000,000	7/15/2011-7/15/2030	3.500% - 5.000%
Board of Governors, Florida State University Parking Facility Revenue Bonds	2011A	\$ 22,145,000	7/1/2012-7/1/2031	2.500% - 5.250%
Board of Governors, University of North Florida Mandatory Student Fee Revenue Bonds	2010A	\$ 2,575,000	11/1/2011-11/1/2016	2.000% - 3.000%
Board of Governors, University of North Florida Mandatory Student Fee Revenue Bonds (Taxable Build America Bonds)	2010B	\$ 13,060,000	11/1/2017-11/1/2035	4.000% - 7.500%
State Board of Education Lottery Revenue Refunding Bonds	2010D	\$ 109,750,000	7/1/2011-7/1/2018	2.000% - 5.000%
State Board of Education Lottery Revenue Refunding Bonds	2010E	\$ 223,425,000	7/1/2012-7/1/2020	4.000% - 5.000%
State Board of Education Lottery Revenue Refunding Bonds	2010F	\$ 169,830,000	7/1/2013-7/1/2022	4.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2010A	\$ 179,870,000	6/1/2011-6/1/2031	2.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds	2007H	\$ 167,200,000	6/1/2011-6/1/2040	2.500% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds	2008E	\$ 200,000,000	6/1/2011-6/1/2040	2.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds	2010B	\$ 154,800,000	6/1/2012-6/1/2040	3.000% - 5.125%

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**B. Unemployment Compensation Trust Fund**

Continuing high levels of unemployment benefit claims payments resulted in the depletion of available fund balances in the State of Florida account in the Unemployment Compensation Trust Fund during August 2009. Section 1201 of the Social Security Act provides for Title XII advances from the Federal Unemployment Fund to those states whose trust funds are depleted to ensure the continuation of benefit payments to eligible claimants. Advances are repayable from future employer contributions. Interest accruing on outstanding balances is payable each September 30. Interest cannot be paid from state unemployment compensation fees. The American Recovery and Reinvestment Act of 2009 temporarily suspended interest on these advances through December 31, 2010. Borrowing is expected to be necessary through state fiscal year 2014-15. As of January 19, 2011, \$2.051 billion has been advanced to the state for payment of unemployment compensation benefits.

The Florida Office of Economic and Demographic Research forecasted the following based on current Florida law:

**Federal Advance Balances at 6/30**

2010	\$ 1,612,500,000, Actual
2011	\$ 2,184,600,000
2012	\$ 2,115,000,000
2013	\$ 1,267,100,000
2014	\$ 59,800,000

**Interest Payable on 9/30**

2011	\$ 86,300,000
2012	\$ 127,500,000
2013	\$ 92,000,000
2014	\$ 36,200,000
2015	\$ 1,600,000

**C. Retiree Health Insurance Subsidy**

In October 2010 the State's Actuarial Assumption Conference met and adopted a discount rate of four percent for the Retiree Health Insurance Subsidy Program. The valuation report, dated January 2011, reported an unfunded Program liability of \$8.173 billion as of July 1, 2010, using four percent discount rate.

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**OTHER REQUIRED  
SUPPLEMENTARY  
INFORMATION**

## 2010 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2009	\$ 1,589,168	\$ 1,589,168	\$ 1,589,168	\$ .....
Reversions	40,951	40,951	40,951	.....
Fund Balances, July 1, 2009, restated	1,630,119	1,630,119	1,630,119	.....
<b>REVENUES</b>				
Fees and charges	1,056,054	1,046,554	1,384,134	337,580
Licenses	872,796	1,085,496	239,832	(845,664)
Taxes	23,119,238	23,330,338	23,745,564	415,226
Miscellaneous	4,259	4,259	4,769	510
Interest	85,437	109,037	115,375	6,338
Grants	12,547	12,547	13,604	1,057
Refunds	9,431	9,431	421,768	412,337
Transfers and distributions	2,570,498	2,195,298	2,319,346	124,048
Other	149,210	340,810	302,546	(38,264)
Total Revenues	27,879,470	28,133,770	28,546,938	413,168
Total Available Resources	29,509,589	29,763,889	30,177,057	413,168
<b>EXPENDITURES</b>				
Operating expenditures:				
Salaries and benefits	3,708,116	3,775,876	3,752,305	23,571
Other personal services	71,045	76,600	71,525	5,075
Expenses	387,134	439,538	425,028	14,510
Grants and aids	10,943,204	11,017,971	11,017,660	311
Operating capital outlay	11,909	14,733	12,875	1,858
Food products	64,505	64,662	64,429	233
Fixed capital outlay	80,224	80,224	80,224	.....
Lump sum	370,881	344	344	.....
Special categories	6,082,457	6,490,000	6,429,702	60,298
Financial assistance payments	222,273	222,273	221,975	298
Grants/aids to local governments	52,456	52,456	52,456	.....
Data processing services	37,288	37,882	37,127	755
Pensions and benefits	15,778	15,778	14,013	1,765
Claim bills and relief acts	.....	179	179	.....
Continuing Appropriations	.....	90,617	90,617	.....
Total Operating Expenditures	22,047,270	22,379,133	22,270,459	108,674
Nonoperating expenditures:				
Transfers	3,772,167	3,772,167	3,772,167	.....
Refunds	740,640	547,227	547,227	.....
Other	1,635,888	1,635,888	1,635,888	.....
Total Nonoperating Expenditures	6,148,695	5,955,282	5,955,282	.....
Total Expenditures	28,195,965	28,334,415	28,225,741	108,674
Fund Balances, June 30, 2010	\$ 1,313,624	\$ 1,429,474	\$ 1,951,316	\$ 521,842

The notes to required supplementary information are an integral part of this schedule.

## 2010 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	Environment, Recreation and Conservation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2009	\$ 1,398,050	\$ 1,398,050	\$ 1,398,050	\$ .....
Reversions	447	447	447	.....
Fund Balances, July 1, 2009, restated	1,398,497	1,398,497	1,398,497	.....
<b>REVENUES</b>				
Fees and charges	108,830	154,376	152,662	(1,714)
Licenses	36,332	47,369	47,849	480
Taxes	48,259	296,318	301,931	5,613
Miscellaneous	4,484	680	630	(50)
Interest	32,035	47,728	31,319	(16,409)
Grants	320,974	217,817	232,309	14,492
Refunds	474	3,850	5,434	1,584
Bond proceeds	289,104	371,001	371,000	(1)
Transfers and distributions	1,150,776	1,228,512	1,206,553	(21,959)
Other	89,491	12,444	98,829	86,385
Total Revenues	2,080,759	2,380,095	2,448,516	68,421
Total Available Resources	3,479,256	3,778,592	3,847,013	68,421
<b>EXPENDITURES</b>				
Operating expenditures:				
Salaries and benefits	231,424	233,665	229,732	3,933
Other personal services	26,363	26,170	22,404	3,766
Expenses	50,239	48,861	43,408	5,453
Grants and aids	5,263	5,233	5,126	107
Operating capital outlay	3,342	3,537	2,952	585
Fixed capital outlay	638,162	638,162	638,162	.....
Lump sum	16,972	.....	.....	.....
Special categories	369,506	373,275	319,728	53,547
Grants/aids to local governments	482,849	482,849	482,849	.....
Data processing services	2	2	.....	2
Total Operating Expenditures	1,824,122	1,811,754	1,744,361	67,393
Nonoperating expenditures:				
Transfers	342,607	438,018	438,018	.....
Refunds	42,919	20,361	20,361	.....
Other	443,591	343,408	343,408	.....
Total Nonoperating Expenditures	829,117	801,787	801,787	.....
Total Expenditures	2,653,239	2,613,541	2,546,148	67,393
Fund Balances, June 30, 2010	\$ 826,017	\$ 1,165,051	\$ 1,300,865	\$ 135,814

The notes to required supplementary information are an integral part of this schedule.

## 2010 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2009	\$ 1,179,993	\$ 1,179,993	\$ 1,179,993	\$ .....
Reversions	18,531	18,531	18,531	.....
Fund Balances, July 1, 2009, restated	1,198,524	1,198,524	1,198,524	.....
<b>REVENUES</b>				
Fees and charges	1,170,868	44,342	8,833	(35,509)
Licenses	3,170	.....	.....	.....
Taxes	633,300	666,004	666,003	(1)
Miscellaneous	72,009	8	8	.....
Interest	61,476	39,131	35,778	(3,353)
Grants	5,693,695	4,236,221	4,239,759	3,538
Refunds	25,875	4,102	4,186	84
Bond proceeds	330,245	959,423	959,423	.....
Transfers and distributions	2,069,271	2,017,416	2,290,415	272,999
Other	137,320	310,018	181,689	(128,329)
Total Revenues	10,197,229	8,276,665	8,386,094	109,429
Total Available Resources	11,395,753	9,475,189	9,584,618	109,429
<b>EXPENDITURES</b>				
Operating expenditures:				
Salaries and benefits	41,773	41,800	38,940	2,860
Other personal services	1,833	1,777	480	1,297
Expenses	17,165	16,984	7,208	9,776
Grants and aids	6,830,104	5,339,608	4,701,191	638,417
Operating capital outlay	1,563	1,561	172	1,389
Fixed capital outlay	2,439,369	2,439,369	2,439,369	.....
Special categories	713,195	722,764	722,764	.....
Financial assistance payments	66,257	66,257	64,774	1,483
Grants/aids to local governments	246,197	349,930	246,197	103,733
Payments to U.S. Treasury	2,000	137	137	.....
Data processing services	4,938	4,939	4,340	599
Total Operating Expenditures	10,364,394	8,985,126	8,225,572	759,554
Nonoperating expenditures:				
Transfers	253,926	321,084	321,084	.....
Refunds	5,705	283	283	.....
Other	144,345	29,343	29,343	.....
Total Nonoperating Expenditures	403,976	350,710	350,710	.....
Total Expenditures	10,768,370	9,335,836	8,576,282	759,554
Fund Balances, June 30, 2010	\$ 627,383	\$ 139,353	\$ 1,008,336	\$ 868,983

The notes to required supplementary information are an integral part of this schedule.

## 2010 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2009	\$ 925,976	\$ 925,976	\$ 925,976	\$ .....
Reversions	130,357	130,357	130,357	.....
Fund Balances, July 1, 2009, restated	1,056,333	1,056,333	1,056,333	.....
<b>REVENUES</b>				
Fees and charges	1,596,608	2,205,824	1,174,087	(1,031,737)
Licenses	26,335	32,450	24,249	(8,201)
Taxes	1,026,832	1,373,776	1,374,490	714
Miscellaneous	4	6	6	.....
Interest	5,849	5,673	6,201	528
Grants	15,402,419	15,566,519	15,549,649	(16,870)
Refunds	977,995	5,051	873,222	868,171
Transfers and distributions	1,870,030	2,762,025	2,016,271	(745,754)
Other	32,343	38,690	36,366	(2,324)
Total Revenues	20,938,415	21,990,014	21,054,541	(935,473)
Total Available Resources	21,994,748	23,046,347	22,110,874	(935,473)
<b>EXPENDITURES</b>				
Operating expenditures:				
Salaries and benefits	1,355,205	1,356,160	1,294,566	61,594
Other personal services	97,713	114,210	101,922	12,288
Expenses	285,917	299,995	272,997	26,998
Grants and aids	52,173	52,010	57,013	14,273
Operating capital outlay	23,115	25,938	19,913	6,025
Food products	2,034	1,638	1,522	116
Fixed capital outlay	5,857	5,857	5,857	.....
Lump sum	4,000	.....	.....	.....
Special categories	18,506,392	19,661,906	18,413,113	1,248,793
Financial assistance payments	106,105	106,105	73,069	33,036
Grants/aids to local governments	14,123	14,123	14,123	.....
Data processing services	31,456	33,097	30,829	2,268
Claim bills and relief acts	3,410	4,610	4,610	.....
Continuing appropriations	.....	13,825	13,825	.....
Total Operating Expenditures	20,487,500	21,689,474	20,284,083	1,405,391
Nonoperating expenditures:				
Transfers	825,233	840,106	840,106	.....
Qualified expenditures	60,524	.....	.....	.....
Refunds	14,421	13,259	13,259	.....
Other	11,962	12,963	12,963	.....
Special expenses	100	.....	.....	.....
Total Nonoperating Expenditures	912,240	866,328	866,328	.....
Total Expenditures	21,399,740	22,555,802	21,150,411	1,405,391
Fund Balances, June 30, 2010	\$ 595,008	\$ 490,545	\$ 960,463	\$ 469,918

The notes to required supplementary information are an integral part of this schedule.

## 2010 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2009	\$ 250,792	\$ 250,792	\$ 250,792	\$ .....
Reversions	2,856	2,856	2,856	.....
Fund Balances, July 1, 2009, restated	253,648	253,648	253,648	.....
<b>REVENUES</b>				
Fees and charges	116,799	127,470	116,799	(10,671)
Taxes	2,266,913	2,198,931	2,266,912	67,981
Interest	1,911	1,309	1,477	168
Refunds	10,013	.....	10,013	10,013
Transfers and distributions	103,278	103,279	108,495	5,216
Other	46,442	36,482	33,521	(2,961)
Total Revenues	2,545,356	2,467,471	2,537,217	69,746
Total Available Resources	2,799,004	2,721,119	2,790,865	69,746
<b>EXPENDITURES</b>				
Operating expenditures:				
Salaries and benefits	4,015	4,021	3,705	316
Other personal services	51	51	36	15
Expenses	1,214	1,137	801	336
Operating capital outlay	75	74	23	51
Fixed capital outlay	1,500	1,500	1,500	.....
Special categories	107,024	107,028	103,124	3,904
Total Operating Expenditures	113,879	113,811	109,189	4,622
Nonoperating expenditures:				
Transfers	.....	61,061	61,061	.....
Refunds	61,700	68,413	68,413	.....
Other	2,577,220	2,342,793	2,342,793	.....
Total Nonoperating Expenditures	2,638,920	2,472,267	2,472,267	.....
Total Expenditures	2,752,799	2,586,078	2,581,456	4,622
Fund Balances, June 30, 2010	\$ 46,205	\$ 135,041	\$ 209,409	\$ 74,368

The notes to required supplementary information are an integral part of this schedule.

