PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 29, 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).

Refunding Issue - Book-Entry Only

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2011A 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 C.

$53,890,000*
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Capital Outlay Refunding Bonds, 2011 Series A

Dated: Date of Delivery **Due:** January 1, as shown on the inside front cover

Bond Ratings
AAA Standard & Poor's Ratings Services
AAA Fitch Ratings
Aa1 Moody's Investors Service

Tax Status In the opinion of Bond Counsel, interest on the 2011A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax. The 2011A Bonds and the income therefrom are not subject to any Florida taxes, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein and Appendix I - "Form of Bond Counsel Opinion" for assumptions and limitations made by Bond Counsel.

Redemption The 2011A Bonds maturing on and after January 1, 2022 are subject to optional redemption. Certain of the 2011A Bonds may be subject to mandatory redemption, contingent upon the exercise of the term bonds option. See "REDEMPTION PROVISIONS" herein for more complete information.

Security The 2011A Bonds are payable primarily from Motor Vehicle License Taxes, and are additionally secured by the full faith and credit of the State of Florida.

Lien Priority The lien of the 2011A Bonds on the Motor Vehicle License Taxes will be on a parity with the Outstanding Bonds and any Additional Bonds hereafter issued. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2011A Bonds is $616,815,000*, excluding the Refunded Bonds and economically defeased bonds to be redeemed on January 1, 2012.

Additional Bonds Additional Bonds, payable on a parity with the 2011A Bonds, may be issued if historical Motor Vehicle License Taxes distributable to School and Florida College System Institution Districts are at least 1.12 times average annual debt service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "ADDITIONAL BONDS" herein for more complete information.

Purpose Proceeds are being used to refund all or a portion of the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2002 Series B and 2003 Series A, 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 2011A 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 2011A Bonds will not receive physical delivery of the 2011A Bonds.

Closing/Settlement It is anticipated that the 2011A 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 Squire, Sanders & Dempsey (US), LLP, Tampa, Florida.

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

Maturity Structure The 2011A 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

Initial CUSIP ©	Due Date	Principal Amount*	Interest Rate	Price or Yield	First Optional Redemption Date and Price
	January 1, 2013	$10,370,000			-
	January 1, 2014	12,845,000			-
	January 1, 2015	7,765,000			-
	January 1, 2016	2,040,000			-
	January 1, 2017	2,220,000			-
	January 1, 2018	2,445,000			-
	January 1, 2019	2,675,000			-
	January 1, 2020	2,945,000			-
	January 1, 2021	3,230,000			-
	January 1, 2022**	3,520,000			January 1, 2021 @ 100%
	January 1, 2023**	3,835,000			January 1, 2021 @ 100

BIDS FOR THE 2011A 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 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

STATE OFFICIALS

STATE BOARD OF EDUCATION

KATHLEEN SHANAHAN

SALLY BRADSHAW

GARY CHARTRAND

AKSHAY DESAI

BARBARA FEINGOLD

ROBERTO MARTINEZ

JOHN R. PADGET

COMMISSIONER OF EDUCATION
GERARD ROBINSON

GOVERNING BOARD OF THE DIVISION OF BOND FINANCE

GOVERNOR
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LINDA CHAMPION
Deputy Commissioner, Finance and Operations
Department of Education

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

BOND COUNSEL
Squire, Sanders & Dempsey (US) LLP
Tampa, Florida

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OFFICIAL STATEMENT

Relating to

$53,890,000*
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Capital Outlay Refunding Bonds, 2011 Series A

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the $53,890,000* State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2011 Series A, dated the date of delivery (the "2011A Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

The proceeds of the 2011A Bonds will be used to refund all or a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2002 Series B and 2003 Series A (collectively, the "Refunded Bonds") and to pay certain costs of issuance. The refunding is being effectuated to achieve debt service savings due to lower interest rates. See "THE REFUNDING PROGRAM" below for more detailed information.

The 2011A Bonds are payable primarily from Motor Vehicle License Taxes, and are additionally secured by the full faith and credit of the State of Florida. See "SECURITY FOR THE 2011A BONDS" below for more detailed information.

The lien of the 2011A Bonds on the Motor Vehicle License Taxes will be on a parity with the Outstanding Bonds and with any Additional Bonds hereafter issued. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2011A Bonds is $616,815,000*, excluding the Refunded Bonds and economically defeased bonds to be redeemed on January 1, 2012. See "SECURITY FOR THE 2011A BONDS" below for more detailed information.

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
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 2011A 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

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*Preliminary, subject to change.

AUTHORITY FOR THE ISSUANCE OF THE 2011A BONDS

General Legal Authority

The State Board of Education (the "Board of Education") is authorized to issue bonds primarily payable from Motor Vehicle License Taxes and additionally secured by the full faith and credit of the State of Florida, in accordance with the School Capital Outlay Amendment, which is included herein as Appendix G, and the State Bond Act. Under the State Bond Act and the Original Resolution, the Division of Bond Finance is authorized to act as the agent of the Board of Education to validate (if required) and issue Board of Education bonds. All such bonds are issued in the name of the Board of Education, but will be issued for and on behalf of the School District or the Community College District requesting the issuance thereof. No election or approval of qualified electors is required for the issuance of the 2011A Bonds.

The amount of bonds which can be issued on behalf of any School District or Community College District pursuant to the School Capital Outlay Amendment is limited to 90% of the amount which the Board of Education determines can be serviced by the motor vehicle license tax revenue accruing to the School District or Community College District.

State Board of Education

The Board of Education is established by Article IX, Section 2 of the Florida Constitution. It consists of seven members appointed by the Governor to staggered four-year terms, subject to confirmation by the Florida Senate. The Commissioner of Education is appointed by the Board of Education.

The following individuals have been appointed by the Governor to the State Board of Education:

Board Member	**Term Expires**
Sally Bradshaw **-** businesswoman (Havana, FL)	December 31, 2013
Gary Chartrand **-** businessman (Ponte Vedra Beach, FL)	December 31, 2014
Akshay Desai **-** physician (St. Petersburg, FL)	December 31, 2014
Barbara Feingold **-** businesswoman (Delray Beach, FL)	December 31, 2013
Roberto Martinez **-** attorney (Coral Gables, FL)	December 31, 2012
John R. Padget **-** private equity investor and philanthropist (Key West, FL)	December 31, 2012
Kathleen Shanahan **-** businesswoman (Tampa, FL)	December 31, 2013

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 Board of Education in administering the Sinking Fund and the Rebate Fund.

Administrative Approval

By the Original Resolution adopted February 4, 1992, the Board of Education authorized the issuance of various series of Capital Outlay Bonds under the terms, limitations and conditions contained therein. By the Twenty-seventh Supplemental Authorizing Resolution adopted on September 20, 2011, the Board of Education authorized the issuance of not to exceed $65,000,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2011 Series [to be determined]. The Board of Education authorized the sale of and made the determinations regarding such bonds as required by the School Capital Outlay Amendment by a resolution adopted on September 20, 2011. The Original Resolution, and the Twenty-seventh Supplemental Authorizing Resolution are reproduced herein as Appendices D and F, respectively (collectively, the "Resolution").

By resolutions adopted on September 20, 2011, the Division of Bond Finance authorized the issuance and sale of the 2011A Bonds, pursuant to the terms of the Twenty-seventh Supplemental Authorizing Resolution and sale resolution adopted by the Board of Education.

The Board of Administration approved the fiscal sufficiency of the 2011A Bonds by a resolution adopted on September 20, 2011.

DESCRIPTION OF THE 2011A BONDS

The 2011A Bonds are full faith and credit obligations of the State issued in the name of the Board of Education, for and on behalf of the 2011A Districts as authorized by the School Capital Outlay Amendment and the State Bond Act.

The 2011A Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2011A Bonds are payable from the Motor Vehicle License Taxes as described herein. The 2011A 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 from the Date of Delivery to July 1, 2012, and semiannually thereafter on January 1 and July 1 of each year until maturity or redemption.

The 2011A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2011A 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 2011A Bonds. Individual purchases of the 2011A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2011A Bonds or any certificate representing their beneficial ownership interest in the 2011A Bonds. See Appendix J, "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS" for a description of DTC, certain responsibilities of DTC, the Board of Education and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2011A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2011A Bonds maturing in the years 2013 through 2021 are not redeemable prior to their stated dates of maturity. The 2011A Bonds maturing in 2022 and thereafter (including any Term Bonds) are redeemable prior to their stated dates of maturity, without premium, at the option of the Board of Education, (i) in part, by maturities and/or Amortization Installments to be selected by the Board of Education, 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 January 1, 2021, or on any date thereafter, at the principal amount of the 2011A Bonds so redeemed, together with interest accrued to the date of redemption.

Mandatory Redemption

The 2011A 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 2011A 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 2011A 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 2011A 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 2011A Bonds maturing on January 1, 20__ (the "20__ Term Bonds"), are subject to mandatory redemption in part, by lot at par, on January 1, 20__, and on each January 1 thereafter, 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:

Year	Principal Amount	Year	Principal Amount
	$		$

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 2011A Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board (the "MSRB") 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 2011A Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2011A Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2011A 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 2011A Bonds will not affect the validity of the call for redemption of any 2011A 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.

THE REFUNDING PROGRAM

The proceeds derived from the sale of the 2011A Bonds, together with other legally available moneys, will be used to refund all or a portion of the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2002 Series B, maturing in the years 2013* through 2015*, inclusive, in the outstanding principal amount of $28,990,000* (the "Refunded 2002B Bonds") and the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2003 Series A, maturing in the years 2014* through 2023*, inclusive, in the outstanding principal amount of $29,320,000 (the "Refunded 2003A Bonds"). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2011A Bonds, the Board of Education will cause to be deposited a portion of the proceeds of the 2011A Bonds, along with other legally available moneys, in the State Treasury investment pool, a fund held and invested by the State Treasurer of Florida or other legally authorized investments.

The amount of proceeds 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 considered as remaining outstanding and economically defeased only, and will continue to be secured by the Motor Vehicle License Taxes and the full faith and credit of the State, as well as the Retirement Fund, until they are redeemed.

The Refunded 2002B Bonds will be called for redemption (by separate redemption notice), and the Refunded 2003A Bonds will be called for redemption on January 1, 2013 (by separate redemption notice) 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 Refunded 2002B Bonds and the Refunded 2003A Bonds.

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*Preliminary, subject to change.

Estimated Sources and Uses of Funds

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

Sources:	
Par Amount of 2011A Bonds	$53,890,000
Plus: Premium Bid[1]	6,216,816
Available Sinking Fund Moneys	1,131,133
Total Sources	$61,237,949
Uses of Funds:	
Deposit of Refunding Proceeds	$61,057,925
Cost of Issuance	180,024
Total Uses	$61,237,949

[1] Estimated original issue premium net of underwriter's discount.

Application of the 2011A Bond Proceeds

Upon receipt of the proceeds of the 2011A Bonds, the Board of Education will transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division of Bond Finance in connection with the preparation, sale and issuance of the 2011A Bonds, including a reasonable charge for the services of the Division of Bond Finance, will be transferred to the Division of Bond Finance to be deposited in the Bond Proceeds Trust Fund, subject to disbursement of the funds to the Bond Fee Trust Fund and the Arbitrage Compliance Trust Fund pursuant to written instructions at the delivery of the 2011A Bonds unless such amount will be provided from another legally available source.

(B) All remaining proceeds will be transferred to the Board of Administration for deposit into a fund in the State Treasury of Florida. After the redemption of the Refunded Bonds, any excess proceeds not used for such purpose will be transferred to the Public Education Trust Fund, and shall be used for any purpose for which moneys may be legally used from such fund (including the payment of debt service).

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

SECURITY FOR THE 2011A BONDS

The 2011A Bonds will be payable primarily from the first revenues derived from the Motor Vehicle License Taxes pledged to the payment thereof, and will be additionally secured by a pledge of the full faith and credit of the State of Florida, pursuant to the School Capital Outlay Amendment and the Resolution. The lien of the 2011A Bonds on the Motor Vehicle License Taxes is on a parity with the Outstanding Bonds. See "Outstanding Bonds" below.

No Registered Owner of the 2011A Bonds will ever be entitled to require the payment of the principal of or interest on the 2011A Bonds from any funds of the State of Florida, the Board of Education, the 2011A Districts, or any other political subdivision or agency of the State, except from the Motor Vehicle License Taxes pledged for the payment thereof pursuant to the School Capital Outlay Amendment and the Resolution and from moneys received pursuant to the pledge of the full faith and credit of the State in the manner provided by the Resolution.

The Original Resolution does not require the establishment of a reserve account. No reserve account has been established for any of the Outstanding Bonds, nor will one be established for the 2011A Bonds.

Pledge of Motor Vehicle License Taxes

The Original Resolution irrevocably pledges the Motor Vehicle License Taxes distributable to the various Education Districts, such as the 2011A Districts, for payment of the principal of (including Amortization Installments, if any) and interest on Capital Outlay Bonds. The Twenty-seventh Supplemental Authorizing Resolution provides that the pledge of the Motor Vehicle License Taxes contained in the Original Resolution is applicable to the 2011A Bonds.

The Board of Education has covenanted that it will not decrease the number of instruction units or approve any change in the basis for or method of computing, defining, or determining the number of instruction units for the allocation of Motor Vehicle License Taxes proposed in any law enacted by the Legislature of Florida, unless after such decrease or under said new law, as applicable, the total number of instruction units in the Education Districts in each year will be not less than those set forth in the School Capital Outlay Amendment.

Full Faith and Credit of the State

The Resolution provides that the 2011A Bonds are additionally secured by a pledge of the full faith and credit of the State, and that the State is unconditionally and irrevocably required to make all payments required for payment of the principal of and interest on the 2011A Bonds as the same mature and become due to the full extent that the Motor Vehicle License Taxes on deposit in the Sinking Fund are insufficient for such payments. It will be the mandatory duty of the Board of Education on or prior to each principal or interest payment date to immediately certify to the proper officials of the State any deficiencies in the moneys necessary for the payments on such dates, and the appropriate officials of the State will have the mandatory duty to pay over to the Board of Education the amounts of any such deficiencies.

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.

Outstanding Bonds

The Board of Education has issued its State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2001 Series A through 2010 Series A, of which $616,815,000* is anticipated to be Outstanding subsequent to the issuance of the 2011A Bonds, excluding the Refunded Bonds and economically defeased bonds to be redeemed on January 1, 2012. The 2011A Bonds will be on a parity with the Outstanding Bonds, all of which have a first lien on the Motor Vehicle License Taxes.