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## 2010 STATE OF FLORIDA CAFR

**BUDGET TO GAAP RECONCILIATION  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(in thousands)**

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	\$ 1,951,316	\$ 1,300,865	\$ 1,008,336	\$ 960,463	\$ 209,409
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	1,126,157	144,026	137,320	67,703	84,693
Fair value adjustments to investments within the State Treasury	72,861	14,450	13,777	6,771	8,497
Special investments within the State Treasury	17,676	.....	.....	471,322	.....
Non-State Treasury cash and investments	869,096	925	621	24,021	1,790
Other GAAP basis fund balances not included in budgetary basis fund balances	(5,550)	(43)	57,175	(636,039)	824,399
Adjusted budgetary basis fund balances	4,031,556	1,460,223	1,217,229	894,241	1,128,788
Adjustments (basis differences):					
Net receivables (payables) not carried forward	58,422	987,972	227,955	343,007	(89,502)
Inventories, prepaid items and deferred charges	12,464	1,564	.....	31,691	15,328
Encumbrances	67,330	3,302	.....	18,279	37,964
GAAP basis fund balances	\$ 4,169,772	\$ 2,453,061	\$ 1,445,184	\$ 1,287,218	\$ 1,092,578

The notes to required supplementary information are an integral part of this schedule.

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## 2010 STATE OF FLORIDA CAFR

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY REPORTING

## Budget Process

Chapter 216, Florida Statutes (F.S.), promulgates the process used to develop the budget for the State of Florida. By October 15 of each year, the head of each state agency and the Chief Justice of the Supreme Court for the Judicial Branch submit a final annual legislative budget request to the Governor and Legislature. Then, at least 30 days before the scheduled annual legislative session in each year, the Governor, as Chief Budget Officer, submits his recommended budget to each legislator.

The Governor also provides estimates of revenues sufficient to fund the recommended appropriations. Revenue estimates for the General Fund and selected trust funds are made by the Revenue Estimating Conference. This group includes members of the Executive and Legislative branches with forecasting experience who develop official information regarding anticipated state and local government revenues as needed for the state budgeting process. Revenue estimates for trust funds not projected by the Revenue Estimating Conference (consisting mainly of special revenue funds) are provided by state agencies. These estimates may be revised during the course of the Legislature's consideration and adoption of a final budget. These estimates, together with known available cash balances, are further considered by the Governor and the Chief Justice of the Florida Supreme Court during the preparation of annual release (spending) plans. Further adjustments to the original budget's trust fund revenue estimates may be made to conform agency revenue estimates to actual and projected revenue streams.

The Governor's recommended budget is considered and amended by the Legislature and a final appropriations bill is then approved by the Legislature (subject to the line-item veto power of the Governor and override authority of the Legislature), this bill becomes the General Appropriations Act. The Governor and the Chief Justice of the Supreme Court may, under certain conditions and subject to the review and objection procedures set forth in Section 216.177, Florida Statutes, establish appropriations and corresponding releases for amounts not appropriated by the Legislature to agencies and the Judicial Branch, respectively. These appropriations are made primarily for non-operating disbursements, such as the purchase of investments and the transfer of money between state funds.

If circumstances warrant, the head of a department or the Chief Justice of the Supreme Court may transfer appropriations (other than fixed capital outlay appropriations) but only to the extent of 5% of the original appropriation or \$250,000, whichever is greater or within certain programs and between identical funding sources and specific appropriation categories. Transfers of general revenue appropriations in excess of 5% or \$250,000, whichever is greater, or for fixed capital outlay, or for transfers of general revenue appropriations not allowed within the departments' program flexibility may be approved by the Legislative Budget Commission. The Governor and the Chief Justice of the Supreme Court may approve changes of expenditure authority within any trust fund for agencies and the Judicial Branch, respectively, if the changes are less than \$1 million. The Legislative Budget Commission may approve trust fund changes in excess of \$1 million. At the end of the fiscal year, any balance of an operating appropriation which has not been disbursed but is expended (recorded as a payable) or contracted to be expended (recorded as a reserve for encumbrances in governmental fund types), may be carried forward into the next fiscal year.

The Chief Financial Officer approves disbursements in accordance with legislative authorizations. The budget is controlled at the account code level, which is defined as an appropriation category (e.g., salaries and benefits) and fund within a budget entity. The Governor and the Chief Financial Officer are responsible for detecting conditions which could lead to a deficit in any agency's funds and reporting that fact to the Legislative Budget Commission and the Chief Justice of the Supreme Court. The Constitution of the State, Article VII, Section 1(d), states, "Provision shall be made by law for raising sufficient revenue to defray the expenses of the state for each fiscal period."

## Budgetary Basis of Accounting

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). Appropriations are made from funds that are prescribed by law. These legal basis fund types (known as state funds) are the General Revenue Fund, numerous trust funds, and the Budget Stabilization Fund. Certain moneys, known as local funds, available to agencies for their operations are maintained outside the State Treasury. Because the funds are located in banks outside of the State Treasury, budgetary authority and the disbursement of these funds are not controlled by the Chief Financial Officer. For example, the State Board of Administration operates from such funds.

The state presents budgetary comparison schedules for the General Fund and major special revenue funds as part of the other required supplementary information. In addition, budgetary comparison schedules for non-major special revenue funds which have legally adopted annual budgets are presented with other combining and individual fund statements and schedules.

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## 2010 STATE OF FLORIDA CAFR

Budgetary basis revenues are essentially reported on the cash basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include disbursements, except those for prior year carry/certified forwards, plus current year payables and encumbrances which are carried/certified forward into the next fiscal year. They also include amounts classified by GAAP as other financing uses. State law requires prior year payables and encumbrances not carried/certified forward to be paid from the current year budget. The Lump Sum expenditure category presented in the budgetary comparison schedules is used as a budgetary tool to track moneys appropriated to a particular fund until subsequent allocations are made to other expenditure categories.

The presentation of budgetary comparison information for the major governmental fund for transportation excludes the State Transportation Trust Fund within the Department of Transportation because it accounts for projects of a multi-year nature, and comparison of actual annual expenditures to a multi-year appropriated amount is not meaningful. Appropriations are made in total the first year of a project even though they are released and expended over the period of construction for a project.

## Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original budget and final budget with actual revenues and expenditures on a budgetary basis. A budget to GAAP reconciliation is presented following the budgetary comparison schedules because accounting principles for budgetary basis differ significantly from those used to present financial statements in conformity with GAAP.

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

FLORIDA RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll <sup>(1)</sup> (C)	UAAAL as a Percentage of Covered Payroll (B-A)/C
July 1, 2004	\$ 106,707,426	\$ 95,185,433	\$ (11,521,993)	112.10%	\$ 23,115,581	(49.85%)
July 1, 2005	\$ 111,539,878	\$ 103,925,498	\$ (7,614,380)	107.33%	\$ 24,185,983	(31.48%)
July 1, 2006	\$ 117,159,615	\$ 110,977,831	\$ (6,181,784)	105.57%	\$ 25,327,922	(24.41%)
July 1, 2007	\$ 125,584,704	\$ 118,870,513	\$ (6,714,191)	105.65%	\$ 26,385,768	(25.45%)
July 1, 2008	\$ 130,720,547	\$ 124,087,214	\$ (6,633,333)	105.35%	\$ 26,891,340	(24.67%)
July 1, 2009	\$ 118,764,692	\$ 136,375,597	\$ 17,610,905	87.09%	\$ 26,573,196	66.27%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(in thousands)

Year Ended 6/30	Annual Required Contributions	Percent Contributed
2004	\$ 2,044,540	92%
2005	\$ 2,141,862	102%
2006	\$ 2,193,928	96%
2007	\$ 2,455,255	111%
2008	\$ 2,612,672	107%
2009	\$ 2,535,854	111%

<sup>(1)</sup> Includes Deferred Retirement Option Program (DROP) Payroll.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM SCHEDULE OF FUNDING PROGRESS  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll (B-A)/C
July 1, 2006	\$ 192,808	\$ 4,667,058	\$ 4,474,250	4.13%	\$ 27,712,320	16.15%
July 1, 2008	\$ 275,139	\$ 5,109,683	\$ 4,834,544	5.38%	\$ 30,665,477	15.77%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(in thousands)

Year Ended 6/30	Annual Required Contribution	Percent Contributed
2006	N/A <sup>(1)</sup>	N/A
2007	\$ 363,175	90%
2008	\$ 391,847	85%

<sup>(1)</sup> First valuation completed July 1, 2006, which determined ARC for FY 06-07.OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS\*  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll (B-A)/C
July 1, 2007	\$ .....	\$ 3,081,834	\$ 3,081,834	0.00%	\$ 6,542,945	47.10%
July 1, 2008	\$ .....	\$ 2,848,428	\$ 2,848,428	0.00%	\$ 6,492,858	43.87%
July 1, 2009	\$ .....	\$ 4,831,107	\$ 4,831,107	0.00%	\$ 7,318,965	66.01%

SCHEDULE OF EMPLOYER CONTRIBUTIONS\*  
(in thousands)

Year Ended 6/30	Annual Required Contribution	Percent Contributed
2008	\$ 200,973	43.70%
2009	\$ 186,644	54.36%
2010	\$ 336,419	30.87%

\* This information relates to the cost-sharing plan as a whole, of which the State of Florida is one participating employer. The State of Florida's participation in both the actuarial accrued liability and the annual required contribution is approximately 77%.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS  
REPORTED USING THE MODIFIED APPROACH

Pursuant to GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the state has adopted an alternative process to recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 12,088 centerline miles of roads and 6,618 bridges that the State is responsible for maintaining.

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

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual 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.

## Condition and Maintenance Programs

**Resurfacing Program:** Road pavements require periodic resurfacing. The frequency of resurfacing depends on the volume of traffic, type of traffic, pavement material variability, and weather conditions. Resurfacing preserves the structural integrity of highway pavements and includes pavement resurfacing, pavement rehabilitation, and minor reconstruction.

The Florida Department of Transportation (FDOT) conducts an annual Pavement Condition Survey. Pavements are rated on a scale of 0 to 10 (with 10 being the best) in each of three criteria: ride smoothness, pavement cracking, and wheel path rutting. Ride smoothness is what the motorist experiences. It directly affects motor vehicle operation costs. Pavement cracking refers to the structural deterioration of the pavement, which leads to loss of smoothness and deterioration of the road base by water seepage if not corrected. Wheel path rutting refers to depressions in pavement caused by heavy use. Ride smoothness and wheel path rutting are measured mechanically using lasers. Pavement cracking is determined through visual observation by experienced survey crews.

The condition rating scales were set by a statewide committee of pavement engineers, so that a pavement segment receiving a rating of six or less in any of the three rating criteria is designated a deficient pavement segment. In low-speed urban areas, the ride rating must drop to five or less before a pavement segment is considered deficient due to ride.

The FDOT standard is to ensure that 80% of the pavement on the State Highway System remains non-deficient.

**Bridge Repair/Replacement Program:** The FDOT Bridge Repair Program places primary emphasis on periodic maintenance and specified rehabilitation work activities on State Highway System bridge structures. The FDOT Bridge Replacement Program's primary focus is on the replacement of structurally deficient or weight restricted bridges on the State Highway System. In addition, this program addresses bridges that require structural repair but which are more cost effective to replace.

The FDOT conducts bridge condition surveys using the National Bridge Inspection (NBI) Standards to determine condition ratings. Each bridge is inspected at least once every two years. During the inspection process, the major components such as deck, superstructure, and substructure are assigned a condition rating. The condition rating ranges from 0 to 9. A rating of 8 to 9 is very good to excellent which indicates that no repairs are necessary. A rating of 5 to 7 is fair to good which indicates that minor repairs are required. A rating below 5 identifies bridges needing major repairs or replacement. A rating of 4 or less indicates a condition of poor to failing and requires urgency in making repairs. A rating of 2 requires closure of the bridge and a rating of 1 is used for a bridge that is closed, but with corrective action may be put back into light service. A rating of 0 indicates that the bridge is out of service and beyond corrective action. In general, bridges that have a rating below 5 need major repairs or replacement. However, in isolated cases, bridges with a rating of 5 or greater can judgmentally be determined to need major repairs.

The FDOT standard is to ensure that 90% of all department maintained bridges do not need major repairs or replacement.

**Routine Maintenance Program:** The FDOT is responsible for managing and performing routine maintenance on the State Highway System to help preserve the condition of the highway system. Routine maintenance includes many activities, such as: highway repair, roadside upkeep, emergency response, maintaining signs, roadway striping, and keeping storm drains clear and structurally sound.

The quality and effectiveness of the routine maintenance program is monitored by quarterly surveys, using the Maintenance Rating Program (MRP), which result in an annual assessment. The MRP has been used since 1985 to evaluate routine maintenance of the transportation system in five broad categories, or elements. The five rating elements are roadway, roadside, vegetation/aesthetics, traffic services, and drainage. The MRP provides a maintenance rating of 1 to 100 for each category and overall.

The FDOT standard is to achieve and maintain an overall maintenance rating of 80.

## Condition Rating for the State Highway System

Percentage of pavement meeting FDOT standards

2010	2009	2008
88%	86%	84%

Percentage of bridges meeting FDOT standards

2010	2009	2008
95%	95%	94%

## Maintenance Rating

2010	2009	2008
86	87	86

Comparison of Needed-to-Actual Maintenance/Preservation  
(in millions)

Resurfacing Program

	2010	2009	2008	2007	2006
Needed	\$727.2	\$871.5	\$718.0	\$898.1	\$670.3
Actual	422.0	575.3	584.5	851.1	786.7

Bridge Repair/Replacement Program

	2010	2009	2008	2007	2006
Needed	\$231.0	\$230.4	\$250.3	\$273.4	\$102.7
Actual	134.8	207.3	250.3	121.7	88.4

Routine Maintenance Program

	2010	2009	2008	2007	2006
Needed	\$572.4	\$508.2	\$492.6	\$463.7	\$442.5
Actual	655.8	571.5	507.1	479.2	456.2

The FDOT determines its program needs based on a five-year plan. The needed amounts provided above are for estimated expenses and commitments relating to projects within the plan at the time of the budget request. The nature of a long-term plan is that it is continually changing. Projects are added, deleted, adjusted, or postponed. The differences between the needed and actual amounts above reflect these changes.

[Reserved]

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## DEFINITIONS

**“2011B Bonds”** shall mean the \$\_\_\_\_\_ State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B, authorized by resolutions adopted by the Governing Board on November 9, 2010 and December 6, 2011.

**“Act”** shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

**“Additional Bonds”** shall mean the obligations issued at any time under the provisions of Section 5.01 of the Resolution on a parity with the Series 1989 Bonds.