Flow of Funds

Under the Resolution, the Motor Vehicle License Taxes deposited in the Capital Outlay Bonds and Debt Service Fund, a trust fund in the State Treasury, are applied only in the following manner and order of priority:

(a) First, for the payment in each year of the full amount of the principal of and interest on the Capital Outlay Bonds maturing in such year.

(b) Thereafter, in each fiscal year, the remaining moneys are distributable by the Board of Education (i) for the payment of any amounts required to be paid into funds or accounts, or to reimburse providers of credit or liquidity support, established pursuant to a Supplemental Authorizing Resolution, (ii) to the State of Florida in amounts sufficient to reimburse the State for moneys paid pursuant to the requirements of subsection 4.02(b) of the Original Resolution, (iii) to pay Administration Expenses, and (iv) thereafter in the manner provided by the School Capital Outlay Amendment.

See “MISCELLANEOUS - Investment of Funds” herein for policies governing the investment of various funds.

ADDITIONAL BONDS

Additional Bonds may be issued only if the Motor Vehicle License Taxes distributable to the School and Florida College System Institution Districts, based on the greater of (i) a minimum historical “floor” amount or (ii) the average annual Motor Vehicle License Taxes for all Education Districts for the two preceding fiscal years, equals at least 1.12 times average annual debt service on all outstanding Capital Outlay Bonds and on the additional Bonds proposed to be issued. No such Additional Bonds will be issued unless all Sinking Fund payments required to made by the Resolution have been made, and unless the Board of Education is in compliance with all of the covenants, agreements and provisions of the Resolution.

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*Preliminary, subject to change.

Any Capital Outlay Bonds not issued in compliance with the provisions of Section 5.01 of the Original Resolution will be junior, inferior and subordinate to Bonds issued in compliance with the provisions of such Section. See Appendices D and F, the Original Resolution and the Twenty-seventh Supplemental Authorizing Resolution, respectively.

MOTOR VEHICLE LICENSE TAX REVENUES AND DEBT SERVICE COVERAGE

Levy of Taxes

The Florida Department of Highway Safety and Motor Vehicles collects annual license taxes for the operation of motor vehicles upon registration of automobiles, motorcycles, motor trucks, recreational vehicles and all other vehicles operated over the public highways and streets of the State and propelled by power other than muscular power. Mobile homes classified as real property and various types of recreational trailers exceeding 35 feet in length are not considered motor vehicles for purposes of the Motor Vehicle License Tax.

The following table sets forth the Motor Vehicle License Tax rates and classifications.

Category of Motor Vehicle	Rates	Basis for Charge
Passenger Cars & Tri-vehicles	\$19.50 - \$44.00	Gross Vehicle Weight Class
Trucks	\$19.50 - \$44.00	Gross Vehicle Weight Class
Truck Tractors	\$60.75 - \$1,322.00, or \$324.00, or \$87.75 - \$324.00	Gross Vehicle Weight Class Local Hauling of Forestry Products Local Agricultural Hauling plus Gross Vehicle Weight Class
Semi-Trailers	\$13.50 annual, or \$68.00 permanent	Per Vehicle
Trailers (For Private Use)	\$6.75, or \$3.50 plus \$1.00 per 100 lbs.	Net Weight Class
Trailers (For Hire)	\$3.50 - \$13.50 plus \$1.50 per 100 lbs.	Net Weight Class
Wreckers	\$41.00, or \$118.00 - \$1,322.00	Per Vehicle Gross Vehicle Weight Class
Antique Cars & Trucks	\$10.25	Per Vehicle
Recreational Vehicles	\$13.50 - \$47.25	Vehicle Type & Net Weight Class
Motorcycles	\$13.50	Per Vehicle
Antique Motorcycles	\$8.50	Per Vehicle
Mopeds	\$6.75	Per Vehicle
Automobiles (For Hire)	\$17.00 plus \$1.50 - \$2.00 per 100 lbs., or \$17.00 plus \$2.00 per 100 lbs.	Carrying Capacity Local Operation
Dealer and Manufacturer License Plates	\$17.00	Per Vehicle
School Buses	\$41.00	Per Vehicle
Specialized Vehicles	\$10.25 - \$44.00	Type of Vehicle
Transporter Tags	\$101.25	Per Vehicle
Exempt or Official Tags	\$4.00	Per Plate
Permanent Fleet Tags	\$2.00 plus applicable vehicle tax	Per Vehicle
Temporary Tags	\$2.00	Per Plate

Registration fees and other surcharges are also imposed on motor vehicles in addition to the Motor Vehicle License Taxes set forth above. Revenues from registration fees and other surcharges imposed in connection with motor vehicle registration are not a source of security for and have not been pledged to payment of the 2011A Bonds. Motor vehicles used by not-for-profit corporations, governmental bodies and disabled persons are exempted by statute from Motor Vehicle License Taxes. According to the 2011 Florida Tax Handbook, the amount of such exemptions in Fiscal Year 2011-12 is estimated to be approximately $1.5 million.

Distribution of Motor Vehicle License Tax Revenues

The School Capital Outlay Amendment requires that the first revenues derived from the collection of Motor Vehicle License Taxes be used for education capital outlay projects. After satisfying the constitutional requirement for education capital outlay, Motor Vehicle License Tax revenues are distributed by statute to the State Transportation Trust Fund for various transportation-related purposes and to the State's General Revenue Fund.

The amount of Motor Vehicle License Tax revenue distributable to Education Districts is determined by applying the formula set out in paragraph (3) of the School Capital Outlay Amendment, which is included herein as Appendix G. Generally, funding is based on multiplying a fixed dollar amount by a number based on actual student enrollment (instruction units). However, in order to give priority to Capital Outlay Bond debt service, for those districts with participation in any outstanding Capital Outlay Bond issue, the number of instruction units is required to be established at a level which would generate revenues not less than 1.12 times such district's Capital Outlay Bond debt service for the fiscal year.

That portion of the Motor Vehicle License Taxes computed by the Board of Education as being required for school capital outlay purposes pursuant to the School Capital Outlay Amendment is transferred by the Department of Highway Safety and Motor Vehicles to the Board of Education, which deposits such moneys into the Capital Outlay and Debt Service Fund in the State Treasury. The Board of Education is responsible for management, control and supervision of such moneys. After providing for payments with respect to state bonds issued pursuant to the School Capital Outlay Amendment, the Board of Education distributes the remaining moneys in the Capital Outlay and Debt Service Fund to the Education Districts for payment of debt service on local school capital outlay bonds, for payment of administrative expenses incurred by the Board of Education with respect to such funds, and to Education Districts for capital projects or other school purposes.

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Historical Debt Service Coverage

The following table sets forth the historical Motor Vehicle License Tax receipts, distributions for school capital outlay, debt service requirements and debt service coverage for all outstanding Capital Outlay Bonds. Because revenues may not be transferred to the State Transportation Trust Fund or the State's General Revenue Fund until all requirements with respect to Capital Outlay Bonds have been satisfied, debt service coverage is computed by dividing total Motor Vehicle License Taxes by total debt service on the outstanding Capital Outlay Bonds. Motor vehicle license tax rates were increased on September 1, 2009, resulting in increased revenues in Fiscal Year 2009-10.

Fiscal Year	Total Motor Vehicle License Tax Revenue [1,2] (in Thousands)	Distribution Amount for Education Capital Outlay [1] (in Thousands)	Total Debt Service (in Thousands)	Debt Service Coverage [3]
2001-02	$518,159	$108,627	$89,708	5.78 x
2002-03	536,931	110,507	93,827	5.72 x
2003-04	562,687	114,286	93,428	6.02 x
2004-05	599,750	115,499	93,463[4]	6.42 x
2005-06	636,592	118,863	97,676	6.52 x
2006-07	648,136	117,893[5]	94,671	6.85 x
2007-08	634,892	118,810[5]	91,378	6.95 x
2008-09	597,704	119,244	94,532	6.32 x
2009-10	745,043	119,570	94,985	7.84 x
2010-11	779,443	121,178	94,769[6]	8.05 x

[1] Source: Department of Highway Safety and Motor Vehicles.
[2] Includes registration fees on mobile homes, park trailers and travel and fifth wheel trailers exceeding 35 feet in length, the amounts of which are *de minimus*.
[3] Total Motor Vehicle License Tax Revenue divided by Total Debt Service.
[4] Includes approximately $5.9 million of accrued sinking fund moneys transferred to the escrow which were used to fund the debt service on the previously refunded 1996A and 1997A Bonds.
[5] An over-distribution of $4 million occurred in 2006-07 and was corrected with an off-setting under-distribution in 2007-08. The distribution amounts shown above have been adjusted to show the proper amounts which should have been distributed in each year.
[6] Includes approximately $300 thousand of accrued sinking fund moneys transferred to the escrow which were used to fund the debt service on the previously refunded 2001A and 2002A Bonds.

Projected Collections

The following table sets forth projected Motor Vehicle License Tax collections and distributions for educational capital outlay purposes. The projected Motor Vehicle License Tax collections are revised at least semiannually by the Consensus Estimating Conference. For a description of the Consensus Estimating Conference, see "STATE FINANCIAL OPERATIONS - Budgetary Process" in Appendix A. 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 Motor Vehicle License Tax collections; no assurance can be given that there will not continue to be material differences relating to such amounts.

Fiscal Year	Total Motor Vehicle License Tax Revenue[1] (in Millions)	Percentage Increase	Distribution Amount for Education Capital Outlay[1] (in Millions)	Percentage Increase
2011-12	$788.7	1.18%	$119.2	(1.63%)[2]
2012-13	801.9	1.68%	119.2	0.00%
2013-14	817.7	1.97%	119.2	0.00%
2014-15	838.0	2.48%	119.2	0.00%

[1] Source: Legislative Office of Economic and Demographic Research and Department of Highway Safety and Motor Vehicles, based on the September 2011 forecast of the Highway Safety Licenses and Fees Revenue Estimating Conference.
[2] Based on a comparison with the Fiscal Year 2010-11 historical figure from the corresponding column in the immediately preceding table.

SCHEDULE OF ESTIMATED DEBT SERVICE

The amounts of debt service payable with respect to the Outstanding Bonds which will be Outstanding subsequent to the refunding accomplished with a portion of the proceeds of the 2011A Bonds, as well as the estimated debt service on the 2011A Bonds and the estimated total debt service in each fiscal year are set forth in the following table.

Fiscal Year	Outstanding Bonds	Estimated 2011A Bonds Debt Service[2]			Estimated Total
Ending June 30	Debt Service[1]	Principal	Interest	Total	Debt Service
2012	$95,728,138	-	$1,571,756	$1,571,756	$97,299,894
2013	81,958,758	$10,370,000	2,435,250	12,805,250	94,764,008
2014	81,835,795	12,845,000	1,854,875	14,699,875	96,535,670
2015	83,030,495	7,765,000	1,339,625	9,104,625	92,135,120
2016	83,541,166	2,040,000	1,094,500	3,134,500	86,675,666
2017	61,749,676	2,220,000	988,000	3,208,000	64,957,676
2018	48,659,469	2,445,000	871,375	3,316,375	51,975,844
2019	24,002,456	2,675,000	743,375	3,418,375	27,420,831
2020	19,456,342	2,945,000	602,875	3,547,875	23,004,217
2021	14,870,434	3,230,000	448,500	3,678,500	18,548,934
2022	14,128,431	3,520,000	279,750	3,799,750	17,928,181
2023	12,065,755	3,835,000	95,875	3,930,875	15,996,630
2024	12,289,233	-	-	-	12,289,233
2025	10,519,961	-	-	-	10,519,961
2026	9,042,758	-	-	-	9,042,758
2027	7,652,050	-	-	-	7,652,050
2028	7,847,775	-	-	-	7,847,775
2029	3,669,750	-	-	-	3,669,750
2030	2,238,900	-	-	-	2,238,900
	$674,287,342	$53,890,000	$12,325,756	$66,215,756	$740,503,098

Note: Totals may not add due to rounding.

[1] Debt service on Outstanding Capital Outlay Bonds, 2002 Series A through 2010 Series A. Excludes debt service of amounts varying from $3.5 million to $17.5 million in 2012-2023 for the 2002 Series A Bonds, which were refunded by 2010 Series A Bonds and will be called for redemption on January 1, 2012, and the 2002 Series B and 2003 Series A Bonds that will be refunded by the 2011 Series A Bonds and which will be economically but not legally defeased.

[2] Preliminary, subject to change.

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 2011A 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

In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, under existing law: (i) interest on the 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the 2011A Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Bond Counsel expresses no opinion as to any other tax consequences regarding the 2011A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Division of Bond Finance and the Board of Education contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2011A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or the continuing compliance with those covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the 2011A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Division of Bond Finance or the Board of Education may cause loss of such status and result in the interest on the 2011A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2011A Bonds. The Division of Bond Finance and the Board of Education have covenanted to take the actions required of them for the interest on the 2011A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the 2011A Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2011A Bonds or the market value of the 2011A Bonds.

A portion of the interest on the 2011A Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the 2011A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2011A Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2011A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2011A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2011A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2011A Bonds will not have an adverse effect on the tax status of interest on the 2011A Bonds or the market value or marketability of the 2011A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2011A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, on September 13, 2011, legislation proposed by President Obama called the American Jobs Act of 2011 was introduced into the Senate that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the 2011A Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the 2011A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the 2011A Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the 2011A Bonds ends with the issuance of the 2011A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Division of Bond Finance, the Board of Education or the owners of the 2011A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2011A Bonds, under current IRS procedures, the IRS will treat the Board of Education as the taxpayer and the beneficial owners of the 2011A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2011A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2011A Bonds.

Original Issue Discount and Original Issue Premium

Certain of the 2011A Bonds (the "2011A Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a 2011A Discount Bond. The issue price of a 2011A Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the 2011A Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a 2011A Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a 2011A Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2011A Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that 2011A Discount Bond. A purchaser of a 2011A Discount Bond in the initial public offering at the price for that 2011A Discount Bond stated on the inside front cover of this Official Statement who holds that 2011A Discount Bond to maturity will realize no gain or loss upon the retirement of that 2011A Discount Bond.

Certain of the 2011A Bonds (the "2011A Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a 2011A Premium Bond, based on the yield to maturity of that 2011A Premium Bond (or, in the case of a 2011A Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that 2011A Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a 2011A Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a 2011A Premium Bond, the owner's tax basis in the 2011A Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a 2011A Premium Bond for an amount equal to or less than the amount paid by the owner for that 2011A Premium Bond. A purchaser of a 2011A Premium Bond in the initial public offering at the price for that 2011A Premium Bond stated on the inside front cover of this Official Statement who holds that 2011A Premium Bond to maturity (or, in the case of a callable 2011A Premium Bond, to its earlier call date that results in the lowest yield on that 2011A Premium Bond) will realize no gain or loss upon the retirement of that 2011A Premium Bond.

Owners of Discount 2011A and Premium 2011A Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium 2011A Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

State Taxes

The 2011A Bonds and the income therefrom are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

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 2011A Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2011A Bonds for estate tax purposes.

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."

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 2007 A-B (Multi-Modal), outstanding in the amount of $90,640,000 (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 net proceeds of the 2011A Bonds will be deposited into a fund in the State Treasury of Florida. After collection by the Department of Highway Safety and Motor Vehicles, the Motor Vehicle License Taxes are deposited monthly for the account of the Department of Education in the Capital Outlay Fund in the State Treasury. Amounts required for debt service are transferred to the Sinking Fund held by the Board of Administration semiannually just prior to each interest/principal payment date. Investment of Sinking Fund moneys is controlled by the Original Resolution, which is reproduced as an appendix hereto; however, see “*Investment by the Board of Administration*” below for the Board of Administration’s investment policy with respect to sinking fund investments. Investment earnings are credited to the account or fund from which such investments were made.

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, Fitch Ratings and Moody's Investors Service (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of "AAA", "AAA" and "Aa1," respectively, to the 2011A Bonds. Fitch Ratings has assigned a negative outlook to the 2011A 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 2011A 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 2011A Bonds.

Verification of Mathematical Calculations

The arithmetical accuracy of the mathematical computations supporting the adequacy of the funds deposited to redeem the Refunded Bonds and interest earnings thereon to pay the principal of, redemption premium and interest on the Refunded Bonds and the arithmetical accuracy of the mathematical computation relating to the investment of the funds, supporting the conclusion that the 2011A 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 2011A Bonds.

Litigation

There is no litigation pending, or to the knowledge of the Board of Education or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2011A Bonds or questioning or affecting the validity of the 2011A Bonds or the proceedings and authority under which such 2011A Bonds are to be issued. The Board of Education 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 2011A Bonds.

Legal Opinion and Closing Certificates

The approving legal opinion of Squire, Sanders & Dempsey (US) LLP, Tampa, Florida, will be provided on the date of delivery of the 2011A Bonds. Such legal opinion expresses no opinion as to the accuracy, completeness or fairness of any statement in this Official Statement or the appendices hereto or in any other report, financial information, offering or disclosure document or other information pertaining to the State or the 2011A Bonds that may be prepared or made available by the State, the Board of Education, the Division of Bond Finance or others to the purchasers or holders of the 2011A Bonds or other parties. A proposed form of the legal opinion is attached as Appendix I. The actual legal opinion to be delivered may vary from the text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

A certificate, executed by appropriate State officials, to the effect that to the best of their knowledge this Official Statement, as of its date and as of the date of delivery of the 2011A 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 this 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 at delivery.

Continuing Disclosure

The Board of Education will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2011A 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 H, 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 Board of Education 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 2011A Bonds at an aggregate purchase price of $___________________________ (which represents the par amount of the 2011A Bonds [plus] [less] an original issue [premium] [discount] of $____________________ and minus the Underwriters' discount of $__________________). Underwriters may offer and sell the 2011A Bonds to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the Underwriters) at prices lower than the initial offering prices. The offering prices or yields on the 2011A Bonds set forth on the inside front cover may be changed after the initial offering by the Underwriters.

Execution of Official Statement

The execution and delivery of this Official Statement have been duly authorized by the Board of Education and the Division of Bond Finance.

RICK SCOTT
Governor, as Chairman of the Governing Board
of the Division of Bond Finance

GERARD ROBINSON
Commissioner of Education

J. BEN WATKINS III
Director, Division of Bond Finance

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APPENDIX A

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)

	Florida		U. S.	
Year	(in thousands)	% change	(in thousands)	% change
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

	2000		2010		2020		2030	
Age	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+	2,807,650	17.6%	3,305,416	17.6%	4,526,783	21.3%	6,194,272	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)[1]

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	73,661	10.4	80,452	12.0
Total [2]	$706,600		$673,375	

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

[1] 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.

[2] 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 12th in North America in passenger traffic and ranked 4th 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 13th for all crops, with the State ranking first in oranges, and 2nd 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

			Construction Value (millions of current dollars)						
	Housing Starts (thous)		Private Residential			Public			
Year	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[1]	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.
[1] 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 [1]
(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	1,081.2	13.9	21,804.0	16.3	1,114.5	15.5	22,482.0	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)
[1] 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

	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
Year	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)

	2005	% Total	2010	% Total
Earnings:				
Wages and Salaries:				
Farm	$2,701,312	0.4%	$2,040,710	0.2%
Non Farm	420,630,558	56.4%	441,505,560	51.6%
Private:				
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	17,692,038	2.4%	18,842,305	2.2%
Total Private	353,704,687	47.4%	361,395,768	42.3%
Government & government enterprises	66,925,371	9.0%	80,109,792	9.4%
Total Wages & Salaries	423,331,370	56.7%	443,546,270	51.9%
Other Income:				
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	(46,199,421)	(6.2)%	(50,504,420)	(5.9)%
Total Other Income:	209,860,805	28.1%	294,826,721	34.5%
Total Personal Income	633,192,175	84.9%	738,372,991	86.3%
Other Earnings:				
Supplements to wages and salaries	69,515,129	9.3%	75,691,703	8.9%
Proprietors' income:	43,473,268	5.8%	41,129,781	4.8%
Total Earnings:	112,988,397	15.1%	116,821,484	13.7%
TOTAL INCOME	$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 4th 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)

Year	Exports	% Change	Imports	% Change
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)

	Consumer Non-durables				Consumer Durables				Building		Business	
Fiscal	Recreation/Tourism		Other		Autos & Accessories		Other		Investment		Investment	
Year	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes
2001[1]	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

[1] 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 [1]

Type of Business	2006	2011
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 [2]	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).

1 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.

2 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[1]

(millions of dollars)

General Revenue Receipts[2]	2006-07	2007-08	2008-09	2009-10	2010-11
Sales and Use Tax[3]	$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
Total GR Collections and Transfers	**26,330.5**	**24,215.3**	**21,319.1**	**21,625.7**	**22,415.3**
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)
Net GR Collections and Transfers	**26,404.1**	**24,112.1**	**21,025.6**	**21,523.1**	**22,551.6**
Trust Fund Revenues[2]					
Major Transportation Revenues:					
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
Workers Insurance Tax:					
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
Conservation and Recreational Lands:					
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
Education - Tuition , Fees and Charges:					
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
Agencies' Administrative Trust Funds:					
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

Other Trust Fund Revenues for State Use:	2006-07	2007-08	2008-09	2009-10	2010-11
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[4]	169.2	187.6	176.6	157.2	259.9
Other Trust	2,417.8	2,305.6	1,826.2	3,158.0	3,127.2
Subtotal	6,395.1	6,471.9	5,396.6	8,097.1	8,309.5
Total Trust Fund Revenue for State Use	**15,165.2**	**14,391.6**	**12,496.8**	**15,635.1**	**16,391.5**
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[3]	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[3]	73.5	56.6	58.5	55.6	57.0
Total Local Government	**4,401.7**	**4,255.4**	**3,955.8**	**3,841.5**	**3,901.2**
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	94.9	105.1	147.1	232.9	151.2
Total Federal and Local Assistance	**17,520.5**	**18,011.5**	**20,702.7**	**28,431.4**	**29,170.8**

Summary of Trust Fund and General Revenue[5]	2006-07	2007-08	2008-09	2009-10	2010-11
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	17,621.3	18,011.5	20,702.7	28,431.4	29,170.8
Total Direct Revenues	**$63,518.7**	**$60,873.8**	**$58,180.9**	**$69,431.1**	**$72,015.1**

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

1 Numbers may not add due to rounding.

2 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.

3 Includes portion of Communications Services Tax.

4 Includes an unknown amount of General Revenue appropriations.

5 Shown before transfers of General Revenue service charges and refunds.

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GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS[1]

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

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2009-10			
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	(0.6)	0.0	(0.6)
Total 2009-10 funds available	$21,488.2	$1,308.1	$22,796.3
EXPENDITURES 2009-10			
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	0.0	2.6	2.6
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	-	-	$274.9
Available Reserves	-	-	$1,848.1
FUNDS AVAILABLE 2010-11			
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	(0.3)	0.0	(0.3)
Total 2010-11 funds available	$22,217.6	$2,315.7	$24,533.3
EXPENDITURES 2010-11			
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	0.8	2.1	2.9
Total 2010-11 expenditures	$22,356.8	$1,430.1	$23,786.9
Ending Balance	($139.2)	$885.6	$746.4
Budget Stabilization Fund	-	-	$279.2
Available Reserves	-	-	$1,025.6

FINANCIAL OUTLOOK STATEMENT [4]

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
FUNDS AVAILABLE 2011-12			
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
EFFECTIVE APPROPRIATIONS 2011-12			
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
Vetoes	(30.2)	(68.7)	(98.9)
Total 2011-12 effective appropriations	$22,799.3	$588.0	$23,387.4
Ending Balance[2,3]	$316.1	$631.8	$947.8
FUNDS AVAILABLE 2012-13			
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
FUNDS AVAILABLE 2013-14			
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
FUNDS AVAILABLE 2014-15			
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.

[1] Based on October 11, 2011 Revenue Estimating Conference.

[2] 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.

[3] 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.

[4] 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[1]	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]
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[2]	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	(537.8)	(326.1)	(39.4)	(300.9)	(7.7)	(309.7)	2.9	(315.1)	1.7	(324.1)	2.9
Net General Revenue:[3]	$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.

[1] Represents percentage change from prior year, based on current estimates.

[2] 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.

[3] 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	
General Revenue	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
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	446.8	13.6	403.7	-	134.6	-	46.9	-	47.6	-
Total General Revenue	$27,914.0	$534.3	$25,223.7	$399.7	$21,132.0	$61.8	$23,672.4	$117.3	$22,995.9	$186.8
Trust Funds										
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	21.4	-	34.6	-	316.7	-	415.1	0.4	411.6	-
Total Trust Funds	$28,806.9	$13,577.8	$28,513.3	$12,064.2	$36,414.0	$8,928.0	$37,025.6	$9,562.2	$36,128.2	$10,365.7
Total All Funds										
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	468.2	13.6	438.3	-	451.3	-	462.0	0.4	459.2	-
Total All Funds	$56,721.2	$14,112.5	$53,736.9	$12,463.6	$57,545.7	$8,989.7	$60,698.5	$9,679.8	$59,124.1	$10,552.5

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)

Debt Type		Amount
Net Tax-Supported Debt		**$ 23,557.3**
Self-Supporting Debt		**4,610.5**
Total State Debt Outstanding		**$ 28,167.8**
Net Tax-Supported Debt		
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
Total Net Tax-Supported Debt Outstanding		**$ 23,557.3**
Self-Supporting Debt		
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
Total Self-Supported Debt Outstanding		**$ 4,610.5**

Source: State of Florida, 2010 Debt Affordability Study.

Per Capita Tax Supported Debt

For Fiscal Years Ended June 30

Year	Population[1] (thousands)	Total Principal Outstanding[2] (millions)	Per Capita
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

[1] Population estimate by the Office of Economic and Demographic Research, Florida Legislature, (November, 2010).

[2] State of Florida 2010 Debt Affordability Study; excludes refunded debt.

Total State Debt Outstanding As of June 30, 2010

Fiscal Year	Self-Supporting Debt Principal	Self-Supporting Debt Interest	Self-Supporting Debt Total	Net Tax-Supported Debt Principal	Net Tax-Supported Debt Interest	Net Tax-Supported Debt Total	Total Existing Debt Principal	Total Existing Debt Interest	Total Existing Debt 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
	$ 4,610,515,434	$ 2,757,473,780	$ 7,367,989,214	$ 23,557,254,011	$ 13,662,933,222	$ 37,220,187,233	$ 28,167,769,444	$ 16,420,407,002	$ 44,588,176,447

[1] 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)
	$418,600,000

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	(16,595,000)
	$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.

[1] Unemployment Trust Fund - Represents U.C. Benefit Funds invested by the Federal Government and due from U.S. Treasury.

[2] Includes plan assets held in the Deferred Compensation Trust Fund for the exclusive benefit of participants and their beneficiaries.

[3] 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.

[4] 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.

[5] Includes Purchased Interest in the amount of $2,220,616.26.

[6] 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.

[7] 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.

[8] 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[1]
Terminated Vested Participants	88,756
DROP Participants	33,577
Active Vested Participants	477,386
Active Non-vested Participants	177,981
TOTAL	1,080,678

[1] 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

	Vesting Period	Regular Class, SMSC, EOC	Special Risk Classes
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[1]
Asset valuation method:	5-year Smoothed Method
Investment rate of return:	7.75%
Projected salary increases:	5.85%[2]
Inflation level:	3.00%
Cost of living adjustments:	3.00%

[1] Used for GASB Statement #27 reporting purposes.
[2] 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.

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

Fiscal Year	2005-06[1]	2006-07[1]	2007-08 [2]	2008-09[2]	2009-10[2]
Annuitants	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.

1 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.

2 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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annualized Covered Payroll [1] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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.
1 Includes DROP payroll.

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

Fiscal Year	Market Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) Entry Age[2] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annualized Covered Payroll[3] (c)	UAAL as a Percentage of Coverage Payroll (b-a)/c)
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

1 Source: State Board of Administration of Florida. Market value is determined as of June 30 of each Fiscal Year.
2 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.
3 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)

Fiscal Year	State Contributions	Non-State Contributions	Total Contributions	Annual Required Contributions[1]	Percent Contributed	Amount Unfunded
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[2]	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.
[1]Annual Required Contributions are determined by the actuarial valuation of the FRS Pension Fund.
[2]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)

	2006	2007	2008	2009	2010
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[1]
Asset valuation method:	Market Value
Actuarial Assumptions:	
Investment rate of return:	4.00%
Projected salary increases:	5.85%[2]
Inflation level:	3.00%
Cost of living adjustments:	0.00%

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

[1] Used for GASB Statement #27 reporting purposes.

[2] 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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll [1] (c)	UAAL 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%
July 1, 2010	$291,459	$8,464,530 [2]	$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.

[1] Includes DROP and PEORP payroll.

[2] 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)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution	Contribution as a Percentage of ARC
2006	N/A[2]	$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.

[1] 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.