**“Additional Project”** shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of law.

**“Administrative Expenses”** shall mean, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges or both of the Board of Administration and the Division; and (ii) such other fees or charges or both as may be approved by the Board of Administration or the Division, including but not limited to those related to tax law compliance, disclosure of information, and paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

**“Amortization Installment”** shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

**“Annual Debt Service”** shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

**“Authorized Officer”** of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

**“Board of Administration”** shall mean the State Board of Administration of Florida.

**“Bond Amortization Account”** shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

**“Bond Counsel”** shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

**“Bond Proceeds Account”** shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 of the Resolution.

**“Bonds”** shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to the Resolution.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

**“Cost”** or **“Costs”**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement

of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost paid by the Department before the date of adoption of the Resolution. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

**“Credit Facility”** shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

**“Debt Service Fund”** shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 of the Resolution.

**“Department”** shall mean the State of Florida Department of Transportation.

**“Division” or “Division of Bond Finance”** shall mean the Division of Bond Finance of the State Board of Administration of Florida.

**“Fiscal Year”** shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

**“Governing Board”** shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida.

**“Holder” or “Bondholder”** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

**“Initial Project”** shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

**“Insurer”** shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of the Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

**“Interest Account”** shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

**“Interest Date” or “interest payment date”** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

**“Investment Earnings”** shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms of the Resolution.

**“Maximum Annual Debt Service”** shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

**“Outstanding”**, when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 of the Resolution, (3) Bonds deemed to have been paid pursuant to Section 8.01 of the Resolution, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

**“Outstanding Bonds”** shall mean the outstanding Series 2002 Bonds, Series 2002A Bonds, Series 2003A Bonds, Series 2004A Bonds, Series 2005A Bonds, Series 2005B Bonds, Series 2006A Bonds, Series 2008A Bonds, Series 2009A Bonds, Series 2009B Bonds and Series 2011A Bonds.

**“Paying Agent”** shall mean any paying agent for Bonds appointed by or pursuant to the Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

**“Person”** shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

**“Pledged Gas Taxes”** shall mean motor fuel taxes and diesel fuel taxes (formerly special fuel taxes) which are transferred from the Fuel Tax Collection Trust Fund into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

**“Principal Account”** shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

**“Project”** shall mean the Initial Project and any Additional Project.

**“Redemption Price”** shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

**“Registrar”** shall mean any registrar for the Bonds appointed by or pursuant to the Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

**“Resolution”** shall mean the Authorizing Resolution adopted by the Governing Board on February 28, 1989 and as subsequently supplemented and amended from time to time.

**“Serial Bonds”** shall mean all of the Bonds other than the Term Bonds.

**“Series”** shall mean all the bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 of the Resolution or a Supplemental Resolution authorizing the issuance of such bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

**“State”** shall mean the State of Florida.

**“STTF” or “State Transportation Trust Fund”** shall mean the State Transportation Trust Fund created in Section 206.46, Florida Statutes.

**“Supplemental Resolution”** shall mean any resolution of the Division amending or supplementing the Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 of the Resolution.

**“Term Bonds”** shall mean those Bonds which shall be designated as Term Bonds hereby or by a resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

**“Trust Fund”** shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

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**A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:**

**ARTICLE I  
GENERAL**

**SECTION 1.01. DEFINITIONS.** When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

**"Accreted Value"** shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

**"Act"** shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

**"Additional Bonds"** shall mean the obligations issued at any time under the provisions of Section 5.01 hereof on a parity with the Series 1989 Bonds.

**"Additional Project"** shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(5)(a) or (f) and 339.15(7)(a).

**"Amortization Installment"** shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

**"Annual Debt Service"** shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal

Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

**"Authorized Investments"** shall mean any of the following, if and to the extent that the same are permitted by law:

- (1) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America;
- (2) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- (3) investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest full rating categories by a Rating Agency;
- (4) State and Local Government Obligations;
- (5) certificates of deposit issued by or time deposits with any bank or trust company organized under the laws of any state of the United States of America or any national banking association, or a branch of a foreign bank duly licensed under the laws of the United States of America or any state or territory thereof, whose senior debt is rated within the two highest long-term or short-term, rating categories of a Rating Agency;
- (6) bills of exchange or time drafts drawn on and accepted by a commercial bank under the laws of any state of the United States of America or any state or territory thereof or any national banking association, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;
- (7) repurchase agreements or investment contracts with any bank or trust company or savings and loan association, or with any broker or dealer registered with the Securities and Exchange Commission and subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, in any case having short term debt rated in either of the two highest categories by a Rating Agency provided that, (A) to the extent not insured, the repurchase or investment agreements are secured by Authorized Investments of the kind specified in subsections (1) and (2) above having at all times a fair market value or at least 100% of the value (principal plus accrued interest) of such agreement or contract, (B) the State has a perfected first security interest in such Authorized Investments, and (C) the Authorized Investments are owned by the pledgor free and clear of any kind of liens or security interests other than that of the State; the security for any repurchase agreements and investment contracts shall be (i) in the case of obligations of the United States of America which can be pledged by a book entry notation under regulations of the United States Department of Treasury, appropriately entered on the records of a Federal Reserve Bank, or (ii) in the case of other investments, either (a) deposited with the State, with a Federal Reserve Bank or with a bank or trust company which is acting solely as agent for the State and has a combined net capital and surplus of at least \$25,000,000.
- (8) shares or other interests in any mutual fund, trust, investment company or similar entity or portfolio which invests solely in Authorized Investments of the types described in subparagraphs (1), (2), (4), (5) or (6) above or any combination thereof;
- (9) commercial paper rated in either of the two highest rating categories by a Rating Agency or commercial paper backed by letter of credit or line of credit rated in either of the two highest rating categories by a Rating Agency; and
- (10) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

**"Authorized Officer"** of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

**"Balloon Maturity Bonds"** shall mean such principal portion of a Series of Bonds which (1) shall mature in a single Fiscal Year on the same date, (2) shall not be required to be amortized by payment or redemption by the terms of the Supplemental Resolution authorizing such Bonds, and (3) shall constitute at least twenty-five percent (25%) of the principal amount of such Series.

**"Board of Administration"** shall mean the State Board of Administration of Florida.

**"Bond Amortization Account"** shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

**"Bond Counsel"** shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

**"Bond Insurance Policy"** shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

**"Bond Issuance Costs"** shall mean all fees, costs and expenses of the Department and the Division (including the Governing Board of the Division) incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees, premiums for a Bond Insurance Policy, fiscal or escrow agent fees, financial advisory fees, Rating Agency fees, and the fees and expenses of any Paying Agent, Registrar, Insurer, Credit Bank or depository.

**"Bond Proceeds Account"** shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 hereof.

**"Bondholder"** or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

**"Bonds"** shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to this Resolution.

**"Business Day"** shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the State of Florida are authorized by law to remain closed.

**"Capital Appreciation Bonds"** shall mean those Bonds so designated by Supplemental Resolution of the Governing Board of the Division, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

**"Code"** shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

**"Cost" or "Costs"**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other

costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost heretofore paid by the Department. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

**"Credit Bank"** shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

**"Credit Facility"** shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

**"Debt Service Fund"** shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 hereof.

**"Department"** shall mean the State of Florida Department of Transportation.

**"Division"** shall mean the Division of Bond Finance of the State of Florida Department of General Services.

**"Fiscal Year"** shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

**"Governing Board"** shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State of Florida Department of General Services.

**"Initial Project"** shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

**"Insurer"** shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

**"Interest Account"** shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

**"Interest Date"** or **"interest payment date"** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

**"Investment Earnings"** shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms hereof.

**"Maximum Annual Debt Service"** shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

**"Maximum Interest Rate"** shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Governing Board of the Division delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

**"Moody's Investors Service"** shall mean Moody's Investors Service, and any assigns or successors thereto.

**"Outstanding"**, when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other



Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

**"Paying Agent"** shall mean any paying agent for Bonds appointed by or pursuant to this Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

**"Person"** shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

**"Pledged Gas Taxes"** shall mean motor fuel and special fuel taxes which are transferred from the Gas Tax Collection Trust Fund (as defined in Section 206.45, Florida Statutes) into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

**"Prerefunded Obligations"** shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which comply with the requirements of paragraph (3) of the definition of "Authorized Investments."

**"Principal Account"** shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

**"Project"** shall mean the Initial Project and any Additional Project.

**"Rating Agency"** shall mean Moody's Investors Service or Standard & Poor's Corporation.

**"Rebate Account"** shall mean the Rebate Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

**"Redemption Price"** shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

**"Refunding Securities"** shall mean the United States Obligations and the Prerefunded Obligations.

**"Registrar"** shall mean any registrar for the Bonds appointed by or pursuant to this Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

**"Reserve Account"** shall mean the Reserve Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

**"Reserve Account Insurance Policy"** shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

**"Reserve Account Letter of Credit"** shall mean an unconditional and irrevocable letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

**"Reserve Account Requirement"** shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be

the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

**"Resolution"** shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

**"Serial Bonds"** shall mean all of the Bonds other than the Term Bonds.

**"Series"** shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

**"Series 1989 Bonds"** shall mean the Bonds authorized pursuant to Section 2.02 hereof.

**"Standard & Poor's Corporation"** shall mean Standard & Poor's Corporation, and any assigns and successors thereto.

**"State"** shall mean the State of Florida.

**"State and Local Government Obligations"** shall mean (1) obligations of states or political subdivisions thereof or United States territories, whether or not the interest thereon is excluded from gross income for federal income tax purposes, which obligations may or may not subject the holders thereof to the alternative minimum tax pursuant to the Code, and which are rated in any of the two highest full rating categories by a Rating Agency; or (2) stock of a qualified regulated investment company within the meaning of paragraph (a) (2) of Internal Revenue Service Advance Notice 87-22, released February 24, 1987, or any related or updated notice, release or regulation, which company invests solely in obligations described in (1) above, and which stock is rated in any of the two highest full rating categories by a Rating Agency.

**"Supplemental Resolution"** shall mean any resolution of the Division amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 hereof.

**"Taxable Bond"** shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

**"Term Bonds"** shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

**"Trust Fund"** shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

**"United States Obligations"** shall mean obligations described in paragraph (1) of the definition of "Authorized Investments".

**"Variable Rate Bonds"** shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

**SECTION 1.02. AUTHORITY FOR RESOLUTION.** This Resolution is adopted pursuant to the provisions of the Act.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

**SECTION 1.04. FINDINGS.** It is hereby ascertained, determined and declared that:

(A) During the 1988 Legislative Session, the Florida Legislature passed and submitted to the electors of the State for approval or rejection at the general election held on November 8, 1988, Senate Joint Resolution 391, which created Section 17 of Article VII of the State Constitution, providing for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The majority of the electors of the State approved the creation of Section 17 of Article VII of the State Constitution at the general election held on November 8, 1988.

(C) The Florida Legislature also enacted Chapter 88-247, Laws of Florida, which implements the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(D) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(E) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(F) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(G) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner and are available for pledge and application in the manner provided herein.

(H) The estimated Pledged Gas Taxes will be sufficient to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(I) The \$300,000,000 aggregate principal amount of Bonds authorized by this Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(J) The Initial Project has been authorized by the Florida Legislature, as required by Section 215.605, Florida Statutes, and will be funded from proceeds of the Series 1989 Bonds.

## **ARTICLE II AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS**

**SECTION 2.01. AUTHORIZATION OF BONDS.** This Resolution creates an issue of Bonds of the Division to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

**SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1989 BONDS.** (A) A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of not exceeding \$300,000,000 for the principal purposes of acquiring and constructing the Initial Project, funding the appropriate subaccount of the Reserve Account and paying certain costs of issuance incurred with respect to the Series 1989 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989"; provided the Division may change such designation in the event that the total amount of Series 1989 Bonds authorized herein are not issued in a simultaneous transaction.

(B) Prior to issuance of the Series 1989 Bonds, the Board of Administration shall determine that in no State Fiscal Year will the Annual Debt Service exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(C) The Series 1989 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Division; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, Balloon Maturity Bonds and Capital Appreciation Bonds; maturing in such amounts and in such years not exceeding forty (40) (or such longer or shorter period as may be permitted by law at the time of issuance) years from their

date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Division shall provide hereafter by Supplemental Resolution.

(D) The principal of or Redemption Price, if applicable, on the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1989 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(E) The Series 1989 Bonds shall be secured by a subaccount of the Reserve Account.

**SECTION 2.03. APPLICATION OF SERIES 1989 BOND PROCEEDS.** Upon receipt of the proceeds of the sale of the Series 1989 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the Series 1989 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the Series 1989 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1989 Bonds.

(2) The balance of the Series 1989 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account.

**SECTION 2.04. EXECUTION OF BONDS.** The Bonds shall be executed in the name of the Division on behalf of the Department with the manual or facsimile signature of the Governor, as Chairman of the Division and the corporate seal of the Division shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division as may be designated by resolution. In accordance with the laws of the State in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Registrar, required to be placed on the Bonds shall be a manual signature. In the event that the laws of the State relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of any Series of Bonds, then the signatures which are actually imprinted, reproduced or manually subscribed on the Bonds shall be in compliance with the new laws. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Division before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Division by such person who at the actual time of the execution of such Bond shall hold the proper office of the Division, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Division may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

**SECTION 2.05. AUTHENTICATION.** No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Division for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

**SECTION 2.06. TEMPORARY BONDS.** Until the definitive Bonds of any Series are prepared, the Division may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds

in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Division by subsequent resolution, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Division, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

**SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Division and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division or the Registrar may prescribe and paying such expenses as the Division and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Division may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Department whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Gas Taxes to the same extent as all other Bonds issued hereunder.

**SECTION 2.08. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER.** Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code -- Investment Securities Law of the State, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Division shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

The transfer of any Bond shall be registrable only upon the books of the Division, at the office of the Registrar, under such reasonable regulations as the Department may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the registration of transfer of any such Bond, the Division shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Division, the Registrar and any Paying Agent or fiduciary of the Division may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Division as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Division nor the Registrar nor any Paying Agent or other fiduciary of the Division shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may,

in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or the transfer of Bonds shall be registered, the Division shall execute and deliver Bonds and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Governor, as Chairman of the Division and by the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division, for purposes of exchanging, replacing or registering the transfer of Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or registrations of transfer shall be held by the Registrar in safekeeping until directed by the Division to be cancelled by the Registrar. For every such exchange or registration of transfer, the Division or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Division and the Registrar shall not be obligated to make any such exchange or registration of transfer of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Upon the occurrence of an Event of Default which would require an Insurer to pay a claim under its bond insurance policy, said Insurer and its designated agent shall be provided with access to the registration books for the particular Series of insured Bonds.