[2] 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	(4,879)
Annual OPEB Cost	255,731
Employer Contribution	(82,375)
Increase/Decrease in the Net OPEB Obligation	173,356
Net OPEB Obligation - July 1, 2009	146,394
Net OPEB Obligation - July 1, 2010	$319,750
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)	$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.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL 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%
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[1]
(thousands of dollars)

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

1 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%.
2 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 30th, an adjustment factor is triggered to increase the employer contribution rates that will become effective the following January 1st. 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.

APPENDIX B

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.

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*

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

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.

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

ORGANIZATION AT JUNE 30, 2010

THE ELECTORATE OF FLORIDA

Legislative Branch
Senate
House of Representatives

Public Service Commission
Auditor General
Office of Public Counsel
Office of Program Policy Analysis and Government Accountability
Legislative Support Services:
- Office of Legislative Services
- Office of Legislative Information Technology Services
- Office of Economic and Demographic Research

Commission on Ethics

Executive Branch

Judicial Branch
Supreme Court
District Courts of Appeal - 5 Districts
- Circuit Courts - 20 Circuits
- County Courts - 67 Counties

Justice Administrative Commission
- Capital Collateral Regional Counsel
- Criminal Conflict and Civil Regional Counsel
- Statewide Guardian Ad Litem Office
- State Attorneys (elected officials)
- Public Defenders (elected officials)

Judicial Qualifications Commission

Governor
Lieutenant Governor
Executive Office of the Governor
Agencies and Commissions of the Governor
- Agency for Health Care Administration
- Agency for Persons with Disabilities
- Agency for Workforce Innovation
- Department of Business and Professional Regulation
- Department of Children and Family Services
- Department of Citrus
- Department of Community Affairs
- Department of Corrections
- Department of Elder Affairs
- Department of Environmental Protection
- Department of Health
- Department of Juvenile Justice
- Department of the Lottery
- Department of Management Services
- Department of Military Affairs
- Department of State
- Department of Transportation
- Division of Administrative Hearings

Cabinet
Attorney General
- Department of Legal Affairs

Chief Financial Officer
- Department of Financial Services

Commissioner of Agriculture
- Department of Agriculture and Consumer Services

Agencies and Commissions of the Governor and Cabinet
Department of Highway Safety and Motor Vehicles
Department of Law Enforcement
Department of Revenue
Department of Veterans' Affairs
Financial Service Commisssion
Office of Insurance Regulation
Office of Financial Regulation
Parole Commission
Agency for Enterprise Information Technology

Other Agencies, Boards, and Commissions
Board of Governors
Department of Education
Fish and Wildlife Conservation Commission
State Board of Administration

PRINCIPAL OFFICIALS AT JUNE 30, 2010

Legislative Branch
Senate
- Jeff Atwater, President

House of Representatives
- Larry Cretul, 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

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

	Government-wide Financial Statements	Fund Financial Statements: *Governmental Funds*	Fund Financial Statements: *Proprietary Funds*	Fund Financial Statements: *Fiduciary Funds*
Scope	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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	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

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	1,037	1,523	1,037
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

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.

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.sbafla.com/bond* or by contacting the Division of Bond Finance, 1801 Hermitage 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

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 benefitted 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

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FINANCIAL SECTION:

BASIC FINANCIAL STATEMENTS

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

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Cash and cash equivalents	$ 110,540	$ 135,498	$ 246,038	$ 4,985,840
Pooled investments with State Treasury	11,743,152	1,296,907	13,040,059	2,825,831
Other investments	1,536,807	19,138,640	20,675,447	14,133,561
Receivables, net	4,522,154	1,130,321	5,652,475	1,986,305
Internal balances	395,729	(395,729)	......	......
Due from component units/primary	3,718	1,745	5,463	1,081,350
Inventories	56,113	6,257	62,370	62,826
Restricted cash and cash equivalents	......	47	47	291,137
Restricted pooled investments with State Treasury	......	266,815	266,815	464,517
Restricted investments	......	1,917,570	1,917,570	1,496,163
Advances to other entities	906,536	......	906,536	......
Loans and notes receivable, net	2,868,484	1,602,032	4,470,516	3,432,637
Other assets	8,363	41,790	50,153	624,899
Capital assets, net	60,222,204	7,860,544	68,082,748	20,175,553
Total assets	82,373,800	33,002,437	115,376,237	51,560,619
LIABILITIES				
Accounts payable and accrued liabilities	4,287,543	1,123,148	5,410,691	3,159,357
Due to component units/primary	103,770	......	103,770	218,075
Deferred revenue	......	32,724	32,724	1,725,361
Obligations under security lending agreements	1,724,699	2,359,197	4,083,896	......
Long-term liabilities				
Due within one year	2,572,158	1,239,745	3,811,903	1,455,147
Due in more than one year	24,435,978	19,510,434	43,946,412	10,969,810
Total liabilities	33,124,148	24,265,248	57,389,396	17,527,750
NET ASSETS				
Invested in capital assets, net of related debt	56,935,300	4,910,794	61,846,094	16,901,959
Restricted for				
Environment, Recreation and Conservation	2,440,804	......	2,440,804	......
Public Education	1,064,284	......	1,064,284	......
Health and Family Services	1,166,423	......	1,166,423	......
Transportation	1,092,578	......	1,092,578	......
Nonmajor governmental funds	1,666,747	......	1,666,747	......
Debt service	247,039	......	247,039	73,833
Lottery	......	132,687	132,687	......
Prepaid College Program	......	483,365	483,365	......
Hurricane Catastrophe Fund	......	3,230,193	3,230,193	......
Unemployment Compensation	......	(903,588)	(903,588)	......
Other	476,495	269,844	746,339	2,118,005
Funds held for permanent endowment				
Expendable	......	......	......	1,682,032
Nonexpendable	......	......	......	3,000,184
Unrestricted	(15,840,018)	613,894	(15,226,124)	10,256,856
Total net assets	$ 49,249,652	$ 8,737,189	$ 57,986,841	$ 34,032,869

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

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

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
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)
Business-type activities:					
Transportation	383,106	700,803	5,811	6,055	329,563
Lottery	2,747,599	4,006,864	......	......	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	......	121,890
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)
Component units					
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	3,340,908	624,275	(3,439,211)
Total component units	$ 16,609,387	$ 7,227,830	$ 4,589,422	$ 682,415	$ (4,109,720)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net (expense) revenue	$ (28,112,752)	$ 2,044,640	$ (26,068,112)	$ (4,109,720)
General revenues:				
Taxes				
Sales and use tax	17,102,054	......	17,102,054	......
Fuel taxes	2,505,193	......	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	1,515,675	......	1,515,675	......
Beverage and tobacco taxes	1,872,646	......	1,872,646	......
Insurance premium tax	862,520	......	862,520	......
Gross receipts utilities tax	673,013	......	673,013	......
Property taxes	......	......	......	897,925
Other taxes	971,197	......	971,197	......
Investment earning (loss)	555,053	9,526	564,579	873,685
Gain (loss) on sale of capital assets	(59,943)	(2,374)	(62,317)	12,893
Payments from the State of Florida	......	......	......	3,089,342
Emergency assessments	......	329,341	329,341	......
Miscellaneous	......	......	......	891,335
Transfers	1,352,669	(1,352,669)	......	......
Contributions to permanent funds	......	......	......	57,084
Total general revenues, transfers and contributions	30,371,847	(1,016,176)	29,355,671	5,822,264
Changes in net assets	2,259,095	1,028,464	3,287,559	1,712,544
Net assets - beginning	47,124,293	7,708,725	54,833,018	32,060,758
Adjustments to increase (decrease) beginning net assets	(133,736)	......	(133,736)	259,567
Net assets - ending	$ 49,249,652	$ 8,737,189	$ 57,986,841	$ 34,032,869

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

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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.

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

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/10
ASSETS							
Current assets							
Cash and cash equivalents	$ 15,711	$ 925	$	$ 23,983	$ 1,790	$ 41,483	$ 83,892
Pooled investments with State Treasury	4,002,325	1,472,586	1,343,297	1,501,288	1,191,204	1,647,012	11,157,712
Investments	853,385	......	621	38	......	374,678	1,228,722
Receivables, net	1,375,402	145,803	109,001	2,051,618	357,963	408,864	4,448,651
Due from other funds	121,669	16,617	65,500	80,162	123,079	67,819	474,846
Due from component units/primary	2,203	542	......	135	......	......	2,880
Inventories	11,779	1,564	......	31,691	9,082	1,835	55,951
Other	685	......	......	......	769	1,432	2,886
Total current assets	6,383,159	1,638,037	1,518,419	3,688,915	1,683,887	2,543,123	17,455,540
Noncurrent assets							
Long-term investments	......	......	......	......	......	239,007	239,007
Advances to other funds	2,628	......	......	172	268,322	......	271,122
Advances to other entities	52,276	114,018	682,382	5,828	......	52,032	906,536
Other loans and notes receivable, net	5,639	1,001,158	......	22,224	736,927	1,102,536	2,868,484
Other	......	......	......	......	5,477	......	5,477
Total noncurrent assets	60,543	1,115,176	682,382	28,224	1,010,726	1,393,575	4,290,626
Total assets	$ 6,443,702	$ 2,753,213	$ 2,200,801	$ 3,717,139	$ 2,694,613	$ 3,936,698	$ 21,746,166
LIABILITIES AND FUND BALANCES							
Current liabilities							
Accounts payable and accrued liabilities	$ 594,389	$ 54,017	$ 51,693	$ 1,904,762	$ 681,243	$ 251,239	$ 3,537,343
Due to other funds	135,568	20,112	2,934	25,237	39,868	142,189	365,908
Due to component units/primary	8,371	65,021	17,363	7,998	......	5,017	103,770
Compensated absences	9,880	750	158	944	5,871	2,278	19,881
Claims payable	20,369	......	......	......	......	5,636	26,005
Deposits	573	3,658	......	4,807	296,954	10,797	316,789
Installment purchases/capital leases	30	......	......	......	......	......	30
Deferred revenues	368,500	12,056	5,646	363,131	8,710	135,626	893,669
Obligations under security lending agreements	1,130,148	144,026	137,320	67,703	84,693	103,388	1,667,278
Total current liabilities	2,267,828	299,640	215,114	2,374,582	1,117,339	656,170	6,930,673
Noncurrent liabilities							
Advances from other funds	600	......	540,503	......	......	625	541,728
Deposits	......	......	......	33,115	78,400	52,032	163,547
Deferred revenues	5,502	512	......	22,224	406,296	17,875	452,409
Total noncurrent liabilities	6,102	512	540,503	55,339	484,696	70,532	1,157,684
Total liabilities	2,273,930	300,152	755,617	2,429,921	1,602,035	726,702	8,088,357
Fund balances							
Reserved for encumbrances	67,330	3,302	......	18,279	37,964	130,559	257,434
Reserved for inventories	11,779	1,564	......	31,691	9,082	1,835	55,951
Reserved for advances	54,904	114,018	682,382	172	268,322	......	1,119,798
Reserved for long-term receivables	137	1,000,647	......	......	330,631	1,102,536	2,433,951
Reserved for capital outlay	91,868	944,700	965,012	5,236	224,728	284,518	2,516,062
Reserved for debt service	......	......	......	......	......	247,039	247,039
Reserved for Budget Stabilization Fund	274,916	......	......	......	......	......	274,916
Other reserved	684,063	84,293	......	15,972	5,477	127,475	917,280
Unreserved, reported in:							
General fund	2,984,775	......	......	......	......	......	2,984,775
Special revenue funds	......	304,537	(202,210)	1,215,868	216,374	1,294,686	2,829,255
Capital projects funds	......	......	......	......	......	19,072	19,072
Permanent funds	......	......	......	......	......	2,276	2,276
Total fund balances	4,169,772	2,453,061	1,445,184	1,287,218	1,092,578	3,209,996	13,657,809
Total liabilities and fund balances	$ 6,443,702	$ 2,753,213	$ 2,200,801	$ 3,717,139	$ 2,694,613	$ 3,936,698	$ 21,746,166

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

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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		$ 49,249,652

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	Transportation	Nonmajor Governmental Funds	Totals 6/30/10
REVENUES							
Taxes	$ 23,803,370	$ 297,513	$ 1,097,796	$ 765,539	$ 2,210,487	$ 216,557	$ 28,391,262
Licenses and permits	266,192	46,761	......	36,144	8,767	1,038,241	1,396,105
Fees and charges	1,439,692	159,381	44,350	1,271,318	446,528	1,146,492	4,507,761
Grants and donations	14,111	218,217	4,310,238	19,893,810	1,903,824	1,962,572	28,302,772
Investment earnings	402,174	91,141	110,258	15,886	51,272	106,171	776,902
Fines, forfeits, settlements and judgments	45,644	8,173	87,758	35,282	17,262	1,037,840	1,231,959
Other	7,348	4,523	4,105	10,317	805	27,227	54,325
Total revenues	25,978,531	825,709	5,654,505	22,028,296	4,638,945	5,535,100	64,661,086
EXPENDITURES							
Current:							
General government	3,763,525	17,155	......	196,443	191,071	2,662,378	6,830,572
Education	11,158,505	......	6,895,407	......	......	148,073	18,201,985
Human services	4,374,380	......	......	22,724,525	......	407,542	27,506,447
Criminal justice and corrections	3,300,085	......	......	......	......	993,513	4,293,598
Natural resources and environment	281,355	1,103,961	......	80,887	......	887,787	2,353,990
Transportation	51,115	......	......	......	2,999,149	53	3,050,317
State courts	138,369	......	......	......	......	292,611	430,980
Capital outlay	60,898	99,039	10,125	17,264	1,757,232	226,492	2,171,050
Debt service:							
Principal retirement	8,973	......	......	2,086	......	1,082,806	1,093,865
Interest and fiscal charges	5,891	......	......	1,147	......	1,017,173	1,024,211
Total expenditures	23,143,096	1,220,155	6,905,532	23,022,352	4,947,452	7,718,428	66,957,015
Excess (deficiency) of revenues over expenditures	2,835,435	(394,446)	(1,251,027)	(994,056)	(308,507)	(2,183,328)	(2,295,929)
OTHER FINANCING SOURCES (USES)							
Proceeds of bond issues	4,215	371,000	1,015,554	......	......	314,765	1,705,534
Proceeds of refunding bonds	......	......	......	......	......	1,961,934	1,961,934
Operating transfers in	1,005,472	752,079	1,516,224	1,826,539	1,091,134	4,012,322	10,203,770
Operating transfers out	(3,051,726)	(815,164)	(1,492,542)	(527,887)	(802,841)	(2,151,690)	(8,841,850)
Proceeds of financing agreements	8,138	......	......	......	......	1,456	9,594
Payments to refunded bond agent	......	......	......	......	......	(1,961,934)	(1,961,934)
Total other financing sources (uses)	(2,033,901)	307,915	1,039,236	1,298,652	288,293	2,176,853	3,077,048
Net change in fund balances	801,534	(86,531)	(211,791)	304,596	(20,214)	(6,475)	781,119
Fund balances - beginning	3,368,238	2,539,592	894,489	982,622	1,112,792	3,209,992	12,107,725
Adjustments to increase (decrease) beginning fund balances	......	......	762,486	......	......	6,479	768,965
Fund balances - beginning, as restated	3,368,238	2,539,592	1,656,975	982,622	1,112,792	3,216,471	12,876,690
Fund balances - ending	$ 4,169,772	$ 2,453,061	$ 1,445,184	$ 1,287,218	$ 1,092,578	$ 3,209,996	$ 13,657,809

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

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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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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.