The Division may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

**SECTION 2.09. COUPON BONDS.** The Division, at its discretion, may by Supplemental Resolution authorize the issuance of coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such coupon Bonds will not adversely affect the exclusion of interest earned on such Bonds (other than Taxable Bonds) from gross income for purposes of federal income taxation.

**SECTION 2.10. FORM OF BONDS.** The text of the Bonds, except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Division, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and desirable and authorized by this Resolution or any Supplemental Resolution adopted prior to the issuance thereof, or as may be necessary to comply with applicable laws, rules, and regulations of the State and the United States of America in effect upon the issuance thereof:

[Form of Bond intentionally omitted]

### **ARTICLE III REDEMPTION OF BONDS**

**SECTION 3.01. PRIVILEGE OF REDEMPTION.** The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

**SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED.** The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Board of Administration shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not

more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Division and, by lot within a maturity, in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Division and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

**SECTION 3.03. NOTICE OF REDEMPTION.** Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Division, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least thirty (30) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar, and (C) shall be mailed, registered or certified, postage prepaid, or by telecopy or facsimile transmission at least thirty-five (35) days prior to the redemption date to the registered securities depositaries and two or more nationally recognized municipal bond information services. Failure to mail notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings of redemption of such Bonds as to which no such failure or defect has occurred. Notice of any redemption of Bonds at the option of the Division shall be given only upon the prior deposit into the Bond Payment Account of sufficient amounts to effect such redemption.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed; (2) the original issue date of such Bonds; (3) the maturity date and rate of interest borne by each Bond being redeemed; (4) the redemption date; (5) the Redemption Price; (6) the date on which such notice is mailed; (7) if less than all Outstanding Bonds are to be redeemed the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed; (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable; (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the redemption price at the principal office of the Registrar at an address specified; and (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption.

**SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS.** Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Division shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

**SECTION 3.05. PAYMENT OF REDEEMED BONDS.** Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Division shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be cancelled by the Registrar and shall not be reissued.

#### **ARTICLE IV SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF**

**SECTION 4.01. SECURITY FOR THE BONDS.** The Bonds shall be payable primarily from the Pledged Gas Taxes and are additionally secured by a pledge of the full faith and credit of the State of Florida as provided in Section 4.02 hereof.



**SECTION 4.02. PLEDGE OF FULL FAITH AND CREDIT OF THE STATE OF FLORIDA.** The payments of the principal of and interest on the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida, and the State is unconditionally and irrevocably obligated to make all payments required for the payments of such principal of and interest on the Bonds, as the same mature and become due, to the full extent that the moneys derived from the Pledged Gas Taxes are insufficient for the full payment of all such principal of and interest on the Bonds as the same mature and become due. It shall be the mandatory duty of the Board of Administration, to the extent necessary, on each principal and interest maturity date to immediately certify to the proper officials of the State of Florida any deficiencies in the amounts of moneys needed for the payment of the principal of and interest on the Bonds on such principal and interest maturity dates. It shall further be the mandatory duty of the appropriate officials of the State of Florida to pay to the Board of Administration the amounts of such remaining deficiencies in the manner provided herein and in the Act.

To the extent any funds of the State are required to be paid to honor the pledge of the full faith and credit of the State, the General Revenue Fund shall be repaid from the Pledged Gas Taxes in the manner provided by this Resolution.

**SECTION 4.03. FISCAL AGENT FOR BONDS.** Pursuant to Section 215.69, Florida Statutes, and other applicable provisions of law, from and after the date of issuance of the Bonds, the Board of Administration shall administer the Debt Service Fund as provided herein and in the Act.

Upon receipt by the Division of the proceeds of any Series of Bonds, and after the Division has reserved an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the Division shall cause the remainder of the proceeds thereof to be deposited into the Trust Fund. Upon the transfer of Bond proceeds by the Division, the Board of Administration shall succeed to the power, authority, duty and discretion of the Division with regard to said Bonds and shall receive, manage and disburse all moneys on deposit in the Debt Service Fund.

**SECTION 4.04. BOND PROCEEDS ACCOUNT.** There is hereby established in the Trust Fund a separate account to be known as the "Bond Proceeds Account," which shall be used only for payment of the Costs of the Projects. Moneys in the Bond Proceeds Account, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust and shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders. There shall be paid into the Bond Proceeds Account the amounts required to be so paid by the provisions of this Resolution.

A separate subaccount for the Initial Project and each Additional Project shall be established within the Bond Proceeds Account. If the Bonds are issued in Series, separate subaccounts shall be established within the Bond Proceeds Account from the proceeds of each Series of Bonds.

The Department covenants that the acquisition, construction and installation of each Project will be completed without undue delay and in accordance with sound engineering practices.

Requests for withdrawal of moneys from the Bond Proceeds Account shall be made by the Department. Withdrawals from the Bond Proceeds Account shall be made upon warrants signed by the State Comptroller, countersigned by the Governor of the State of Florida, and drawn upon the State Treasury, or any other method approved by law. The warrant request shall be accompanied by a certificate of an Authorized Officer of the Department to the effect that: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the subaccount of the Bond Proceeds Account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made and has not been the basis of any previous disbursement or payment, or (B) each obligation, item of cost or expense mentioned therein has been paid by the Department, is a reimbursement of a part of the Cost of a Project, is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made, has not been theretofore reimbursed to the Department or otherwise been the basis of any previous disbursement or payment and the Department is entitled to reimbursement thereof. In the event the withdrawal is for reimbursement to the Department for payment of a cost of the Project the liability for which was incurred prior to the effective date of Article VII, Section 17 of the Florida Constitution, the Department shall have received prior to such disbursement an opinion of Bond Counsel that such payment will not adversely affect the exemption from Federal and State income taxation of interest on any of the Bonds. After performance of all audit review functions required by law and of all other

actions required by law with respect to such warrant request, the State Comptroller will issue its warrant for each payment so requested.

Notwithstanding any of the other provisions of this Section 4.04, to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Account shall be applied to the payment of principal and interest on Bonds when due.

If any unencumbered balance of funds shall remain in the Bond Proceeds Account after completion of the Project for which a Series of Bonds was issued, the balance of moneys remaining in the corresponding subaccount of the Bond Proceeds Account shall be deposited in the following order of priority into (1) another subaccount of the Bond Proceeds Account for which the Authorized Officer of the Department has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, and (3) such other fund or account established hereunder as shall be determined by the Board of Administration, provided the Board of Administration has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

**SECTION 4.05. FUNDS AND ACCOUNTS.** There is hereby established a separate fund to be held by the Board of Administration and known as the "Right-of-Way Acquisition and Bridge Construction Debt Service Fund." The Debt Service Fund shall include five accounts: the "Principal Account," the "Interest Account," the "Bond Amortization Account," the "Reserve Account," and the Rebate Account." Moneys in the aforementioned accounts, other than the Rebate Account, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

#### **SECTION 4.06. FLOW OF FUNDS.**

(A) The Department shall cause moneys in the Trust Fund (other than the Bond Proceeds Account) to be deposited or credited on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(1) Interest Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Interest Account the sum which, together with the balance on deposit in said Account, shall equal the interest on all Outstanding Bonds (other than Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be used to pay interest on all Outstanding Bonds, on a pro-rata basis, as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Department shall adjust the amount of the transfer to the State Board of Administration for deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date.

(2) Principal Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Principal Account, the sum which, together with the balance on deposit in said Account, shall equal the principal amounts on all Outstanding Bonds due and unpaid and that portion of the principal next due which would have accrued on said Bonds during the then current calendar month if such principal amounts were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months of thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be used to pay the principal of all Outstanding Bonds, on a pro-rata basis, as and when the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the Fiscal Year in which such Bonds mature and monthly deposits or credits into the Principal Account shall commence in the month which is one year prior to the date on which such Bonds mature. The Department shall adjust the amount of transfer to the Board of Administration for deposit into the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date.

(3) Bond Amortization Account. Commencing in the month which is one year prior to any Amortization Installment due date, the Department shall transfer to the Board of Administration for deposit or credit to the Bond Amortization Account the sum which, together with the balance on deposit in such Account, shall equal the Amortization

Installments on all Bonds Outstanding due and unpaid and that portion of the Amortization Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Amortization Installments were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Amortization Installment due date, or, if there be no such preceding Amortization Installment due date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Bond Amortization Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Department shall adjust the amount of transfer to the Board of Administration for deposit or credit to the Bond Amortization Account not later than the month immediately preceding any date for payment of an Amortization Installment so as to provide sufficient moneys in the Bond Amortization Account to pay the Amortization Installments on the Bonds coming due on such date. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Board of Administration, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Board of Administration shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Board of Administration shall pay out of the Bond Amortization Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Department from the Trust Fund.

(4) Reserve Account. The Division, in its sole discretion, shall establish herein or by Supplemental Resolution prior to issuance of each Series of Bonds, whether or not such Series is to be secured by a subaccount of the Reserve Account. If a Series of Bonds is to be secured by a subaccount of the Reserve Account, a separate subaccount for such Series shall be established within the Reserve Account on the date of their delivery, except as otherwise provided by Section 7.01(H) hereof. The moneys on deposit in each such subaccount shall be applied in the manner provided herein solely for the payment of maturing principal of, Redemption Price, if applicable, or interest or Amortization Installments on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

The Department shall transfer to the Board of Administration for deposit or credit to each subaccount of the Reserve Account such sum, if any, as will be necessary to immediately restore any funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement applicable thereto including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein; provided, in no event shall the amount deposited in the subaccounts of the applicable Reserve Account be less than one twelfth (1/12) of the amount which would enable the Board of Administration to restore the funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement in one (1) year from the date of such shortfall. The full faith and credit of the State of Florida is not pledged to secure the Department's obligation to reimburse shortfalls in any subaccount of the Reserve Account. To the extent there are insufficient moneys in the Trust Fund to make the required monthly deposit into each subaccount of the Reserve Account, such deposits shall be made to each subaccount on a pro rata basis in relation to the amount of the deficiency existing in each subaccount. On or prior to each principal and interest payment date for the Bonds, moneys in each subaccount of the Reserve Account shall be applied by the Board of Administration to the payment of the principal of, or Redemption Price, if applicable, and interest on related Series of Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account are insufficient therefor. Whenever there shall be surplus moneys in any subaccount of the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be first, deposited by the Board of Administration on a pro rata basis into other subaccounts, if any, of the Reserve Account containing less than

the Reserve Account Requirement applicable thereto, and second, transferred to the Department for deposit into the Interest Account.

Upon the issuance of any Series of Bonds to be secured by a subaccount of the Reserve Account under the terms, limitations and conditions as herein provided, the Division shall, on the date of delivery of such Series of Bonds, transfer to the Board of Administration for deposit to the corresponding subaccount of the Reserve Account established for such Series (or such other subaccount as may be authorized pursuant to Section 7.01(H) hereof) an amount at least equal to the Reserve Account Requirement applicable to such Series of Bonds. As an alternative to depositing the full Reserve Account Requirement applicable to any Series of Bonds into the appropriate subaccount on the date of their delivery, the Division may elect to accumulate all or any portion of such Reserve Account Requirement by deposit of equal monthly amounts to such subaccount of the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed sixty (60) months, as determined herein or by Supplemental Resolution. If all or any portion of the Reserve Account Requirement applicable to any Series of Bonds is to be accumulated as aforesaid, the Department shall transfer to the Board of Administration for deposit or credit to the appropriate subaccount of the Reserve Account all amounts necessary to comply with the foregoing sentence.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Division may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Account. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (1) (a) an insurance company whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors or (b) who holds the highest policyholder rating accorded insurers by A. M. Best & Company, or any comparable service or (2) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this subsection, the Department shall be obligated to, solely from the Pledged Gas Taxes, reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement from moneys available hereunder in accordance with the provisions of the first paragraph of this subsection, by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof. After such Reserve Account Insurance Policy or Reserve Account Letter of Credit has been reinstated in full, remaining Pledged Gas Taxes shall be used to pay interest due on any disbursement to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater than the maximum rate of interest permitted by law, and to pay the issuer of the Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such issuer in connection with the Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

The Department may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (a) shall not be secured by the full faith and credit or taxing power of the State, and (b) shall be payable solely from the Pledged Gas Taxes in the manner provided herein.

To the extent the Division causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit which terminates prior to the final maturity of the Bonds, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Division and the Department with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account

Insurance Policy and/or the Reserve Account Letter of Credit notifies the Division and the Department pursuant to clause (b) of the immediately preceding sentence or if the Division or the Department terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Department shall deposit from the Pledged Gas Taxes into the Reserve Account, on or prior to the fifteenth (15th) day of the first full calendar month following the date on which such notice is received by the Division and the Department, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the Reserve Account Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Department, under the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Account during the previous twelve (12) month period) until amounts on deposit in the Reserve Account, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement applicable thereto.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Department agrees that it shall fund, solely from the Pledged Gas Taxes, the portion of the Reserve Account provided by such instrument over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit therein at the end of such period shall equal the Reserve Account Requirement; provided, the Division may, with the prior written consent of the Insurer, if any, for the corresponding Series of Bonds obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

If the credit rating of any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy shall ever fall below the requirement set forth in the fourth paragraph of this Section 4.06(A)(4), upon request of the Insurer, the Division shall, at its option, either (i) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and secure a replacement satisfactory to the Insurer within forty-five (45) days, (ii) draw upon the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and deposit the funds into the Reserve Account, or (iii) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and, commencing in the month following such termination, make monthly deposits into the Reserve Account in an amount equal to one-twelfth (1/12th) of the stated amount of such Reserve Account Letter of Credit or Reserve Account Insurance Policy until the Reserve Account Requirement is on deposit therein.

(5) If the State has used moneys from its General Revenue Fund to satisfy debt service on the Bonds pursuant to Section 4.02 hereof, then the Department shall next use moneys in the Trust Fund to repay the State to the extent that general revenue funds were expended.

(6) The balance of any moneys remaining in the Trust Fund after the payments and deposits required by Section 4.06(A)(1) through (5) may be used for right-of-way acquisition or bridge construction, as provided by law.

(B) Whenever the amount on deposit in a subaccount of the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds of the corresponding Series in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in such subaccount of the Reserve Account may be transferred to the other accounts of the Debt Service Fund for the payment of such Series of Bonds.