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

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
ASSETS								
Current assets								
Cash and cash equivalents	$ 12,839	$ 85,871	$ 43	$ 33,265	$ 1,543	$ 1,937	$ 135,498	$ 26,648
Pooled investments with State Treasury	507,286	175,402	......	......	352,740	261,479	1,296,907	585,440
Investments	......	......	8,652,314	1,612,316	......	13,554	10,278,184	69,078
Receivables, net	4,612	20,049	100,994	373,672	600,925	24,296	1,124,548	20,368
Due from other funds	1,798	......	......	......	3,454	4,444	9,696	42,306
Due from component units/primary	......	......	......	......	1,745	......	1,745	838
Inventories	5,236	1,021	......	......	......	......	6,257	162
Other	......	2,490	1,616	......	......	37	4,143	......
Total current assets	531,771	284,833	8,754,967	2,019,253	960,407	305,747	12,856,978	744,840
Noncurrent assets								
Restricted cash and cash equivalents	47	......	......	......	......	......	47	......
Restricted pooled investments with State Treasury	252,957	13,858	......	......	......	......	266,815	......
Restricted investments	284,375	1,633,195	......	......	......	......	1,917,570	......
Long-term investments	......	......	992,548	7,802,694	......	65,214	8,860,456	......
Advances to other funds	500	......	......	......	......	......	500	......
Other loans and notes receivable, net	......	......	......	1,602,032	......	......	1,602,032	......
Capital assets								
Land and other nondepreciable assets	912,544	......	......	......	......	......	912,544	360
Nondepreciable infrastructure	6,110,964	......	......	......	......	......	6,110,964	......
Buildings, equipment, and other depreciable assets	409,977	13,494	80	52	......	30,698	454,301	999,512
Accumulated depreciation	(206,484)	(12,073)	(74)	(51)	......	(22,744)	(241,426)	(348,461)
Construction work in progress	624,161	......	......	......	......	......	624,161	316,739
Other	15,717	9,336	12,594	......	......	......	37,647	......
Total noncurrent assets	8,404,758	1,657,810	1,005,148	9,404,727	......	73,168	20,545,611	968,150
Total assets	8,936,529	1,942,643	9,760,115	11,423,980	960,407	378,915	33,402,589	1,712,990
LIABILITIES								
Current liabilities								
Accounts payable and accrued liabilities	26,176	16,208	827,852	28,639	216,582	5,839	1,121,296	92,588
Accrued prize liability	......	267,398	......	......	......	......	267,398	......
Due to other funds	65,644	59,380	106	......	3,179	6,273	134,582	27,867
Compensated absences	......	873	47	44	......	4,134	5,098	2,991
Installment purchases/capital leases	......	......	......	......	......	......	......	1,531
Bonds payable	......	......	269,485	......	......	......	269,485	19,550
Bonds payable from restricted assets	100,525	......	......	......	......	......	100,525	......
Deposits	7,707	......	......	......	......	......	7,707	176,854
Deferred revenues	......	......	......	......	......	32,724	32,724	......
Obligations under security lending agreements	77,885	865,090	......	1,395,363	......	20,859	2,359,197	57,421
Certificates of participation payable	......	......	......	......	......	......	......	32,665
Tuition and housing benefits payable	......	......	......	589,532	......	......	589,532	......
Total current liabilities	277,937	1,208,949	1,097,490	2,013,578	219,761	69,829	4,887,544	411,467
Noncurrent liabilities								
Advances from other funds	267,422	......	......	......	......	......	267,422	2,803
Accrued prize liability	......	595,792	......	......	......	......	595,792	......
Due to other governments	......	......	......	......	1,612,500	......	1,612,500	......
Bonds payable	2,882,927	......	5,432,301	......	......	......	8,315,228	379,900
Certificates of participation payable	......	......	......	......	......	......	......	686,179
Installment purchases/capital leases	......	......	......	......	......	......	......	12,164
Deposits	748	......	......	......	31,734	......	32,482	......
Compensated absences	......	2,804	125	142	......	13,291	16,362	11,981
Tuition and housing benefits payable	......	......	......	8,926,893	......	......	8,926,893	......
Other	4,749	990	......	......	......	5,438	11,177	7,023
Total noncurrent liabilities	3,155,846	599,586	5,432,426	8,927,035	1,644,234	18,729	19,777,856	1,100,050
Total liabilities	3,433,783	1,808,535	6,529,916	10,940,613	1,863,995	88,558	24,665,400	1,511,517
NET ASSETS								
Invested in capital assets, net of related debt	4,901,411	1,421	6	2	......	7,954	4,910,794	141,974
Restricted for unemployment compensation	......	......	......	......	(903,588)	......	(903,588)	......
Restricted for lottery	......	132,687	......	......	......	......	132,687	......
Restricted for Hurricane Catastrophe Fund	......	......	3,230,193	......	......	......	3,230,193	......
Restricted for Prepaid College Program	......	......	......	483,365	......	......	483,365	......
Restricted - other	269,844	......	......	......	......	......	269,844	52,205
Unrestricted	331,491	......	......	......	......	282,403	613,894	7,294
Total net assets	$ 5,502,746	$ 134,108	$ 3,230,199	$ 483,367	$ (903,588)	$ 290,357	$ 8,737,189	$ 201,473

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

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	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
OPERATING REVENUES								
Sales - nonstate	$ 8,523	$ 3,906,484	$ 1,443,942	$ 681,283	$	$ 67,508	$ 6,107,740	$ 32,602
Fees	648,609	......	......	3,769	1,234,588	233,337	2,120,303	......
Sales - state	......	......	30	......	......	21,321	21,351	1,930,760
Rents and royalties - nonstate	10,757	240	......	......	......	3	11,000	29
Rents - state	......	......	......	......	......	104	104	122,173
Fines, forfeits, settlements and judgments	2,976	299	......	......	......	48,121	51,396	......
Other	......	......	......	......	......	1	1	20,078
Total operating revenues	670,865	3,907,023	1,443,972	685,052	1,234,588	370,395	8,311,895	2,105,642
OPERATING EXPENSES								
Benefit payments	......	......	......	......	7,656,494	......	7,656,494	......
Payment of lottery winnings	......	2,346,162	......	......	......	......	2,346,162	......
Commissions on lottery sales	......	216,207	......	......	......	......	216,207	......
Contractual services	233,774	94,424	254,242	1,514,287	......	60,719	2,157,446	1,079,964
Insurance claims expense	......	......	......	......	......	......	......	856,561
Personal services	20,197	26,923	985	805	......	160,290	209,200	95,209
Depreciation	16,871	494	2	2	......	2,457	19,826	18,796
Materials and supplies	4,329	1,285	17	31	......	5,855	11,517	17,286
Repairs and maintenance	......	1,233	1	1	......	1,479	2,714	18,444
Basic services	......	4,908	176	143	......	31,105	36,332	8,809
Interest and fiscal charges	......	......	44	37	......	1,497	1,578	2
Total operating expenses	275,171	2,691,636	255,467	1,515,306	7,656,494	263,402	12,657,476	2,095,071
Operating income (loss)	395,694	1,215,387	1,188,505	(830,254)	(6,421,906)	106,993	(4,345,581)	10,571
NONOPERATING REVENUES (EXPENSES)								
Grants and donations	11,866	......	......	......	5,448,016	98	5,459,980	1
Investment earnings	30,035	99,841	80,040	976,189	8,072	10,994	1,205,171	27,191
Interest and fiscal charges	(102,604)	(55,963)	(106,853)	(6,093)	......	(224)	(271,737)	(37,371)
Property disposition gain (loss)	(1,362)	(4)	......	......	......	(1,008)	(2,374)	(7,377)
Grant expense and client benefits	......	......	......	......	......	(929)	(929)	......
Emergency Assessment Funds Received	......	......	329,341	......	......	......	329,341	......
Other	(5,331)	......	......	......	......	(3)	(5,334)	(4,331)
Total nonoperating revenues (expenses)	(67,396)	43,874	302,528	970,096	5,456,088	8,928	6,714,118	(21,887)
Income (loss) before transfers and contributions	328,298	1,259,261	1,491,033	139,842	(965,818)	115,921	2,368,537	(11,316)
Operating transfers in	12,120	......	......	......	15,932	21,423	49,475	25,596
Operating transfers out	(19,429)	(1,247,332)	(10,000)	(1,818)	(16,728)	(94,745)	(1,390,052)	(17,505)
Capital contributions	......	......	......	......	......	504	504	3,275
Change in net assets	320,989	11,929	1,481,033	138,024	(966,614)	43,103	1,028,464	50
Total net assets - beginning	5,181,757	122,179	1,749,166	345,343	63,026	247,254	7,708,725	201,423
Total net assets - ending	$ 5,502,746	$ 134,108	$ 3,230,199	$ 483,367	$ (903,588)	$ 290,357	$ 8,737,189	$ 201,473

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

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

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	$ 555,753	$ 3,933,735	$ 1,429,075	$ 533,809	$ 969,246	$ 365,637	$ 7,787,255	$ 2,134,357
Cash paid to vendors	(290,161)	(313,518)	(4,748)	(365,142)	......	(107,621)	(1,081,190)	(1,104,938)
Cash paid to employees	(18,290)	(26,545)	(1,025)	(791)	......	(156,213)	(202,864)	(93,652)
Cash paid for grants made	......	......	......	......	......	......	......	(320)
Lottery prizes	......	(2,335,361)	......	......	......	......	(2,335,361)	......
Cash paid for insurance claims	......	......	(229,711)	......	......	(20)	(229,731)	(856,242)
Unemployment benefits	......	......	......	......	(7,575,068)	(275)	(7,575,343)	......
Net cash provided (used) by operating activities	247,302	1,258,311	1,193,591	167,876	(6,605,822)	101,508	(3,637,234)	79,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in (out)	116,280	(1,271,247)	(10,000)	(1,818)	(797)	(74,517)	(1,242,099)	10,629
Advances from or repayment from other funds	39,028	......	......	......	......	(61)	38,967	......
Advances, grants or loans (to) from or repayment from others	(5,222)	......	......	......	6,555,896	(929)	6,549,745	......
Cash received from sale of bonds	26,962	......	712,603	......	......	......	739,565	......
Payment of bonds or loans (principal and interest)	(3,777)	......	(372,394)	......	......	......	(376,171)	......
Cash received from noncapital grants or donations	517	......	......	......	......	98	615	......
Emergency assessment funds received	......	......	329,909	......	......	......	329,909	......
Net cash provided (used) by noncapital financing activities	173,788	(1,271,247)	660,118	(1,818)	6,555,099	(75,409)	6,040,531	10,629
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Cash received from sale of capital assets	6	......	......	......	......	......	6	......
Cash received from the sale of bonds	792,376	......	......	......	......	......	792,376	201,480
Payment of bond principal	(319,930)	......	......	......	......	......	(319,930)	(34,125)
Payment of principal on installment purchase/capital lease	......	......	......	......	......	......	......	(977)
Payment of interest on bonds/installment purchase/capital lease	(134,877)	......	......	......	......	(10)	(134,887)	(34,016)
Purchase or construction of capital assets	(383,051)	(684)	(5)	......	......	(1,841)	(385,581)	(168,166)
Net cash provided (used) by capital and related financing activities	(45,476)	(684)	(5)	......	......	(1,851)	(48,016)	(35,804)
CASH FLOWS FROM INVESTING ACTIVITIES								
Security lending	(11,682)	57,655	......	(17,984)	......	(22,821)	5,168	(60,843)
Proceeds from the sale or maturity of investments	1,333,457	201,688	502,648,941	6,474,951	......	6,341,809	517,000,846	......
Cash paid to grand prize winners upon maturity of grand prize investments	......	(201,688)	......	......	......	......	(201,688)	......
Investment earnings	36,931	6,112	76,745	118,281	61,598	10,275	309,942	24,600
Purchase of investments	(1,387,707)	......	(504,579,538)	(6,729,664)	......	(6,340,217)	(519,037,126)	......
Net cash provided (used) by investing activities	(29,001)	63,767	(1,853,852)	(154,416)	61,598	(10,954)	(1,922,858)	(36,243)
Net increase (decrease) in cash and cash equivalents	346,613	50,147	(148)	11,642	10,875	13,294	432,423	17,787
Cash and cash equivalents - beginning	426,516	224,984	191	21,623	343,408	250,122	1,266,844	594,301
Cash and cash equivalents - ending	$ 773,129	$ 275,131	$ 43	$ 33,265	$ 354,283	$ 263,416	$ 1,699,267	$ 612,088

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

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	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/10	Internal Service Funds
Operating income (loss)	$ 395,694	$ 1,215,387	$ 1,188,507	$ (830,254)	$ (6,421,906)	$ 106,993	$ (4,345,579)	$ 10,571
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	16,871	494	2	2	......	2,457	19,826	18,796
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(682)	26,544	(3,568)	(245,032)	(201,817)	(10,263)	(434,818)	4,948
(Increase) decrease in due from other funds	(108,686)	......	1	......	(1,090)	(1,557)	(111,332)	4,908
Increase (decrease) in allowance for uncollectibles	......	166	......	......	(62,433)	(177)	(62,444)	1
(Increase) decrease in inventories	(21)	(197)	......	......	......	......	(218)	5
(Increase) decrease in other non-current assets	......	(6,263)	......	......	......	(7)	(6,270)	......
Increase (decrease) in accounts payable	(26,571)	4,737	8,669	1,243,287	80,024	(4,679)	1,305,467	16,456
Increase (decrease) in compensated absences	......	(153)	(20)	29	......	(534)	(678)	336
Increase (decrease) in due to other funds	(23,498)	......	......	(156)	1,400	556	(21,698)	1,752
Increase (decrease) in other non-current liability	(2,308)	532	......	......	......	2,940	1,164	3,722
Increase (decrease) in deposits	......	......	......	......	......	......	......	......
Increase (decrease) in deferred revenue	(3,497)	......	......	......	......	5,779	2,282	17,710
Increase (decrease) in prize liability	......	17,064	......	......	......	......	17,064	......
Net cash provided (used) by operating activities	$ 247,302	$ 1,258,311	$ 1,193,591	$ 167,876	$ (6,605,822)	$ 101,508	$ (3,637,234)	$ 79,205
Noncash investing, capital, and financing activities								
Change in fair value of investments	......	(31,456)	13,146	737,630	......	......	719,320	......

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

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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.

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
ASSETS					
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
Investments					
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
Receivables					
Accounts receivable	23,299	4,361	......	425,550	453,210
State contributions receivable	......	58,581	......	......	58,581
Nonstate contributions receivable	......	283,711	......	7	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
LIABILITIES					
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
NET ASSETS					
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.

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
ADDITIONS				
Contributions and other deposits				
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	1,598	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
Investment income				
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
Security lending activity				
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
DEDUCTIONS				
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
Depositor activity				
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.

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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.

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	Totals 6/30/10
ASSETS					
Cash and cash equivalents	$ 268,424	$ 172,122	$ 3,218,519	$ 1,326,775	$ 4,985,840
Pooled investments with State Treasury	306,186	973,123	......	1,546,522	2,825,831
Other investments	2,496,615	1,967,735	5,166,749	4,502,462	14,133,561
Receivables, net	122,407	495,297	248,336	1,120,265	1,986,305
Due from component units/primary	......	132,038	......	949,312	1,081,350
Inventories	......	26,610	......	36,216	62,826
Restricted cash and cash equivalents	......	1,737	14,409	274,991	291,137
Restricted pooled investments with State Treasury	......	80,682	......	383,835	464,517
Restricted investments	......	207	......	1,495,956	1,496,163
Other loans and notes receivable, net	2,978,675	38,004	332,871	83,087	3,432,637
Other assets	45,686	143,470	150,348	285,395	624,899
Capital assets, net	105	2,767,037	18,671	17,389,740	20,175,553
Total assets	6,218,098	6,798,062	9,149,903	29,394,556	51,560,619
LIABILITIES					
Accounts payable and accrued liabilities	220,663	419,027	899,263	1,620,404	3,159,357
Due to component units/primary	......	63,560	......	154,515	218,075
Deferred revenues	69,018	109,132	995,328	551,883	1,725,361
Long-term liabilities					
Due within one year	268,021	88,769	798,775	299,582	1,455,147
Due in more than one year	3,946,465	1,522,918	2,008,999	3,491,428	10,969,810
Total liabilities	4,504,167	2,203,406	4,702,365	6,117,812	17,527,750
NET ASSETS					
Invested in capital assets, net of related debt	......	1,916,019	18,671	14,967,269	16,901,959
Restricted for					
Debt service	......	4,684	......	69,149	73,833
Other	......	936,661	14,409	1,166,935	2,118,005
Funds held for permanent endowment					
Expendable	......	153,431	......	1,528,601	1,682,032
Nonexpendable	......	1,037,922	......	1,962,262	3,000,184
Unrestricted	1,713,931	545,939	4,414,458	3,582,528	10,256,856
Total net assets	$ 1,713,931	$ 4,594,656	$ 4,447,538	$ 23,276,744	$ 34,032,869

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

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

2010 STATE OF FLORIDA CAFR

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/10
Florida Housing Finance Corporation	$ 749,194	$ 330,496	$	$	$ (418,698)	$	$	$	$ (418,698)
University of Florida	4,790,001	2,593,967	1,248,514	58,140	......	(889,380)	......	......	(889,380)
Citizens Property Insurance Corporation	1,073,860	1,711,429	......	......	......	......	637,569	......	637,569
Nonmajor component units	9,996,332	2,591,938	3,340,908	624,275	......	......	......	(3,439,211)	(3,439,211)
Total component units	$ 16,609,387	$ 7,227,830	$ 4,589,422	$ 682,415	(418,698)	(889,380)	637,569	(3,439,211)	(4,109,720)
General revenues									
Property taxes					......	......	......	897,925	897,925
Investment earnings (loss)					......	225,347	110,799	537,539	873,685
Gain (loss) on sale of capital assets					......	2,124	......	10,769	12,893
Payments from the State of Florida					......	593,116	......	2,496,226	3,089,342
Miscellaneous					168,265	179,658	266	543,146	891,335
Contributions to permanent funds					......	32,168	......	24,916	57,084
Total general revenues and contributions					168,265	1,032,413	111,065	4,510,521	5,822,264
Change in net assets					(250,433)	143,033	748,634	1,071,310	1,712,544
Net assets - beginning					1,964,364	4,408,954	3,698,904	21,988,536	32,060,758
Adjustments to increase (decrease) beginning net assets					......	42,669	......	216,898	259,567
Net assets - ending					$ 1,713,931	$ 4,594,656	$ 4,447,538	$ 23,276,744	$ 34,032,869

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

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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

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

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.

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.

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:

<u>**Major Governmental Funds**</u>

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.

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.

<u>**Major Business-type Funds**</u>

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:

<u>**Internal Service Funds**</u>

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).

<u>**Fiduciary Fund Types**</u>

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.

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 (LGIP) 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

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 mortgaged-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.

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 I50, *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):

<u>GOVERNMENTAL ACTIVITIES</u>			
Governmental Funds			
Public Education			
To increase beginning fund balance related to a receivable and capital improvement fees from the State Universities.	$ 762,486		
Total Public Education		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		
Total Nonmajor Governmental Funds		6,479	
Total Governmental Funds			768,965
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)	
Total Government-wide Reconciling Items			(902,701)
TOTAL GOVERNMENTAL ACTIVITIES			**$ (133,736)**
<u>COMPONENT UNITS</u>			
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)		
Total Major Component Units		42,669	
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		
Total Nonmajor Component Units		216,898	
TOTAL COMPONENT UNITS			**259,567**
<u>FIDUCIARY FUNDS</u>			
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

	Bank Statement Balance (in U.S. $)	
Custodial Credit Risk	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

	Bank Statement Balance (in U.S. $)		
Currency	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

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

ASSETS	
Current and Other Assets	$ 21,542,298
Total Assets	21,542,298
LIABILITIES	
Other Liabilities	3,557,262
Total Liabilities	3,557,262
NET ASSETS	
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

ADDITIONS	
Net income (loss) from investing activity	$ 936,469
DEDUCTIONS	
Distributions paid and payable	(936,469)
Depositor activity	
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

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	$ 20,088,754

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	$ 20,088,754

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

	Fair value			
		Other funds		
Investment type	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	$ 117,929,093	$ 34,390,074	$ 2,204,585	$ 154,523,752
Total investments for all types - carrying value	$ 117,929,093	$ 34,363,048	$ 2,204,455	$ 154,496,596
% 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[1]	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	$ 1,536,807	$ 21,056,210	$ 131,316,647	$ 586,932	$ 154,496,596

[1]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	$ (733,416)

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	$ 15,593,664
Total other investments for all types - carrying value	$ 15,629,724
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	$ 15,629,724

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.

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.

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[1]	International bonds & notes	Total[2]	S&P rating[3]	Moody's rating[3]
$	$	$ 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	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		Ca
......	3,656,140	......	......	......	......	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 partnerships-international	513,046	Not rated	Not rated
					Option conracts purchased	5,615	Not rated[4]	Not rated[4]
					Swap contracts	(10,981)	Not rated[4]	Not rated[4]
					Real estate investments	6,160,289	Not rated	Not rated
					Total investments	$ 117,929,093		

[1]The column for Domestic bonds & notes includes domestic commingled funds totaling $177,151,978 with a S&P credit rating of "B".
[2]All FRS investments are included in this schedule, including security lending collateral investments.
[3]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.
[4] 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.

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)[1]	Moody's Counterparty Credit Rating (Long/Short)[1]	Fitch Counterparty Credit Rating (Long/Short)[1]
$ 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[2]		

[1] If no rating exists, "NR" is reported.
[2] 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)[1]	Moody's Counterparty Credit Rating (Long/Short)[1]	Fitch Counterparty Credit Rating (Long/Short)[1]
$ (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		

[1] If no rating exists, "NR" is reported.

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)[1]	Moody Counterparty Credit Rating (Long/Short)[1]	Fitch Counterparty Credit Rating (Long/Short)[1]
$ 33,433	$ (33,503)	$ (70)	AA/A-1	Aaa/P-1	NR/F1
11,449	(11,656)	(207)	AA/A-1	Aa/P-1	NR/F1
897	(901)	(4)	AA/A-1	Aa/P-1	NR/NR
9,204	(9,019)	185	AA/A-1	A/P-1	NR/F1
195,721	(195,660)	61	A/A-1	Aa/P-1	NR/F1
52,010	(52,045)	(35)	A/A-1	A/P-1	NR/F1
24,401	(24,430)	(29)	A/A-1	NR/P-1	NR/F1
151,763	(150,320)	1,443	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
$ 564,629	$ (562,818)	$ 1,811			

[1] 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 bonds & notes commingled funds	International bonds & notes	Total[1]	S&P rating[2]	Moody's rating[2]
$	$	$ 1,783,821	$ 1,973,145	$ 486,107	$	$ 76,680	$ 4,319,753	AAA/AAAm	
20,605	......	......	......	247,316	107,169	82,157	457,247	AA	
......	......	......	31,203	1,034,647	......	86,755	1,152,605	A	
......	......	......	......	330,404	......	48,384	378,788	BBB	
......	......	......	......	6,701	......	......	6,701	B	
......	......	......	......	31,532	......	......	31,532	CCC	
......	......	......	29,186	47,147	......	......	76,333		Aaa
73,769	......	......	......	6,651	......	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
$ 3,773,778	$ 3,950,877	$ 2,667,669	$ 4,007,153	$ 2,644,801	$ 107,169	$ 502,343	17,653,790		
						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	$ 34,390,074		

[1] All investments are included in this schedule, including security lending collateral investments.

[2] 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
	$	$ 69,175	$ 327,239	$ 84,239	$ 1,634	$ 482,287	

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
	$ 7,995	$ 3,526,605	$ 1,390,242	$	$ 193,779	$ 5,118,621	

* 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	$ 2,097,627

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	$ 2,445,967	$ 2,080,206

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	$ 30,280

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	56
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 CMOs - 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	495,510	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		
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[1]	$ (98,614)	

[1] 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	17
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	

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

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[1]	Short-Sells Equity[2]	Total	LCEF Investment type: Equity
Australian dollar	$	$ 623,990	$	$ (1,699)	$ 622,291	$ 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)	762,980	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 rupian	......	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
Phillippines 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	......	229,100	......	......	229,100	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)[3]	......	10,327	......	......	10,327	......
International equity commingled funds[1]	......	4,958,217	......	......	4,958,217	......
International private equity limited partnerships[1]	......	......	358,118	......	358,118	......
Total investments subject to foreign currency risk	$ 52,688	$ 20,193,833	$ 513,046	$ (127,721)	$ 20,631,846	$ 74,349

[1] 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.

[2] 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.

[3] 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

	Currency	Number of Contracts[1]	In Local Currency: Notional Traded Exposure	In Local Currency: Notional Market Exposure	In Local Currency: Unrealized Gain/(Loss)[2]	Unrealized Gain/(Loss) (in U.S. $)
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/TSE 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)

[1] Long positions are positive and short positions are negative.

[2] 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[1]	Pay[1]	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%	KWCDC 3 Month LIBOR	6/12/11 - 7/8/11	683,023	559
					683,226	$ 884

[1] 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 "KWCDC 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[1]	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

[1] 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 (Local)	Currency to Sell	Amount to Sell (Local)	Receivable Fair Value (in U.S. $)	Payable Fair Value (In U.S. $)	Net Unrealized Gain/(Loss) (In U.S. $)
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 rupian	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 rupian	(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 17.61(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

	Fair value[1]		
Securities on Loan for Cash Collateral, by Investment type	FRS Pension Trust Fund	Other funds Managed by SBA	Total
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	68,895	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

[1]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).

	Changes in Fair Value		Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	(in US $)
State Treasury					
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:

a. 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.
b. 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.
c. 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 mortgaged-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 $)
Governmental activities (Lawton Chiles Endowment Fund)					
Investment derivative instruments:					
Futures	Investment Income	$ 1	Investment	$	$ 902
Forward currency exchange contracts	Investment Income	(99)	Not applicable[4]	......	......
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures[1]	Investment Income	$ 204,635	Receivable/ Payable	$	$ 236,776
Options	Investment Income	3,486	Investment/Liability[2]	(3,142)	(1,226,880)
Forward currency exchange contracts	Investment Income	(11,108)	Receivable/ Payable[3]	1,811	1,811
GNMA commitments to purchase/sell TBAs	Investment Income	35,044	Investment/Liability[2]	487,109	457,455
FNMA, FHLMC commitments to purchase/sell TBAs	Investment Income	152,200	Investment/Liability[2]	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[4]	......	......

[1] 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.

[2] 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.

[3] 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.