The Board of Administration, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Board of Administration's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) At least one (1) business day prior to the date established for payment of any principal or Redemption Price, if applicable, or interest on the Bonds, the Board of Administration shall withdraw from the appropriate accounts of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) In the event the Division shall issue a Series of Bonds secured by a Credit Facility, the Board of Administration may establish such separate subaccounts in the Interest Account, the Principal Account and the Bond Amortization Account to provide for payment of the principal of and interest on such Series; provided one Series of Bonds shall not have preference in payment from Pledged Gas Taxes over any other Series of Bonds. The Department may also transfer moneys to the Board of Administration for deposit in such subaccounts at such other times and in such other amounts from those provided in this Section 4.06 as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in any subaccounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds; provided such Credit Facility shall have no priority over Bondholders or any Insurer to amounts on deposit in the Debt Service Fund.

**SECTION 4.07. REBATE ACCOUNT.** Amounts on deposit in the Rebate Account shall be held in trust by the Board of Administration or such other agency as shall be designated by law and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Trust Fund pursuant to the certificate described below) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Department or such other agency as shall be designated by law agrees to undertake all actions required of it in the Certificate as to Arbitrage and Certain Other Tax Matters, dated the date of issuance of the Series 1989 Bonds, relating to such Bonds, as well as any successor Certificate thereto, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Account;

(B) depositing the amount determined in clause (A) above into the Rebate Account;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Account and any other legally available moneys of the Department such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with "gross proceeds" of the Bonds (as defined in the Code).

The provisions of the above-described Certificate may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

**SECTION 4.08. INVESTMENTS.** Moneys on deposit in the Bond Proceeds Account, not immediately needed for the purposes of such Account, may be temporarily invested and reinvested, but only in the securities authorized in Section 18.10, Florida Statutes; provided however, that such investments shall mature, or be subject to redemption on demand by the holder at a price of not less than their par amount, not later than the date on which such moneys will be required for the purposes of such Account.

Any and all income and interest received upon any investment or reinvestment of moneys in the Bond Proceeds Account shall be deposited in such Account and all investments or reinvestments shall be liquidated whenever necessary to provide moneys needed for the purposes of such Account.

Moneys on deposit in the Interest Account, the Principal Account and the Bond Amortization Account may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed for the purposes of such Account. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Any and all income and interest received by the Board of Administration from any investment or reinvestment of moneys in the Interest Account, the Principal Account, the Bond Amortization Account and each subaccount of the Reserve

Account (to the extent such income and the other amounts therein are less than the Reserve Account Requirement applicable thereto), shall be retained in such respective Account or subaccount. Any and all income received by the Board of Administration from the investment or reinvestment of moneys in each subaccount of the Reserve Account (to the extent such income and the other amounts therein are greater than the Reserve Account Requirement applicable thereto) shall be deposited in the Interest Account. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

**SECTION 4.09. SEPARATE ACCOUNTS.** The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

## **ARTICLE V ADDITIONAL BONDS AND GENERAL COVENANTS**

**SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS.** No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Division may issue one or more Series of Additional Bonds in accordance with the Act for any one or more of the following purposes: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Board of Administration shall determine that in no Fiscal Year will the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(B) For the purpose of determining the Annual Debt Service under Section 5.01(A) hereof, the interest rate on additional parity Variable Rate Bonds then proposed to be issued and on Outstanding Variable Rate Bonds shall be deemed to be the Maximum Interest Rate.

(C) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Section 4.06 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

(D) In the event that the total amount of Series 1989 Bonds herein authorized to be issued are not issued simultaneously, such Series 1989 Bonds which are subsequently issued shall be subject to the conditions of Section 5.01(A) hereof.

(E) No Additional Bonds shall be issued hereunder if any Event of Default shall have occurred and be continuing hereunder.

**SECTION 5.02. BOND ANTICIPATION NOTES.** The Division may issue notes in anticipation of the issuance of Bonds, which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution.

**SECTION 5.03. COVENANTS WITH CREDIT BANKS AND INSURERS.** The Division may make such covenants as it may, in its sole discretion, determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Division, the Department, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

**SECTION 5.04. FEDERAL INCOME TAX COVENANTS; TAXABLE BONDS.**

(A) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds), that the proceeds of such Series of Bonds shall not be used in any manner which would cause the interest on such Series of Bonds to be included in gross income for purposes of federal income taxation to the extent not otherwise included therein on the date of issuance of each such Series.

(B) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Division, the Board of Administration nor the Department, nor any Person under their control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Division, the Board of Administration nor the Department, nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

(C) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that they will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Division may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

**SECTION 5.05. SPECIAL COVENANTS RELATING TO RESERVE ACCOUNT INSURANCE POLICY OR RESERVE ACCOUNT LETTER OF CREDIT.**

(A) The Board of Administration shall annually submit to the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Department to the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

(B) The Division, the Department and the Board of Administration hereby acknowledge that the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.



**SECTION 5.06. COVENANT TO CAUSE TRANSFERS.** The Department shall be required to transfer Pledged Gas Taxes on deposit in the State Transportation Trust Fund into the Trust Fund, at the times and in the amounts sufficient to comply with the requirements of Section 4.06 hereof with respect to transfers from the Trust Fund.

## **ARTICLE VI DEFAULTS AND REMEDIES**

**SECTION 6.01. EVENTS OF DEFAULT.** The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(B) Default shall be made in the payment of the fees due any provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(C) Default shall be made in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Division, the Board of Administration or the Department to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Division, the Board of Administration or the Department shall not be deemed in default hereunder if such default can be cured within a reasonable period of time (not exceeding sixty days unless otherwise approved by all Insurers) and if the Division, the Board of Administration or the Department in good faith institutes curative action and diligently pursues such action until the default has been corrected.

**SECTION 6.02. REMEDIES.** Any Holder of Bonds issued under the provisions of this Resolution may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Division, the Board of Administration, the Department or by any officer thereof.

**SECTION 6.03. WAIVER OF DEFAULT.** No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 hereof to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

**SECTION 6.04. CONTROL BY INSURER.** Upon the occurrence and continuance of an Event of Default, each Insurer, if such Insurer is not in default under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure.

## **ARTICLE VII SUPPLEMENTAL RESOLUTIONS**

**SECTION 7.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT.** The Division, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders, but with the prior consent of the Insurer of the corresponding Series of Bonds (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Division, the Board of Administration and the Department in this Resolution other covenants and agreements thereafter to be observed by the Division, the Board of Administration and the Department or to surrender any right or power herein reserved to or conferred upon the Division, the Board of Administration and the Department.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project, provided that any such Additional Project or modification to the Initial Project shall be in compliance with the Act.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To provide for the establishment of a subaccount in the Reserve Account which shall equally and ratably secure more than one Series of Bonds issued hereunder; provided the establishment of such subaccount shall not materially adversely affect the security of any Outstanding Bonds.

(I) To make any other change that, in the opinion of the Division, would not materially adversely affect the security for the Bonds.

**SECTION 7.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT.** Subject to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Division for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of other than the lien and pledge created by this Resolution which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Division shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Division shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Division and the Registrar for inspection by all Bondholders. The Division shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Division shall receive an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Division may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Division from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Division and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

**SECTION 7.03. AMENDMENT WITH CONSENT OF INSURER ONLY.** If all of the Bonds Outstanding hereunder are insured as to payment of principal and interest by an Insurer or Insurers, and the Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such rating agencies on the date of being insured, the Division may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V and VI hereof with the written consent of said Insurer or Insurers and the acknowledgment by said Insurer or Insurers that its insurance or guaranty policy will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.06 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of federal income taxation nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Gas Taxes to the extent provided herein. Upon receipt of evidence of such consent of the Insurer or Insurers as aforesaid, the Division may adopt such Supplemental Resolution. After the adoption by the Division of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof. Copies of any Supplemental Resolution proposed to be adopted pursuant to this Section 7.03 shall be provided to Moody's and Standard & Poor's.

## **ARTICLE VIII MISCELLANEOUS**

**SECTION 8.01. DEFEASANCE.** If the Division shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Gas Taxes, and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Board all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Division either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due, as verified by a nationally recognized certified public accountant or firm of certified public accountants will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said

Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Division may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Department free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Division shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Division to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Division in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Division, and the pledge of the Pledged Gas Taxes and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

**SECTION 8.02. CAPITAL APPRECIATION BONDS.** For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Division any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

**SECTION 8.03. SALE OF BONDS.** The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

**SECTION 8.04. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

**SECTION 8.05. VALIDATION AUTHORIZED.** The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

**SECTION 8.06. REPEAL OF INCONSISTENT RESOLUTIONS.** All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 8.07. EFFECTIVE DATE.** This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 28, 1989.

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**A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION" AND AUTHORIZING THE SALE OF NOT TO EXCEED \$160,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1991; PROVIDING AN EFFECTIVE DATE.**

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE DEPARTMENT OF GENERAL SERVICES:

Section 1. That the resolution authorizing the issuance of the not to exceed \$300,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989 (the "Series 1989 Bonds") which was adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance of the Department of General Services, on the 28th day of February, 1989 (as further described in the title hereof) (the "Authorizing Resolution"), is hereby amended as follows (words, letters or punctuation marks stricken are deletions; words, letters or punctuation marks underlined are additions):

(A) Section 1.01 of the Authorizing Resolution is hereby amended to add a definition of "Administrative Expenses" as follows:

"Administrative Expenses" shall mean, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges or both of the Board of Administration and the Division ; and (ii) such other fees or charges or both as may be approved by the Board of Administration or the Division, including but not limited to those related to tax law compliance, disclosure of information, and paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

(B) The first paragraph of subsection (A) of Section 4.06 of the Authorizing Resolution is amended as follows:

(A) The Department shall cause moneys in the Trust Fund (other than moneys in the Bond Proceeds Account) to be deposited or credited (after provision is made for payment of Administrative Expenses) on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(C) Section 1.01 of the Authorizing Resolution is hereby amended to amend the definition of "Reserve Account Requirement" as follows:

"Reserve Account Requirement" shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount to be determined by the Director of the Division, which amount shall not exceed equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

(D) Section 3.03 of the Authorizing Resolution is replaced with a new Section 3.03 to read as follows:

SECTION 3.03 NOTICE OF REDEMPTION. The Bonds may be made redeemable in such manner and upon such terms and conditions as determined by subsequent resolution adopted by the Division prior to the sale of the Bonds or any Series thereof.

Unless waived by any Holder of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed by first class mail (postage prepaid) at least thirty (30) days prior to the date of redemption to the registered owner of the Bonds to be redeemed, of record on the books of the Registrar, as of forty-five days prior to the date of redemption. Such notice of redemption shall specify the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all of the Outstanding Bonds of the series, the date fixed for redemption, and the redemption price thereof and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure so to give any such notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the registered owner of such Bond receives such notice.

The Registrar/Paying Agent shall not be required (a) to issue, transfer or exchange any Bonds during a period beginning at the opening of business on either the 15th business day next preceding the date fixed for redemption or the 15th business day next preceding any debt service payment date and ending at the close of business on the date fixed for redemption or the debt service payment date; or (b) to transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in a separate account by an escrow agent, the Board of Administration, the Registrar, or a paying agent, in trust for the registered owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof



except to receive payment of the redemption price thereof from the moneys held in trust for the payment thereof and, to the extent provided in this section to receive Bonds for any unredeemed portion of the Bonds. Any and all Bonds redeemed prior to maturity shall be duly cancelled by the Registrar and shall not be reissued.

In addition to the mailing of the notice described above, each notice of redemption and payment of the redemption price shall meet the requirements of this paragraph; provided, however, that failure of such notice or payment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above in this Section 3.03.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; (v) the publication date of the official notice of redemption; (vi) the name and address of the Registrar; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Each further notice of redemption shall be published one time in The Bond Buyer of New York, New York or in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

(d) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the registered owner thereof shall present and surrender such Bond to the Registrar for payment of the principal amount thereof so called for redemption, and the Registrar shall execute and deliver to or upon the order of such registered owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

Section 2. That the first series of bonds to be issued under the Authorizing Resolution is hereby authorized to be issued and is to be designated as the "\$160,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1991 (the "Bonds").

Section 3. That the Bonds are hereby authorized to be sold at public sale on the date and at the time to be set out in the Notice of Sale to be published as provided in this Resolution. The Bonds referred to herein may be sold separately or combined with any other road bond issues authorized by this Board to be sold.

Proposals for purchase of the Bonds will be received at the office of the Division of Bond Finance, Suite 312 Knight Building, 2737 Centerview Drive, Tallahassee, Florida, or at another location designated in the Notice of Sale, from the time that the Notice of Sale is published until the time and date of sale specified in such Notice of Sale.

Section 4. That the Director of the Division of Bond Finance is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Sale of the Bonds, or an abbreviated version as approved by bond approving counsel, in The Bond Buyer, New York, New York, such publication to not be less than ten (10)

days prior to the date of sale; and to publish such Notice of Sale in such other newspapers on such date as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Sale, or if all bids received are rejected, such Bonds may again be offered for sale upon publication of a Notice of Sale not less than five (5) days prior to the date of sale.

Section 5. That the Director is hereby authorized to distribute a Notice of Sale and a form of proposal for the sale of the Bonds. The Notice of Sale shall be in such form as shall be determined by the Director of the Division, with the advice of bond approving counsel, and shall contain such information as required by applicable law.

Section 6. That the Director of the Division of Bond Finance is hereby authorized to have up to 3,000 copies of the Preliminary Official Statement and 3,000 copies of the Final Official Statement relating to the public offering of the Bonds printed and distributed; to contract with national rating services; to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Bonds.

Section 7. That the Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Bonds when offered, on his or her determination of the best Proposal submitted in accordance with the terms of the Notice of Sale provided for herein, and such award shall be final. The Director or Assistant Secretary of the Division of Bond Finance shall report such sale to this Board.

Section 8. That the Chairman and the Secretary or any Assistant Secretary of the Governing Board are hereby authorized to execute the Bonds in the manner provided by the Authorizing Resolution and to deliver such Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the Bonds as provided by the Authorizing Resolution and other proceedings authorizing the issuance of the Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary Bonds, in one or more denominations totaling the aggregate principal amount of the Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division of Bond Finance shall cancel the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as herein authorized and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the bond registrar/paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division of Bond Finance, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 9. That Citibank, N. A., is hereby designated as bond registrar and paying agent for the Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement, by and between the State Board of Administration of Florida and Citibank, N. A.