[4] 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[1]	$ 4,242,412
Strategic Investments	2,126,964
Real Estate	276,661
Total	$ 6,646,037

[1] 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)
Receivables, net	**$ 1,375,402**	**$ 145,803**	**$ 109,001**	**$ 2,051,618**	**$ 357,963**
Loans & notes receivable from other governments	$	$ 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)
Other loans & notes receivable, net	**$ 5,639**	**$ 1,001,158**	**$ ......**	**$ 22,224**	**$ 736,927**

(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	......	**25,221**
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)**
Receivables, net	**$ 408,864**	**$ 4,448,651**	**$ 20,368**	**$ 53,135**	**$ 4,522,154**
Loans & notes receivable from other governments	870,860	**2,616,287**	......	......	**2,616,287**
Long-term interest receivable	......	**1,138**	......	......	**1,138**
Other loans & notes receivable	397,582	**600,346**	......	......	**600,346**
Allowance for uncollectibles	(165,906)	**(349,287)**	......	......	**(349,287)**
Other loans & notes receivable, net	**$ 1,102,536**	**$ 2,868,484**	**$ ......**	**$ ......**	**$ 2,868,484**

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)
Receivables, net	**$ 4,612**	**$ 20,049**	**$ 100,994**	**$ 373,672**	**$ 600,925**

(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)**
Receivables, net	**$ 24,296**	**$ 1,124,548**	**$ 5,773**	**$ 1,130,321**

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)
Receivables, net	**$ 1,986,305**
Other loans & notes receivable	$ 3,662,825
Allowance for uncollectibles	(230,188)
Other loans & notes receivable, net	**$ 3,432,637**

"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
Accounts payable and accrued liabilities	**$ 594,389**	**$ 54,017**	**$ 51,693**	**$ 1,904,762**	**$ 681,243**

(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**
Accounts payable and accrued liabilities	**$ 251,239**	**$ 3,537,343**	**$ 92,588**	**$ 657,612**	**$ 4,287,543**

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
Accounts payable and accrued liabilities	**$ 26,176**	**$ 16,208**	**$ 827,852**	**$ 28,639**	**$ 216,582**

(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**
Accounts payable and accrued liabilities	**$ 5,839**	**$ 1,121,296**	**$ 1,850**	**$ 1,123,146**

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
Accounts payable and accrued liabilities	**$ 3,159,357**

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
Total	$ 23,803,370	$ 297,513	$ 1,097,796	$ 765,539	$ 2,210,487	$ 216,557	$ 28,391,262

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	$ 17,102,054

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)
Land and other nondepreciable assets	Capitalize all	Not depreciable
Nondepreciable infrastructure	Capitalize all	Not depreciable
Construction work in progress	$100,000 when work is completed	Not depreciable
Buildings, equipment, and other depreciable assets		
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
Total depreciation expense (governmental activities)	**$ 316,852**

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
Capital assets, not being depreciated:				
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
Total capital assets, not being depreciated	**54,737,352**	**4,247,844**	**1,953,355**	**57,031,841**
Capital assets, being depreciated:				
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
Total capital assets, being depreciated	**6,674,292**	**636,107**	**499,587**	**6,810,812**
Less accumulated depreciation for:				
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
Total accumulated depreciation	**3,434,786**	**316,852**	**131,189**	**3,620,449**
Total capital assets, being depreciated, net	**3,239,506**	**319,255**	**368,398**	**3,190,363**
Governmental activities capital assets, net	**$ 57,976,858**	**$ 4,567,099**	**$ 2,321,753**	**$ 60,222,204**

BUSINESS-TYPE ACTIVITIES

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
Capital assets, not being depreciated:				
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
Total capital assets, not being depreciated	**7,269,497**	**968,118**	**589,946**	**7,647,669**
Capital assets, being depreciated:				
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
Total capital assets, being depreciated	**435,426**	**33,139**	**14,264**	**454,301**
Less accumulated depreciation for:				
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
Total accumulated depreciation	**228,546**	**20,242**	**7,362**	**241,426**
Total capital assets, being depreciated, net	**206,880**	**12,897**	**6,902**	**212,875**
Business-type activities capital assets, net	**$ 7,476,377**	**$ 981,015**	**$ 596,848**	**$ 7,860,544**

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
Capital assets, not being depreciated:				
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
Total capital assets, not being depreciated	**7,765,956**	**1,079,193**	**1,490,655**	**7,354,494**
Capital assets, being depreciated:				
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
Total capital assets, being depreciated	**19,348,277**	**2,196,903**	**540,839**	**21,004,341**
Less accumulated depreciation for:				
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
Total accumulated depreciation	**7,706,126**	**785,155**	**307,999**	**8,183,282**
Total capital assets, being depreciated, net	**11,642,151**	**1,411,748**	**232,840**	**12,821,059**
Component units capital assets, net	**$ 19,408,107**	**$ 2,490,941**	**$ 1,723,495**	**$ 20,175,553**

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 officer 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 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 by 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
Total Participating Employers	976

* 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
Total Members	955,851	11,524	108,677	259	4,941	1,081,252

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 (UAAL) *(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 (1)	66.27%
HIS	July 1, 2008	$ 275,139	$ 5,109,683	$ 4,834,544	5.38%	30,665,477 (2)	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,(3) Open	30 Years,(3) Open
Asset valuation method	5-Year Smoothed Method	Market Value
Actuarial assumptions:		
Investment rate of return	7.75% (4)	7.75% (4)
Projected salary increases	5.85% (4, 5)	6.25% (4, 5)
Cost-of-living adjustments	3.00%	0.00%

(1) Includes Deferred Retirement Option Program (DROP) payroll.

(2) Includes Deferred Retirement Option Program (DROP) and Public Employee Optional Retirement Program (PEORP) payroll.

(3) Used for GASB Statement No. 27 reporting purposes.

(4) Includes inflation at 3.00%.

(5) 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

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%

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.

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):

	Primary Government		
Year Ending June 30	Governmental Activities	Business-type Activities	Component Units
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

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
Governmental Activities:				
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		
Business-type Activities:				
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		

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.

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.

3. Pledged Revenues (in thousands):

Bond Type	Revenue[4]	Less Operating Expenses	Net Available for Debt Service	Debt Service		Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio
				Principal	Interest[5]				
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[1]	85,749	......	85,749	9,450	937	8.26	2011/2012	11,380	8.72%
Florida Forever/P2000/Everglades[1]	622,282	......	622,282	275,925	127,008	1.54	2028/2029	3,501,387	63.31%
Conservation and Recreation Land[1,2]	44,599	......	44,599	2,580	443	14.75	2011/2012	6,132	3.12%
Lottery Education[1,3]	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%

[1] 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.
[2] Phosphate Severance Tax and Documentary Stamp Tax Revenue pledged to the bonds are combined in calculating revenue. The Phosphate Severence 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.
[3] Source Department of Lottery, Audited Financial Statements.
[4] Refer to Note 8A.2. for information on the sources of pledged revenues.
[5] 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.

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: Principal	Interest	Total	Business-type Activities: 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	925,096	2,153,688	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	166,356	610,341
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
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
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, Series1998B 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
Governmental Activities	
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
Business-type Activities	
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	730,569
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	138,898
Transportation:	
Road and Bridge Bonds (Right of Way)	85,769
State Infrastructure Bonds	4,478
Total Transportation	90,247
Total Direct Interest	$ 959,714

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	$ 845,519	$ 456,386	$ 1,301,905

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	$ 1,204,096	$ 881,981	$ 2,086,077

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 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	$ 20,751	$ 7,221

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 Governmental 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	$ 49,336	$ 59,033

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)
Governmental Activities					
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	16,041	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	......
Total Governmental Activities	**$ 24,977,797**	**$ 6,848,742**	**$ 4,818,403**	**$ 27,008,136**	**$ 2,572,158**

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 services 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)
Business-type Activities					
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	......
Total Business-type Activities	**$ 17,531,851**	**$ 7,844,660**	**$ 4,626,332**	**$ 20,750,179**	**$ 1,239,745**
Component Units					
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
Total Component Units	**$ 12,612,513**	**$ 3,655,185**	**$ 3,842,741**	**$ 12,424,957**	**$ 1,455,147**

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 from Other Funds (in thousands)				
	Governmental Activities				
Due to Other Funds (in thousands)	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	$	$ 5,516	$ 7	$ 69,879	$ 5,445
Environment, Recreation and Conservation	7,182	......	......	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
Business-type Activities					
Transportation	144	......	......	......	65,224
Lottery	20	......	59,308	......	......
Hurricane Catastrophe Fund	6	......	......	......	......
Prepaid College Program	......	......	......	......	......
Unemployment Compensation	376	5	......	......	......
Nonmajor	4,156	......	......	78	......
Fiduciary Funds					
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	......	......	......	......	......
Total	**$ 121,669**	**$ 16,617**	**$ 65,500**	**$ 80,162**	**$ 123,079**

(Continued Below)

	Due from Other Funds (in thousands)	
	Governmental Activities	
Due to Other Funds (in thousands)	Nonmajor	Internal Service Funds
Governmental Activities		
General Fund	$ 20,924	$ 6,892
Environment, Recreation and Conservation	642	158
Public Education	2,507	93
Health and Family Services	4,457	7,059
Transportation	20,287	2,334
Nonmajor	13,859	24,958
Internal Service Funds	210	641
Business-type Activities		
Transportation	......	......
Lottery	9	35
Hurricane Catastrophe Fund	......	......
Prepaid College Program	......	......
Unemployment Compensation	1,222	......
Nonmajor	1,871	106
Fiduciary Funds		
Private-purpose Trust Funds	300	1
Pension and Other Employee Benefits Trust Funds	......	29
Agency Funds	1,531	......
Investment Trust Funds	......	......
Total	**$ 67,819**	**$ 42,306**

(Continued next page)

	Due from Other Funds (in thousands)		
	Business-type Activities		
Due to Other Funds (in thousands)	Transportation	Unemployment Compensation	Nonmajor
Governmental Activities			
General Fund	$	$ 1,772	$ 15
Environment, Recreation and Conservation	84	125	......
Public Education	......	17	5
Health and Family Services	......	864	30
Transportation	224	76	......
Nonmajor	......	498	11
Internal Service Funds	......	32	......
Business-type Activities			
Transportation	......	......	......
Lottery	......	4	4
Hurricane Catastrophe Fund	......	......	100
Prepaid College Program	......	......	......
Unemployment Compensation	......	......	......
Nonmajor	......	62	......
Fiduciary Funds			
Private-purpose Trust Funds	......	......	......
Pension and Other Employee Benefits Trust Funds	......	4	4,219
Agency Funds	1,490	......	35
Investment Trust Funds	......	......	25
Total	**$ 1,798**	**$ 3,454**	**$ 4,444**

(Continued below)

	Due from Other Funds (in thousands)			
	Fiduciary Funds			
Due to Other Funds (in thousands)	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	**Total**
Governmental Activities				
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**
Business-type Activities				
Transportation	......	......	276	**65,644**
Lottery	......	......	......	**59,380**
Hurricane Catastrophe Fund	......	......	......	**106**
Prepaid College Program	......	......	......	**......**
Unemployment Compensation	......	......	1,576	**3,179**
Nonmajor	......	......	......	**6,273**
Fiduciary Funds				
Private-purpose Trust Funds	......	......	......	**1,770**
Pension and Other Employee Benefits Trust Funds	......	......	......	**4,256**
Agency Funds	......	......	......	**52,857**
Investment Trust Funds	......	......	......	**25**
Total	**$ 178**	**$ 1,734**	**$ 58,505**	**$ 587,265**

	Advances to Other Funds (in thousands)			
	Governmental Activities			Business-type Activities
Advances from Other Funds (in thousands)	General Fund	Transportation	Health & Family Services	Transportation
Governmental Activities				
General Fund	$	$ 100	$	$ 500
Public Education	......	......	172	......
Nonmajor	625	......	......	......
Internal Service Funds	2,003	800	......	......
Business-type Activities				
Transportation	......	267,422	......	......
Fiduciary Funds				
Agency Funds	......	......	......	......
Total	**$ 2,628**	**$ 268,322**	**$ 172**	**$ 500**

(Continued below)

	Advances to Other Funds (in thousands)	
	Fiduciary Funds	
Advances from Other Funds (in thousands)	Private-purpose Trust Funds	**Total**
Governmental Activities		
General Fund	$	**$ 600**
Public Education	540,331	**540,503**
Nonmajor	......	**625**
Internal Service Funds	......	**2,803**
Business-type Activities		
Transportation	......	**267,422**
Fiduciary Funds		
Agency Funds	......	**......**
Total	**$ 540,331**	**$ 811,953**

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 from Other Funds (in thousands)				
	Governmental Activities				
Transfers to Other Funds (in thousands)	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
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
Business-type Activities					
Transportation	......	......	......	......	19,429
Lottery	331	......	1,246,794	......	......
Hurricane Catastrophe Fund	......	......	......	......	......
Prepaid College Program	......	......	......	......	......
Unemployment Compensation	......	......	......	......	......
Nonmajor	77,570	......	......	5,023	......
Fiduciary Funds					
Private-purpose Trust Funds	9	......	1,460	342	......
Pension and Other Employee Benefits Trust Funds	2,444	......	......	......	......
Investment Trust Funds	......	......	......	......	......
Total	**$ 1,005,472**	**$ 752,079**	**$ 1,516,224**	**$ 1,826,539**	**$ 1,091,134**

(Continued below)

	Transfers from Other Funds (in thousands)	
	Governmental Activities	
Transfers to Other Funds (in thousands)	Nonmajor	Internal Service Funds
Governmental Activities		
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	......
Business-type Activities		
Transportation	......	......
Lottery	175	......
Hurricane Catastrophe Fund	10,000	......
Prepaid College Program	......	......
Unemployment Compensation	16,728	......
Nonmajor	11,902	......
Fiduciary Funds		
Private-purpose Trust Funds	2,069	......
Pension and Other Employee Benefits Trust Funds	111	17,896
Investment Trust Funds	......	......
Total	**$ 4,012,322**	**$ 25,596**

(Continued next page)

	Transfers from Other Funds (in thousands)		
	Business-type Activities		
Transfers to Other Funds (in thousands)	Transportation	Unemployment Compensation	Nonmajor
Governmental Activities			
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
Business-type Activities			
Transportation	......	......	......
Lottery	......	32	......
Hurricane Catastrophe Fund	......	......	......
Prepaid College Program	......	......	......
Unemployment Compensation	......	......	......
Nonmajor	......	250	......
Fiduciary Funds			
Private-purpose Trust Funds	......	9	......
Pension and Other Employee Benefits Trust Funds	......	15	13,886
Investment Trust Funds	......	......	......
Total	**$ 12,120**	**$ 15,932**	**$ 21,423**

(Continued below)

	Transfers from Other Funds (in thousands)			
	Fiduciary Funds			
Transfers to Other Funds (in thousands)	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	**Total**
Governmental Activities				
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**
Business-type Activities				
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**
Fiduciary Funds				
Private-purpose Trust Funds	......	......	......	**3,889**
Pension and Other Employee Benefits Trust Funds	......	695,733	......	**730,085**
Investment Trust Funds	......	......	92,929	**92,929**
Total	**$ 7,407**	**$ 697,133**	**$ 92,929**	**$ 11,076,310**

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.

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%

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 additional 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.

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	315,475	5.0
	$ 675,920	

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

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.

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 (2nd Cir.) and Ogborn v. Department of Revenue, Case No. 05-CA-1354 (2nd 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 competing 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 (2nd 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 (13th 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 (13th 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 (2nd Cir./1st DCA); Jerome K. Lanning et. al. v. Pilcher, et. al., Case No. 07-582/D07-6564/SC09-1796 (2nd Cir./1st DCA); Deluccio, et. al. v. Havill, et. al., Case No. 08-001412/1D08-5529 (2nd 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 1st 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 1st DCA. The 1st 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 *Deluccio*, the trial court dismissed all of the Plaintiff's claims on three separate grounds. The Plaintiffs appealed to the 1st 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 1st DCA for either a rehearing or clarification of its opinion, which the 1st 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 1st DCA. The 1st 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 1st 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 (2nd 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 1st 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 1st DCA issued a show cause order, thereby staying the trial court proceeding. The parties now await the decision of the 1st DCA.