Section 10. That the Bonds shall mature serially except as otherwise set forth in the Notice of Sale, and shall be subject to redemption as provided in the Notice of Sale, provided that the Director of the Division of Bond Finance is authorized to amend the maturity schedule of the Bonds, prior to publication of the Notice of Sale, in such manner as he may determine to be in the best interest of the State of Florida. In no event, however, shall the principal amount of the Bonds exceed One Hundred Sixty Million Dollars (\$160,000,000). The Bonds shall be payable at the principal corporate trust office of Citibank, N.A., New York, New York, or its successors. Interest shall be payable by check or draft mailed to the Registered Owners of the Bonds as they appear on the registration books of the Registrar at 5:00 p.m. on the Record Date; provided, however, that a Registered Owner of not less than \$500,000 in aggregate principal

amount of Bonds shall have the interest on its Bonds paid on the day the interest payment becomes due in immediately available funds by wire transfer within the continental United States to or at the direction and expense of such Registered Owner if such Registered Owner gives written notice of such election to the Registrar prior to the Record Date for such interest payment date. Such notice may provide for such election to remain in effect for subsequent payments until changed or revoked by another written notice. The Bonds shall be dated November 1, 1991, and shall bear interest from November 1, 1991, payable on July 1, 1992, and semiannually on each January 1 and July 1 thereafter. The Bonds shall mature on July 1 of the years and in the amounts as provided in the Notice of Sale, the final maturity of the Bonds to be not later than July 1, 2025.

Section 11. That there shall be established a Reserve Account from the proceeds of the Bonds in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the Bonds, (b) 125% of the average Annual Debt Service on the Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 12. That any portion of the Bonds may be issued separately, provided that the Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 13. That the Director of the Division of Bond Finance is hereby authorized to offer for sale a lesser principal amount than that set forth in this Resolution and to adjust the maturity schedule and redemption provisions for the Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Sale as may be required.

Section 14. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the Bonds that the purchase price for the Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such Bonds offered for sale.

Section 15. That the Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division of Bond Finance, and such other officers and employees of the Division of Bond Finance as may be designated as agents of the Division of Bond Finance in connection with the issuance and delivery of the Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division of Bond Finance, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds.

Section 16. Notwithstanding anything contained in the Authorizing Resolution to the contrary, it is the intent of the Governing Board that interest on the Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Bonds, or any series thereof, whether such requirements are now in effect, pending or subsequently enacted. The Division of Bond Finance is hereby authorized and directed to take all actions necessary with respect to the Bonds and each series thereof to comply with such requirements of federal tax law.

Section 17. All prior or concurrent resolutions or parts of resolutions inconsistent with this Resolution are hereby amended by this Resolution but only to the extent of any such inconsistency.

Section 18. The Bonds were validated by Final Judgment of the Circuit Court of the Second Judicial Circuit of Florida, in and for Leon County, Florida, on April 28, 1989. The time for which an appeal may be taken from such judgment expired with no appeal having been filed. The authorization of the sale of the Bonds pursuant to this Resolution is subject to the approval of fiscal sufficiency by the State Board of Administration.

Section 19. This Resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

**ADOPTED on September 24, 1991.**

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**A RESOLUTION AUTHORIZING THE PUBLIC SALE OF AN AMOUNT NOT TO EXCEED \$65,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1993 AND AMENDING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE APPLICATION OF BOND PROCEEDS; AND PROVIDING AN EFFECTIVE DATE.**

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION THAT:

Section 1. The not to exceed \$65,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1993 (herein referred to as the "1993 Bonds") heretofore authorized by resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, on February 28, 1989, as amended by a resolution adopted on September 24, 1991, (collectively, the "Authorizing Resolution"), and validated by Final Judgment of the Circuit Court on April 28, 1989, are hereby authorized to be sold at public sale on the date and at a time to be set out or provided for in the Notice of Bond Sale to be published as provided in this resolution.

Proposals for purchase of the 1993 Bonds shall be received at the office of the Division of Bond Finance, 2737 Centerview Drive, Knight Building, Suite 312, Tallahassee, Florida, or at another location designated in the Notice of Bond Sale, from the time that the Notice of Bond Sale is published until the time and date of sale specified in such Notice of Bond Sale.

Section 2. The Director of the Division of Bond Finance of the State Board of Administration (herein referred to as the "Division"), is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Bond Sale of the 1993 Bonds, or an abbreviated version, in The Bond Buyer, New York, New York, such publication to be not less than ten (10) days prior to the date of sale; and to publish such Notice of Bond Sale in such other newspapers on such dates as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Bond Sale, or if all bids received are rejected, such 1993 Bonds may again be offered for sale upon publication of a Notice of Bond Sale not less than five (5) days prior to the date of sale.

Section 3. The Director of the Division is hereby authorized to distribute a Notice of Bond Sale and a form of proposal for the sale of the 1993 Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Director of the Division and shall contain such information as required by applicable law.

Section 4. The Director of the Division is hereby authorized to have up to 3,500 copies of each of the Preliminary and Final Official Statements relating to the public offering of the 1993 Bonds printed and distributed; to contract with

national rating services; to conduct information meetings; and to take such other action as may be deemed appropriate for the dissemination of information relating to the sale of the 1993 Bonds.

Section 5. The Secretary or any Assistant Secretary of the Division is hereby authorized and empowered to award said 1993 Bonds, when offered, on his or her determination of the best proposal submitted in accordance with the terms of the Notice of Bond Sale provided for herein. Such award shall be final. The Secretary or Assistant Secretary shall report such sale to this Board after the award of the 1993 Bonds.

Section 6. The proper officials of the Board of Regents and the Division are hereby authorized to execute the 1993 Bonds in the manner provided by the Authorizing Resolution, and to deliver such 1993 Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the 1993 Bonds as provided by the proceedings authorizing the issuance of the 1993 Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary 1993 Bonds, in one or more denominations totalling the aggregate principal amount of the 1993 Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the 1993 Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division shall cancel or require the cancellation of the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as authorized herein and in the Authorizing Resolution and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 7. Citibank, N.A., New York, New York, is hereby designated as the registrar and paying agent for the 1993 Bonds.

Section 8. The 1993 Bonds shall be dated, shall mature in such years and amounts, shall be payable, and shall be subject to redemption as provided by the Notice of Bond Sale and the Official Statement.

Section 9. The following definitions, found in Section 1.01 of the Authorizing Resolution, are hereby amended to read as follows:

"'Additional Project' shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5)."

"'Division' shall mean the Division of Bond Finance of the State Board of Administration."

"'Governing Board' shall mean the Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration."

Section 10. The use of the proceeds of the 1993 Bonds constitutes an Additional Project within the meaning of the Authorizing Resolution, which consists of, to the extent not included as part of the Initial Project, (a) the acquisition of real property or the rights to real property for state roads, as defined by law, or (b) the construction of state bridges, which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5).

Section 11. Application of 1993 Bond Proceeds. Upon receipt of the proceeds of the sale of the 1993 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the 1993 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the 1993 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the 1993 Bonds.

(2) The balance of the 1993 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account and shall be used for an Additional Project.

Section 12. That there may be established a Reserve Account from the proceeds of the 1993 Bonds. If a Reserve Account is established it will be funded in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the 1993 Bonds, (b) 125% of the average Annual Debt Service on the 1993 Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 13. That any portion of the 1993 Bonds may be issued separately, provided that the 1993 Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 14. That the Director of the Division is hereby authorized to offer for sale a lesser principal amount than that set forth in this resolution.

Section 15. As amended and supplemented by this resolution, the Authorizing Resolution, as amended, is in all respects ratified and confirmed, and this resolution shall be read, taken and construed as a part of the Authorizing Resolution so that all of the rights, remedies, terms, conditions, covenants and agreements of the Authorizing Resolution, as modified herein, shall apply and remain in full force and effect with respect to this resolution and to the 1993 Bonds.

Section 16. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the 1993 Bonds that the purchase price for the 1993 Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such 1993 Bonds offered for sale.

Section 17. The Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division, and such other officers and employees of the Division as may be designated as agents of the Division in connection with the issuance and delivery of the 1993 Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the 1993 Bonds.

Section 18. Notwithstanding anything contained in any prior resolution to the contrary, it is the intent of the Governing Board that interest on the 1993 Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the 1993 Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Division is hereby authorized and directed to take all actions necessary with respect to the 1993 Bonds to comply with such requirements of federal tax law.

Section 19. All prior resolutions or parts of resolutions inconsistent with this resolution are hereby amended by this resolution, but only to the extent of any such inconsistency.

Section 20. This resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

**ADOPTED on June 8, 1993.**

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**A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ADOPTED BY THE GOVERNOR AND CABINET ON FEBRUARY 28, 1989, AS AMENDED, ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING \$500,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION; AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:**

# **ARTICLE I GENERAL**

**SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION.** This supplemental resolution is adopted pursuant to the provisions of Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law, and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services (the "Division") on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

**SECTION 1.02. DEFINITIONS.** When used in this supplemental resolution, all the definitions contained in Article I of the Resolution, in addition to the definition contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

**"Additional Project"** shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

The terms "herein," "hereunder," "hereby," "herewith," "hereof," and any similar terms, shall refer to this supplemental resolution; the term "heretofore" shall mean before the date of adoption of this supplemental resolution; and the term "hereafter" shall mean after the date of adoption of this supplemental resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this supplemental resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this supplemental resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this supplemental resolution.

**SECTION 1.04. FINDINGS.** It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this supplemental resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The \$500,000,000 aggregate principal amount of Bonds authorized by this supplemental resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statutes (1995), as required by Section 215.605, Florida Statutes.

## **ARTICLE II AUTHORIZATION AND FORM OF BONDS**

**SECTION 2.01. AUTHORIZATION OF ADDITIONAL BONDS.** This supplemental resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," in an additional aggregate principal amount not exceeding \$500,000,000, which may be issued in one or more Series as provided in the Resolution. The aggregate principal amount of Bonds which may be executed and delivered under the Resolution is not limited except as is or may hereafter be provided in the Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

## **ARTICLE III SECURITY FOR THE BONDS**

**SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS.** The Bonds authorized by this supplemental resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

**SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION.** The Bonds authorized by this supplemental resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this supplemental resolution to the same extent as if incorporated verbatim in this supplemental resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

**ARTICLE IV  
MISCELLANEOUS**

**SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this supplemental resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this supplemental resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

**SECTION 4.02. VALIDATION AUTHORIZED.** The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

**SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS.** All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 4.04. EFFECTIVE DATE.** This supplemental resolution shall take effect immediately upon its adoption.

ADOPTED DECEMBER 16, 1997.

**A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING \$1,000,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REVENUE BONDS IN SEVERAL SERIES; AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:**

**ARTICLE I**

**GENERAL**

**SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION.** This Supplemental Resolution is adopted pursuant to the provisions of the Act and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING \$300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

**SECTION 1.02. DEFINITIONS.** When used in this Supplemental Resolution, all the definitions contained in Article I of the Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this Supplemental Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this Supplemental Resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the

Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this Supplemental Resolution.

**SECTION 1.04. FINDINGS.** It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of bonds by the Division of Bond Finance (the "Division") on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The Bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this Supplemental Resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The Bonds authorized by this Supplemental Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statutes (1995), as required by Section 215.605, Florida Statutes.

## **ARTICLE II**

### **AUTHORIZATION AND FORM OF BONDS**

**Section 2.01. AUTHORIZATION OF ADDITIONAL BONDS.** This Supplemental Resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds" in an

additional aggregate principal amount not exceeding \$1,000,000,000, which may be issued in one or more series as provided in the Resolution and herein.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by the Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

### **ARTICLE III**

#### **SECURITY FOR THE BONDS**

**SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS.** The Bonds authorized by this Supplemental Resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

**SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION.** The Bonds authorized by this Supplemental Resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds. The Bonds authorized are in addition to the amounts previously authorized in the Resolution, as amended and supplemented.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this Supplemental Resolution to the same extent as if incorporated verbatim in this Supplemental Resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

### **ARTICLE IV**

#### **MISCELLANEOUS**

**SECTION 4.01. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Supplemental Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

**SECTION 4.02. VALIDATION AUTHORIZED.** The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

**SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS.** All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 4.04. EFFECTIVE DATE.** This Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED June 26, 2003.



**DIVISION OF BOND FINANCE  
OF THE  
STATE BOARD OF ADMINISTRATION OF FLORIDA**

\_\_\_\_\_

**STATE OF FLORIDA  
FULL FAITH AND CREDIT  
DEPARTMENT OF TRANSPORTATION  
RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REFUNDING BONDS  
SERIES (TO BE DETERMINED)**

\_\_\_\_\_

**Adopted November 9, 2010**

**A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$310,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REFUNDING BONDS, SERIES (TO BE DETERMINED); AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:**

**ARTICLE I**

**GENERAL**

**SECTION 1.01. AUTHORITY FOR THIS RESOLUTION.** This resolution is adopted pursuant to the provisions of the Act (as defined below) and pursuant to a resolution authorizing the issuance of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, adopted by the Governor and Cabinet of the State of Florida as the Governing Board, on February 28, 1989, as supplemented and amended (the “Authorizing Resolution”), and is supplemental to said Authorizing Resolution.

**SECTION 1.02. DEFINITIONS.** When used in this resolution, all the definitions contained in Article I of the Authorizing Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Refunding Bonds.

“Act” shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law.

“Refunded Bonds” shall mean the portion of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002 and Series 2002A which are refunded by the Refunding Bonds.

“Refunding Bonds” shall mean the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series (to be determined), authorized to be sold by this resolution.

Words importing the masculine gender include the feminine gender. Words importing the singular number include the plural number, and vice versa.

**ARTICLE II**

**AUTHORIZATION OF ISSUANCE AND SALE OF BONDS; AUTHORIZATION TO EXECUTE AN ESCROW DEPOSIT AGREEMENT**

**SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF THE REFUNDING BONDS.**  
(A) The Refunding Bonds are hereby authorized to be issued and sold at public sale in an aggregate principal amount not exceeding \$310,000,000, on a date and at a time to be set out or provided for in the Notice of Bond Sale. The Refunding Bonds are authorized in addition to any Bonds otherwise authorized. All Refunding Bonds shall be designated “State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way

Acquisition and Bridge Construction Refunding Bonds, Series (to be determined)”, or such other designation as may be determined by the Director (the “Director”) of the Division of Bond Finance of the State Board of Administration (the “Division”). The Refunding Bonds shall be sold to refund the Refunded Bonds. The maturities or portions of maturities to be refunded shall be as determined by the Director to be in the best financial interest of the State. The Refunding Bonds may be sold in one or more series. The Refunding Bonds may be sold separately or combined with any other Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds authorized to be sold. The Refunding Bonds shall be dated, shall bear interest from such date, and shall be payable as to principal and interest in each year, and in such amounts as indicated or provided for in the Notice of Bond Sale. The Refunding Bonds shall be issued in fully registered form in the denominations of \$1,000 or any integral multiple thereof. Interest on the Refunding Bonds will be paid by check or draft mailed (or made by wire transfer, at the election of a Bondholder, in the manner and under the terms provided for in the State’s agreement with the Registrar/Paying Agent, provided that such Bondholder advances to the Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the Registrar/Paying Agent to deduct the amount of such payment) to the Bondholder thereof as of 5:00 p.m. on the Record Date at the address shown on the registration books maintained by the Registrar/Paying Agent for the Refunding Bonds. The interest rates of the Refunding Bonds, not to exceed the maximum lawful rate on the date of sale of the Refunding Bonds, shall be determined in accordance with the Notice of Bond Sale, and the Refunding Bonds shall mature as determined by the Director in the Notice of Bond Sale. Principal of the Refunding Bonds will be payable to the Bondholders thereof upon their presentation and surrender when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, the Registrar/Paying Agent. The Division may issue Refunding Bonds secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined in accordance with the Notice of Bond Sale.

(B) Notwithstanding anything to the contrary in the Authorizing Resolution, this resolution, or any other resolution relating to the Refunding Bonds (for the purposes of this section, collectively, the “Bond Resolution”), the Refunding Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, “Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Refunding Bonds is maintained in accordance herewith, any provision of the Bond Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Bond Resolution shall be deemed to give full effect to such book-entry system.

If the Refunding Bonds are issued in book-entry only form:

(1) The Refunding Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Refunding Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Refunding Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository (“Participants” include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant’s interest in the Refunding Bonds. Beneficial ownership interests in the Refunding Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the “Beneficial Owners.” The Beneficial Owners shall not receive Refunding Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Refunding Bonds. Transfers of ownership interests in the Refunding Bonds shall

be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division, the Department, the State Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the “State and its agents”) shall treat the Securities Depository as the sole and exclusive owner of the Refunding Bonds registered in its name for the purposes of

- (a) payment of the principal of, premium, if any, and interest on the Refunding Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Department’s obligations to the extent of the sums so paid;

- (b) giving any notice permitted or required to be given to Registered Owners under the Bond Resolution; and

- (c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

- (i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Refunding Bonds; and

- (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Refunding Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

- (a) the accuracy of any records maintained by the Securities Depository or any Participant;

- (b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Refunding Bond;

- (c) the delivery of any notice by the Securities Depository or any Participant;

- (d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Refunding Bonds; or

- (e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Bond Resolution of holding, delivering or transferring Refunding Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Refunding Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Refunding Bonds shall, while the Refunding Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(C) The Division may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Refunding Bonds in the form of fully registered bonds to each Beneficial Owner.

(D) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to publish the Notice of Bond Sale of the Refunding Bonds, or an abbreviated version thereof, in The Bond Buyer, New York, New York, or in some other newspaper or financial journal, such publication to be not less than 10 days prior to the date of sale (provided, that if no bids are received at the time and place called or provided for in the Notice of Bond Sale, or if all bids received are rejected, such Refunding Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Director or the Secretary or an Assistant Secretary of the Governing Board) and to determine the most advantageous date and time of a public sale which is to be set out or provided for in the Notice of Bond Sale. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Refunding Bonds identified in such election shall be designated as Term Bonds. Bids for the purchase of the Refunding Bonds shall be received at the offices of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale specified or provided for in the Notice of Bond Sale.

(E) The Director is hereby authorized to distribute a Notice of Bond Sale and a bid form for the sale of the Refunding Bonds. The Notice of Bond Sale, including the bid form, shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Authorizing Resolution, as supplemented hereby, and as the Director determines to be in the best financial interest of the State. Any prior distribution of a Notice of Bond Sale and bid form is hereby ratified.

(F) The Director of the Division is hereby authorized to prepare and distribute preliminary and final official statements in connection with the public offering of the Refunding Bonds. The Director of the Division is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman, Secretary or Assistant Secretary of the Governing Board are hereby authorized to execute the final official statement or a certificate with respect thereto, in connection with the public offering of the Refunding Bonds, and the execution thereof shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement. Any prior printing and distribution of a preliminary official statement is hereby ratified.

(G) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 (plus such additional copies as may be requested by the successful bidder at the expense of such bidder) copies of the final official statement relating to the public offering of the Refunding Bonds printed and distributed; to contract with national rating services; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds.

(H) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to award the sale of the Refunding Bonds and to pay the costs, fees and expenses associated therewith, provided the true interest cost rate on the Refunding Bonds does not exceed the maximum statutory rate. Such award by the Director or the Secretary or an Assistant Secretary shall be based on his or her determination of the best bid submitted in accordance with the terms of the Notice of Bond Sale and such award shall be final. The sale shall be reported to the Governing Board after award of the Refunding Bonds.

(I) In the event that conditions preclude, or circumstances render unnecessary or undesirable, the sale of the maximum principal amount of the Refunding Bonds authorized to be sold by this resolution, then in such event

the Director or the Secretary or an Assistant Secretary of the Governing Board is hereby authorized to offer for sale a lesser principal amount than that set forth herein.

(J) The Refunding Bonds shall be subject to redemption as provided in this resolution, the Authorizing Resolution, and in the Notice of Bond Sale.

(K) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to provide in the Notice of Bond Sale that the purchase price for the Refunding Bonds may include a discount not to exceed 3% of the aggregate principal amount of such bonds offered for sale.

(L) The Chairman, Secretary, or an Assistant Secretary of the Governing Board or a duly authorized alternative officer is hereby authorized on behalf of the Division to execute the Refunding Bonds (including any temporary bonds) as provided in the Authorizing Resolution and any of such officers is hereby authorized, upon the execution of the Refunding Bonds in the form and manner set forth in the Authorizing Resolution, to deliver the Refunding Bonds in the amounts authorized to be issued hereunder to the Registrar/Paying Agent for authentication and, upon receipt of payment of the purchase price (together with accrued interest, if any), to the original purchaser of the Refunding Bonds, and to distribute the proceeds of the Refunding Bonds as provided herein and in the Authorizing Resolution.

(M) The Chairman, Secretary, or an Assistant Secretary of the Governing Board, the Director, and such other officer or employee of the Division as may be designated by the Governing Board as agent of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the sale, execution and delivery of the Refunding Bonds.

(N) U.S. Bank Trust National Association, New York, New York, or its successor as Registrar/Paying Agent, is hereby designated as the Registrar/Paying Agent for the Refunding Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement between the State of Florida and the Registrar/Paying Agent.

**SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENTS.** The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an Escrow Deposit Agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the Escrow Deposit Agreement.

### **ARTICLE III**

#### **APPLICATION OF BOND PROCEEDS.**

**SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS.** Upon receipt of the proceeds of the sale of the Refunding Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such series, the remainder of the proceeds of such series shall be transferred and applied as follows:

(a) An amount equal to the accrued interest, if any, on the Refunding Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Refunding Bonds.

(b) All remaining proceeds shall be transferred to the Board of Administration for deposit into a trust fund, hereby created, to be known as the “State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series (to be determined) Retirement Fund” (hereinafter referred to as the “Escrow Deposit Trust Fund”. Such amount, together with the income on the investment thereof, and other legally available funds, if required, shall be sufficient to pay when due the entire principal of the Refunded Bonds, together with interest accrued and to accrue thereon to their respective maturity dates or, if called for redemption prior to maturity, such prior redemption dates and redemption premiums, if any, and the expenses and fees listed in the Escrow Deposit Agreement as provided for in Section 2.02 above. Moneys on deposit in the Escrow Deposit Trust Fund shall be used to purchase Federal Obligations (as defined in the Escrow Deposit Agreement) in accordance with the schedules given in the Escrow Deposit Agreement. The maturing Federal Obligations, the earnings thereon, if required, and the cash on deposit in the Escrow Deposit Trust Fund shall be sufficient to accomplish the refunding described above. In the alternative, in the discretion of the Director of the Division of Bond Finance, moneys on deposit in the Escrow Deposit Trust Fund shall be invested in the State Treasury, or in such other legally authorized investments, until such time as such funds, together with other legally available funds, if necessary, are needed to effect the redemption of the Refunded Bonds.

**SECTION 3.02. RESERVE ACCOUNT.** If determined by the Director to be necessary or desirable, there may be established a subaccount in the Reserve Account for one or more Series of bonds. Such Reserve Account, if established, shall be funded in an amount determined by the Director of the Division, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, or (b) the maximum amount permitted under applicable provisions of the Code. Any deposit to the Reserve Account made with respect to the Refunding Bonds shall be funded with proceeds of the Refunding Bonds or a Reserve Account Credit Facility (as provided for in the Authorizing Resolution) or some combination thereof, as determined by the Director of the Division.

## **ARTICLE IV**

### **SECURITY FOR THE BONDS**

**SECTION 4.01. REFUNDING BONDS SECURED ON A PARITY WITH THE OUTSTANDING BONDS.** The Refunding Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

**SECTION 4.02. REFUNDING BONDS SECURED BY THE AUTHORIZING RESOLUTION.** The Refunding Bonds authorized by this resolution shall be deemed to have been issued pursuant to the Authorizing Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Authorizing Resolution shall be deemed to have been made for the benefit of the Holders of the Refunding Bonds as fully and to the same extent as the Holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Authorizing Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this resolution to the same extent as if incorporated verbatim in this resolution, and shall be fully enforceable in the manner provided in the Authorizing Resolution by any of the Holders of the Refunding Bonds.

## **ARTICLE V**

### **MISCELLANEOUS**

**SECTION 5.01 SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be

deemed separable from the remaining covenants, agreements and provisions of this resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Refunding Bonds issued hereunder.

**SECTION 5.02. APPROVAL OF STATE BOARD OF ADMINISTRATION.** The authorization of the sale of the Refunding Bonds pursuant to this resolution is subject to the prior approval as to fiscal sufficiency by the State Board of Administration, pursuant to Section 215.73, Florida Statutes.

**SECTION 5.03. FISCAL AGENT.** Upon the sale and delivery of the Refunding Bonds by the Division on behalf of the Board, the Board of Administration shall act as the fiscal agent for the Board with respect to the Refunding Bonds.

**SECTION 5.04. CONTINUING DISCLOSURE.**

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department of Transportation hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Secretary or other authorized officer of the Department of Transportation, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

**SECTION 5.05. REPEAL OF INCONSISTENT RESOLUTIONS.** All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 5.06. EFFECTIVE DATE.** This resolution shall take effect immediately upon its adoption.

ADOPTED November 9, 2010.



**DIVISION OF BOND FINANCE  
OF THE  
STATE BOARD OF ADMINISTRATION OF FLORIDA**

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**STATE OF FLORIDA  
FULL FAITH AND CREDIT  
DEPARTMENT OF TRANSPORTATION  
RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS  
SERIES 2012A**

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**SALE RESOLUTION**

**Adopted December 6, 2011**

**A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE COMPETITIVE SALE OF NOT EXCEEDING \$100,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 2012A; AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:**

**ARTICLE I**

**GENERAL**

**SECTION 1.01. AUTHORITY FOR THIS RESOLUTION.** This resolution is adopted pursuant to the provisions of the Act (as defined below) and pursuant to a resolution authorizing the issuance of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, adopted by the Governor and Cabinet of the State of Florida as the Governing Board, on February 28, 1989, as supplemented and amended (the “Authorizing Resolution”), and is supplemental to said Authorizing Resolution.

**SECTION 1.02. DEFINITIONS.** When used in this resolution, all the definitions contained in Article I of the Authorizing Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Series 2012A Bonds.

“Act” shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law.

“Series 2012A Bonds” shall mean the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2012A, authorized to be sold by this resolution.

Words importing the masculine gender include the feminine gender. Words importing the singular number include the plural number, and vice versa.

**ARTICLE II**

**AUTHORIZATION AND SALE OF BONDS**

**Section 2.01. AUTHORIZATION OF SALE OF THE BONDS.** (A) The Series 2012A Bonds are hereby authorized to be sold at competitive sale in an aggregate principal amount not exceeding \$100,000,000, on a date and at a time to be set out or provided for in the Notice of Bond Sale. All Series 2012A Bonds shall be designated “State of Florida, Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2012A”, or such other designation (including a change of year designation, if desirable) as may be determined by the Director (the “Director”) of the Division of Bond Finance of the State Board of Administration (the “Division”). The Series 2012A Bonds may be sold separately or combined with any other Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds authorized to be sold. The Series 2012A Bonds shall be dated, shall bear interest from such date, and shall be payable as to principal and interest in each year, and in such amounts as indicated or provided for in the Notice of Bond Sale. The Series 2012A Bonds shall be issued in fully registered form in the denominations of \$1,000 or any integral multiple thereof. Interest on the Series 2012A Bonds will be paid by check or draft mailed (or made by wire transfer, at the election of a Bondholder, in the manner and under the terms provided for in the State’s agreement with the Registrar/Paying Agent, provided that such Bondholder advances to the Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the Registrar/Paying

Agent to deduct the amount of such payment) to the Bondholder thereof as of 5:00 p.m. on the Record Date at the address shown on the registration books maintained by the Registrar/Paying Agent for the Series 2012A Bonds. The interest rates of the Series 2012A Bonds, not to exceed the maximum lawful rate on the date of sale of the Series 2012A Bonds, shall be determined in accordance with the Notice of Bond Sale, and the Series 2012A Bonds shall mature as determined by the Director in the Notice of Bond Sale. Principal of the Series 2012A Bonds will be payable to the Bondholders thereof upon their presentation and surrender when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, the Registrar/Paying Agent. The Division may issue Series 2012A Bonds secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined in accordance with the Notice of Bond Sale.

(B) Notwithstanding anything to the contrary in the Authorizing Resolution, this resolution, or any other resolution relating to the Series 2012A Bonds (for the purposes of this section, collectively, the “Bond Resolution”), the Series 2012A Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, “Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Series 2012A Bonds is maintained in accordance herewith, any provision of the Bond Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Bond Resolution shall be deemed to give full effect to such book-entry system.

If the Series 2012A Bonds are issued in book-entry only form:

(1) The Series 2012A Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Series 2012A Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Series 2012A Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository (“Participants” include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant’s interest in the Series 2012A Bonds. Beneficial ownership interests in the Series 2012A Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the “Beneficial Owners.” The Beneficial Owners shall not receive Series 2012A Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Series 2012A Bonds. Transfers of ownership interests in the Series 2012A Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division, the Department, the State Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the “State and its agents”) shall treat the Securities Depository as the sole and exclusive owner of the Series 2012A Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Series 2012A Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Department’s obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Bond Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Series 2012A Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Series 2012A Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Series 2012A Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2012A Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Bond Resolution of holding, delivering or transferring Series 2012A Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Series 2012A Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Series 2012A Bonds shall, while the Series 2012A Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(C) The Division may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Series 2012A Bonds in the form of fully registered bonds to each Beneficial Owner.

(D) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to publish the Notice of Bond Sale of the Series 2012A Bonds, or an abbreviated version thereof, in *The Bond Buyer*, New York, New York, or another established financial journal, such publication to be not less than 10 days prior to the date of sale (provided, that if no bids are received at the time and place called or provided for in the Notice of Bond Sale, or if all bids received are rejected, such Series 2012A Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Director or the Secretary or an Assistant Secretary of the Governing Board) and to determine the most advantageous date and time of a competitive sale which is to be set out or provided for in the Notice of Bond Sale. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Series 2012A Bonds identified in such election shall be designated as Term Bonds. Bids for the purchase of the Series 2012A Bonds shall be received at the offices of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale specified or provided for in the Notice of Bond Sale.

(E) The Director is hereby authorized to distribute a Notice of Bond Sale and a bid form for the sale of the Series 2012A Bonds. The Notice of Bond Sale, including the bid form, shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Authorizing Resolution, as supplemented hereby, and as the Director determines to be in the best financial interest of the State. Any prior distribution of a Notice of Bond Sale and bid form is hereby ratified.

(F) The Director of the Division is hereby authorized to prepare and distribute preliminary and final official statements in connection with the competitive offering of the Series 2012A Bonds. The Director of the Division is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman, Secretary or Assistant Secretary of the Governing Board are hereby authorized to execute the final official statement or a certificate with respect thereto, in connection with the competitive offering of the Series 2012A Bonds, and the execution thereof shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement.

(G) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 (plus such additional copies as may be requested by the successful bidder at the expense of such bidder) copies of the final official statement relating to the competitive offering of the Series 2012A Bonds printed and distributed; to contract with national rating services; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Series 2012A Bonds.

(H) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to award the sale of the Series 2012A Bonds and to pay the costs, fees and expenses associated therewith, provided the true interest cost rate on the Series 2012A Bonds does not exceed the maximum statutory rate. Such award by the Director or the Secretary or an Assistant Secretary shall be based on his or her determination of the best bid submitted in accordance with the terms of the Notice of Bond Sale and such award shall be final. The sale shall be reported to the Governing Board after award of the Series 2012A Bonds.

(I) In the event that conditions preclude, or circumstances render unnecessary or undesirable, the sale of the maximum principal amount of the Series 2012A Bonds authorized to be sold by this resolution, then in such event the Director or the Secretary or an Assistant Secretary of the Governing Board is hereby authorized to offer for sale a lesser principal amount than that set forth herein.

(J) The Series 2012A Bonds shall be subject to redemption as provided in this resolution, the Authorizing Resolution, and in the Notice of Bond Sale.

(K) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to provide in the Notice of Bond Sale that the purchase price for the Series 2012A Bonds may include a discount not to exceed 3% of the aggregate principal amount of such bonds offered for sale.

(L) The Chairman, Secretary, or an Assistant Secretary of the Governing Board or a duly authorized alternative officer is hereby authorized on behalf of the Division to execute the Series 2012A Bonds (including any temporary bonds) as provided in the Authorizing Resolution and any of such officer is hereby authorized, upon the execution of the Series 2012A Bonds in the form and manner set forth in the Authorizing Resolution, to deliver the Series 2012A Bonds in the amounts authorized to be issued hereunder to the Registrar/Paying Agent for authentication and, upon receipt of payment of the purchase price (together with accrued interest), to the original purchaser of the Series 2012A Bonds, and to distribute the proceeds of the Series 2012A Bonds as provided herein and in the Authorizing Resolution.

(M) The Chairman, Secretary, or an Assistant Secretary of the Governing Board, the Director, and such other officer or employee of the Division as may be designated by the Governing Board as agent of the Division in connection with the issuance and delivery of the Series 2012A Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the sale, execution and delivery of the Series 2012A Bonds.

(N) U.S. Bank Trust National Association, New York, New York, or its successor as Registrar/Paying Agent, is hereby designated as the Registrar/Paying Agent for the Series 2012A Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement between the State of Florida and the Registrar/Paying Agent.

## **ARTICLE III**

### **SECURITY FOR THE BONDS**

**SECTION 3.01. BONDS AUTHORIZED BY THIS RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS.** The Series 2012A Bonds authorized by this resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

**SECTION 3.02. BONDS AUTHORIZED BY THIS RESOLUTION SECURED BY THE AUTHORIZING RESOLUTION.** The Series 2012A Bonds authorized by this resolution shall be deemed to have been issued pursuant to the Authorizing Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Authorizing Resolution shall be deemed to have been made for the benefit of the Holders of the Series 2012A Bonds as fully and to the same extent as the Holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Authorizing Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this resolution to the same extent as if incorporated verbatim in this resolution, and shall be fully enforceable in the manner provided in the Authorizing Resolution by any of the Holders of the Series 2012A Bonds.

## **ARTICLE IV**

### **APPLICATION OF BOND PROCEEDS.**

**SECTION 4.01. APPLICATION OF BOND PROCEEDS.** Upon receipt of the proceeds of the sale of the Series 2012A Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such series, the remainder of the proceeds of such series shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(a) An amount equal to any accrued interest, if any, on the Series 2012A Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 2012A Bonds.

(b) The balance of the proceeds of the Series 2012A Bonds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account and shall be used for an Additional Project.

**SECTION 4.02. RESERVE ACCOUNT.** If determined by the Director to be necessary or desirable, there may be established a subaccount in the Reserve Account for one or more Series of bonds. Such Reserve Account, if established, shall be funded in an amount determined by the Director of the Division, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, or (b) the maximum amount permitted under applicable provisions of the Code. Any deposit to the Reserve Account made with respect to the Series 2012A Bonds shall be funded with proceeds of the Series 2012A Bonds or a Reserve Account Credit Facility (as provided for in the Authorizing Resolution) or some combination thereof, as determined by the Director of the Division.

**SECTION 4.03 USE OF BOND PROCEEDS.** The use of the proceeds of the Series 2012A Bonds constitutes an Additional Project within the meaning of the Authorizing Resolution, which consists of, to the extent not included as part of the Initial Project, (a) the acquisition of real property for state roads, as defined by law, or (b) the construction of state bridges, which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135 (4) (b) and (c) and 339.135 (5), Florida Statutes.

## **ARTICLE V**

### **MISCELLANEOUS**

**SECTION 5.01 SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Series 2012A Bonds issued hereunder.

**SECTION 5.02. APPROVAL OF STATE BOARD OF ADMINISTRATION.**  
The authorization of the sale of the Series 2012A Bonds pursuant to this resolution is subject to the prior approval as to fiscal sufficiency by the State Board of Administration, pursuant to Section 215.73, Florida Statutes.

**SECTION 5.03. CONTINUING DISCLOSURE.**

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department of Transportation hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Secretary or other authorized officer of the Department of Transportation, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

**SECTION 5.04. REPEAL OF INCONSISTENT RESOLUTIONS.** All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 5.05. EFFECTIVE DATE.** This resolution shall take effect immediately upon its adoption.

ADOPTED December 6, 2011.

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State of Florida Department of Transportation (the "Department") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division") in connection with the issuance of \$\_\_\_\_\_ \* State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 5.04 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on November 9, 2010, providing for the issuance of the refunding portion of the Bonds and pursuant to Section 5.03 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on December 6, 2011, providing for the issuance of the new money portion of the Bonds. The Department and the Division covenant and agree as follows:

**SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT.** This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Department, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

**SECTION 2. DEFINITIONS.** In addition to the definitions set forth in the resolution of the Governor and Cabinet of the Division of Bond Finance adopted on February 28, 1989, as amended and supplemented (the "Resolution"), which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**SECTION 3. CONTINUING DISCLOSURE.** (A) Information To Be Provided. The Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees to provide or cause to be provided the information set forth below, or such information as may be required to be provided, from time to time, under the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2011, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

- (a) Motor and Diesel Fuel Tax Collections;
- (b) Investment of Funds;
- (c) Debt Service Coverage;
- (d) Sources and Amounts of State Funds;
- (e) History of Legislative Appropriations;
- (f) Statement of Resources and Liabilities;
- (g) Schedule of Outstanding Bonds; and
- (h) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

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\*Preliminary, subject to change.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt-service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Department to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Department acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder.

(B) Method of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in

narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Department's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Department shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Department chooses to include additional information not specifically required by this Disclosure Agreement, the Department shall have no obligation to update such information or include it in any such future submission.

Dated this \_\_th day of \_\_\_\_\_, 2011.

STATE OF FLORIDA  
DEPARTMENT OF TRANSPORTATION

DIVISION OF BOND FINANCE OF THE STATE  
BOARD OF ADMINISTRATION OF FLORIDA

By \_\_\_\_\_  
Authorized Officer

By \_\_\_\_\_  
Assistant Secretary

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**APPENDIX M**

\_\_\_\_\_, 2012

Division of Bond Finance  
of the State Board of Administration  
Hermitage Centre  
1801 Hermitage Boulevard, Suite 200  
Tallahassee, FL 32308

Re: \$ \_\_\_\_\_  
State of Florida  
Full Faith and Credit  
Department of Transportation  
Right-of-Way Acquisition and Bridge Construction Bonds,  
Series 2011B

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ State of Florida (the "State"), Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B (the "Series 2011B Bonds") by the Division of Bond Finance (the "Division") of the State Board of Administration of Florida (the "Board of Administration").

The Series 2011B Bonds are issued under and pursuant to the Laws of the State of Florida, including particularly Article VII, Section 17 of the Constitution of Florida, Section 206.46, Florida Statutes, Section 215.605, Florida Statutes, Sections 215.57 - 215.83, Florida Statutes, and Section 337.276, Florida Statutes, and under and pursuant to resolutions of the Division adopted on February 28, 1989, as amended and supplemented (collectively, the "Resolution"), and under and pursuant to resolutions of the State of Florida, Department of Transportation (the "Department") adopted on April 4, 2011, and December 2, 2011.

The Series 2011B Bonds are dated and bear interest from their date of original issuance and delivery, except as otherwise provided in the Resolution. The Series 2011B Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum as provided in or pursuant to the Resolution. Interest on the Series 2011B Bonds shall be payable on each January 1 and July 1, commencing July 1, 2012.

The Series 2011B Bonds are being issued in order to finance the cost of acquiring real property or the rights to real property for State roads, as defined by law, or to finance the cost of State bridge construction, to provide moneys to refinance a portion of the outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002 and Series 2002A, and to pay certain costs of issuance.

As to questions of fact material to our opinion, we have relied upon the representations of the Division and the Department contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Division is a duly created and validly existing public body corporate of the State of Florida.
2. The Division has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Division, is in full force and effect in accordance with its terms and is valid and binding upon the Division and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution has been duly authorized, executed and delivered by the Division and constitutes a valid and binding obligation of the Division, enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Pledged Gas Taxes (as defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Resolution creates the valid pledge which it purports to create of the full faith and credit of the State of Florida.
3. The Division is duly authorized and entitled to issue the Series 2011B Bonds, and the Series 2011B Bonds have been duly and validly authorized and issued by the Division in accordance with the Constitution and laws of the State of Florida. The Series 2011B Bonds constitute a valid and binding obligation of the State of Florida as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued.
4. The Series 2011B Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes imposed by Chapter 198, Florida Statutes, as amended, and taxes imposed by Chapter 220, Florida Statutes, as amended, on interest income or profits on debt obligations owned by corporations as defined therein.
5. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Division, the Board of Administration and the Department must continue to meet after the issuance of the Series 2011B Bonds in order that interest on the Series 2011B Bonds not be included in gross income for federal income tax purposes. The failure by the Division, the Board of Administration or the Department to meet these requirements may cause interest on the Series 2011B Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Division, the Board of Administration and the Department have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2011B Bonds. Assuming continuing compliance by the Division, the Board of Administration and the Department with the tax covenant described above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2011B Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2011B Bonds is not an item of preference for purposes of the alternative minimum tax imposed on individuals and corporations; however interest on the Series 2011B Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of the Series 2011B Bonds.

We have examined the form of the Series 2011B Bonds and, in our opinion, the form of the Series 2011B Bonds is regular and proper.

It should be noted that (1) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2011B Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2011B Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Series 2011B Bonds, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof.

We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Respectfully submitted,

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## PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

### The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION OF BOND FINANCE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the 2011B Bonds. The 2011B Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2011B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 2011B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011B Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011B Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2011B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2011B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2011B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2011B Bond documents. For

example, Beneficial Owners of 2011B Bonds may wish to ascertain that the nominee holding the 2011B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2011B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2011B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division of Bond Finance as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2011B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Department of Transportation (the "Department"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2011B Bonds at any time by giving reasonable notice to the Division of Bond Finance or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division of Bond Finance may decide to discontinue use of the system of book-entry transfers for the 2011B Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2011B Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2011B Bonds.

For every transfer and exchange of beneficial interests in the 2011B Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2011B Bonds, references herein to the Registered Owners or Holders of the 2011B Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2011B Bonds unless the context requires otherwise.

The Division of Bond Finance, the Department and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2011B Bonds;
- (ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any 2011B Bond, including, without limitation, any notice of redemption;
- (iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2011B Bonds, or the purchase price of, any 2011B Bond;

- (iv) any consent given by DTC or any successor securities depository as registered owner; or
- (v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2011B Bonds for partial redemption.

So long as the 2011B Bonds are held in book-entry only form, the Division of Bond Finance, the Department and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2011B Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the 2011B Bonds;
- (ii) giving notices of redemption and other matters with respect to the 2011B Bonds;
- (iii) registering transfers with respect to the 2011B Bonds; and
- (iv) the selection of the beneficial ownership interests in the 2011B Bonds for partial redemption.

#### **Payment, Registration, Transfer and Exchange**

*The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.*

The Division of Bond Finance, the Department and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2011B Bond as the absolute owner for all purposes, whether or not such 2011B Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2011B Bonds will be payable upon presentation and surrender of the 2011B Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each 2011B Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such 2011B Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2011B Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered 2011B Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2011B Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new 2011B Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2011B Bonds on the Record Date.

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