H. Florida Gas Transmission Company v. Florida Department of Transportation, Case No. CACE07001922 (17th 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 (4th 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 1st 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 (17th Cir.); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717 (15th Cir.); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120#37 (9th Cir.); In re Citrus Canker Litigation, Case No. 03-8255 CA 13 (11th Cir.); Martinez v. Florida Department of Agriculture and Consumer Services, Case No. 03-30110 CA (11th Cir.); and Dellaselva v. Florida Department of Agriculture and Consumer Services, Case No. 03-1947 (20th 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 *Martinez*, 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 (11th 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 (2nd 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
Governmental Activities:				
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%

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

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	......
REVENUES				
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
EXPENDITURES				
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.

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	......
REVENUES				
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
EXPENDITURES				
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.

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	......
REVENUES				
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
EXPENDITURES				
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.

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	......
REVENUES				
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)
EXPENDITURES				
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	37,737	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.

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	......
REVENUES				
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
EXPENDITURES				
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.

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.

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.

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.

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 (UAAL) *(B-A)*	Funded Ratio *(A/B)*	Annualized Covered Payroll [(1)] *(C)*	UAAL 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%

(1) 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 (UAAL) *(B-A)*	Funded Ratio *(A/B)*	Annualized Covered Payroll *(C)*	UAAL 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 [(1)]	N/A
2007	$ 363,175	90%
2008	$ 391,847	85%

(1) 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 (UAAL) *(B-A)*	Funded Ratio *(A/B)*	Annualized Covered Payroll *(C)*	UAAL 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.

APPENDIX C

CERTAIN DEFINITIONS

(From the Original Resolution adopted by the State Board of Education on February 4, 1992, and the Twenty-seventh Supplemental Authorizing Resolution adopted by the State Board of Education on September 20, 2011.)

"2011A Bonds" means the Capital Outlay Refunding Bonds, 2011 Series A, issued pursuant to the Twenty-seventh Supplemental Authorizing Resolution.

"Act" means the laws referred to in Section 1.01 of the Original Resolution.

"Additional Bonds" means any obligations issued pursuant to the terms and conditions of the Original Resolution and payable from the Motor Vehicle License Taxes on a parity with the Bonds originally issued thereunder.

"Administrative Expenses" means, with respect to the Bonds or the administration of any funds under the Original Resolution, to the extent applicable: (i) fees or charges or both, of the State Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges or both as may be approved by the State Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies, and providers of credit enhancement and the cost of acquisition of insurance or other instruments in lieu of cash with respect to any fund or account; all as may be determined from time to time as necessary.

"Amortization Installment" means an amount so designated which is established for the redemption of Term Bonds; provided that each such Amortization Installment shall be deemed due in an amount and upon a date determined pursuant to the applicable Supplemental Authorizing Resolution and the aggregate of such Amortization Installments shall equal the aggregate principal of the Term Bonds.

"Boards of Trustees" means the Boards of Trustees of the Junior College Districts, or their successors as the governing bodies of such Districts.

"Bond Fee Trust Fund" means the Bond Fee Trust Fund created by Section 215.65, Florida Statutes.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or any successor thereto.

"Bonds" means the Capital Outlay Bonds issued pursuant to the Original Resolution.

"Capital Outlay Fund" means the Capital Outlay and Debt Service Trust Fund created and established pursuant to the School Capital Outlay Amendment.

"Code" means the Internal Revenue Code of 1986, the Treasury Regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, references to a section means that section of the Code, including such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

"Debt Service Requirements" means the amounts of principal (including Amortization Installments) and interest maturing and becoming due on the Bonds, except any portion of such amounts which are provided from the proceeds of Bonds.

"Defeasance Obligations" means, to the extent permitted by law, 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 the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation and, with respect to any Series, such additional investments as shall be designated as Defeasance Obligations for such Series by the applicable Supplemental Authorizing Resolution.

"District School Boards" means the boards of the several School Districts or their successors as the governing bodies of the School Districts.

"Division of Bond Finance" or "Division" means the Division of Bond Finance of the State Board of Administration of Florida.

"Education Districts" means the School Districts, the Junior College Districts, and any other educational entities now or hereafter authorized to receive distribution of the Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment.

"Fiscal Year" or "Year" means the period beginning with and including July 1st of each year and ending with and including the next June 30th.

"Governing Board" means the Governor and Cabinet of the State of Florida, acting as Governing Board of the Division of Bond Finance pursuant to the State Bond Act.

"Holder of Bonds" or "Bondholder" means the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

"Interest Payment Dates" means for each Series, such date or dates of each Fiscal Year on which interest on the Bonds of such Series is payable or, with respect to Capital Appreciation Bonds, is compounded.

"Issue," "Issued" or "Issuance," when used with reference to the Bonds, means the authorization, sale and delivery of the Bonds authorized to be issued by the Original Resolution. The Bonds shall not be deemed to be issued until such Bonds have been sold and delivered to the purchasers and payment has been received therefor.

"Junior College Districts" means the Junior College Districts, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution [Junior Colleges are now referred to as Florida College System Institutions in Florida].

"Motor Vehicle License Taxes" means the state motor vehicle license taxes distributable to the account of the Education Districts pursuant to the School Capital Outlay Amendment.

"Original Resolution" means the master resolution adopted on February 4, 1992, authorizing the issuance of Capital Outlay Bonds.

"Outstanding", when used with referenced to the Bonds, means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

> (i) Bonds theretofore cancelled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;
>
> (ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided in the Original Resolution;
>
> (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Original Resolution relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser; and
>
> (iv) For purposes of any consent or other action to be taken under the Original Resolution by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the State Board.

"Principal Payment Date" means, for each Series, such date or dates of each Fiscal Year on which the principal of Outstanding Bonds of each Series is payable.

"Rating Agency" means a nationally recognized bond rating agency.

"Rebate Account" means the applicable separate account established within the Rebate Fund for each Series issued under the Original Resolution.

"Rebate Amount" means, with respect to each Series that are not taxable bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on that Series, plus any income attributable to such excess, or shall have such other meaning as may be required by the Code.

"Rebate Fund" shall be the Rebate Fund created and established pursuant to Section 6.05 of the Original Resolution.

"Record Date" means the Regular Record Date or Special Record Date, as applicable.

"Refunded Bonds" means all or a portion of the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2002 Series B dated July 15, 2002, and the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2003 Series A dated June 15, 2003 which will be refunded by the 2011A Bonds.

"Registered Owner" means the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

"Regular Record Date" means, with respect to each Series, the 15th day of the calendar month next preceding a Principal or Interest Payment Date or such other date specified for a Series pursuant to the applicable Supplemental Authorizing Resolution.

"Retirement Fund" means the State of Florida, Full Faith and Credit, State Board of Education 2011 Series A Capital Outlay Refunding Bonds Retirement Fund created pursuant to section 4.01(c) of the Twenty-seventh Supplemental Authorizing Resolution.

"School Capital Outlay Amendment" means Article XII, Section 9, Subsection (d), of the Florida Constitution of 1968, approved at the general election of November, 1968, as amended at the general election of November, 1972, and as amended from time to time.

"School Districts" means the several School Districts of the State of Florida, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

"Series" means all of the Bonds authenticated and delivered on original issuance and pursuant to the Original Resolution and the Supplemental Authorizing Resolution authorizing such Bonds as a separate Series, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to Article II of the Original Resolution, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means the trust fund, created in the Original Resolution, to be held and administered by the State Board of Administration, pursuant to Article IV of the Original Resolution.

"Special Interest Payment Date" means a date established pursuant to Section 3.06 of the Original Resolution for the payment of interest which has become delinquent.

"Special Record Date" means a record date established pursuant to Section 3.06 of the Original Resolution for the payment of interest on any Special Interest Payment Date.

"State" means the State of Florida.

"State Board" means the Board of Education of Florida, as constituted pursuant to Section 2 of Article IX of the Constitution of Florida.

"State Board of Administration" means the Board of Administration of Florida as created by the Florida Constitution and shall also include any statutory body succeeding to the duties and powers given the State Board of Administration by law and particularly Section 403.1834, Florida Statutes.

"State Bond Act" means Sections 215.57 through 215.83, Florida Statutes.

"Supplemental Authorizing Resolution" means, as to any Series, the resolution or resolutions of the State Board authorizing and providing for the sale and issuance of such Series and includes any certificate of award, any trust indenture, the bond purchase agreement or other document or instrument that is approved by or required to be executed (prior to the issuance of such Series) by any such resolution.

"Term Bonds" means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Amortization Account in the Sinking Fund, as set forth in the Supplemental Authorizing Resolution applicable thereto.

"Twenty-seventh Supplemental Authorizing Resolution" means the Twenty-seventh Supplemental Authorizing Resolution adopted by the State Board on September 20, 2011.

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION, CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS, PURSUANT TO ARTICLE XII, SECTION 9, SUBSECTION (d) OF THE CONSTITUTION OF FLORIDA, AS AMENDED; PROVIDING THE TERMS AND CONDITIONS UPON WHICH SUCH BONDS MAY BE ISSUED; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE STATE BOARD OF EDUCATION OF FLORIDA:

ARTICLE I
AUTHORITY, FINDINGS, AND DEFINITIONS

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article XII, Subsection 9(d), of the Constitution of the State of Florida, as amended, Chapter 229, Chapter 236, and Sections 215.57-215.83, Florida Statutes, and other applicable provisions of law.

SECTION 1.02. WORDS AND TERMS DEFINITIONS. Whenever used in this Resolution the following terms shall have the following meanings unless the context otherwise requires:

(a) "Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to (a) the principal amount of such Capital Appreciation Bond at its initial offering plus the accrued interest on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to the applicable Series Resolution (not to exceed the maximum rate permitted by law), compounded periodically, plus, (b) with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) computing the amount of the Debt Service Requirements and of Bonds held by the Registered Owner of a Capital Appreciation Bond in giving 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.

(b) "Act" shall mean the laws referred to in Section 1.01 hereof.

(c) "Additional Bonds" shall mean any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Motor Vehicle License Taxes on a parity with the Bonds originally issued hereunder.

(d) "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 State Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges or both as may be approved by the State Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies, and providers of credit enhancement and the cost of acquisition of insurance or other instruments in lieu of cash with respect to any fund or account; all as may be determined from time to time as necessary.

(e) "Amortization Installment" shall mean an amount so designated which is established for the redemption of Term Bonds; provided that each such Amortization Installment shall be deemed due in an amount and upon a date determined pursuant to the applicable Supplemental Authorizing Resolution and the aggregate of such Amortization Installments shall equal the aggregate principal of the Term Bonds.

(f) "Boards of Trustees" shall mean the Boards of Trustees of the Junior College Districts, or their successors as the governing bodies of such Districts.

(g) "Bond Fee Trust Fund" shall mean the Bond Fee Trust fund created by Section 215.65, Florida Statutes.

(h) "Bond Registrar/Paying Agent" shall mean Citibank, N.A., New York, New York, or any successor thereto.

(i) "Bonds" shall mean the Capital Outlay Bonds issued pursuant to this Resolution.

(j) "Capital Appreciation Bonds" shall mean the Bonds issued under this Resolution as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then Accreted Value at the maturity, earlier redemption or other payment date thereof, all as determined pursuant to the applicable Supplemental Authorizing Resolution, and which may be either Serial Bonds or Term Bonds.

(k) "Capital Outlay Fund" shall mean the Capital Outlay and Debt Service Trust Fund created and established pursuant to the School Capital Outlay Amendment.

(l) "Capital Outlay Projects" or "Projects" shall mean the Capital Outlay Project or Projects for the Education Districts to be financed in whole or in part by the Bonds issued pursuant to this Resolution, as set forth in each Supplemental Authorizing Resolution.

(m) "Code" means the Internal Revenue Code of 1986, the Treasury Regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, references to a section means that section of the Code, including such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

(n) "Current Interest Paying Bonds" shall mean Bonds, the interest on which shall be payable on a periodic basis.

(o) "Debt Service Requirements" shall mean the amounts of principal (including Amortization Installments) and interest maturing and becoming due on the Bonds, except any portion of such amounts which are provided from the proceeds of Bonds.

(p) "Defeasance Obligations" shall mean, to the extent permitted by law, 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 the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation and, with respect to any Series, such additional investments as shall be designated as Defeasance Obligations for such Series by the applicable Supplemental Authorizing Resolution.

(q) "District School Boards" shall mean the boards of the several School Districts or their successors as the governing bodies of the School Districts.

(r) "Division of Bond Finance" or "Division" shall mean the Division of Bond Finance of the State of Florida Department of General Services.

(s) "Education Districts" shall mean the School Districts, the Junior College Districts, and any other educational entities now or hereafter authorized to receive distribution of the Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment.

(t) "Fiscal Year" or "Year" shall mean the period beginning with and including July 1st of each year and ending with and including the next June 30th.

(u) "Governing Board" shall mean the Governor and Cabinet of the State of Florida, acting as Governing Board of the Division of Bond Finance pursuant to the State Bond Act.

(v) "Holder of Bonds" or "Bondholder" shall mean the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

(w) "Interest Payment Dates" shall mean for each Series, such date or dates of each Fiscal Year on which interest on the Bonds of such Series is payable or, with respect to Capital Appreciation Bonds, is compounded.

(x) "Issue", "Issued" or "Issuance", when used with reference to the Bonds, shall mean the authorization, sale and delivery of the Bonds authorized to be issued by this Resolution. The Bonds shall not be deemed to be issued until such Bonds have been sold and delivered to the purchasers and payment has been received therefor.

(y) "Junior College Districts" shall mean the Junior College Districts, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

(z) "Motor Vehicle License Taxes" shall mean the state motor vehicle license taxes distributable to the account of the Education Districts pursuant to the School Capital Outlay Amendment.

(aa) "Outstanding", when used with referenced to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except:

> (i) Bonds theretofore cancelled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken hereunder by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the State Board.

(bb) "Principal Payment Date" shall mean for each Series, such date or dates of each Fiscal Year on which the principal of Outstanding Bonds of each Series is payable.

(cc) "Prior Lien Obligations" shall mean (i) all bonds or motor vehicle tax anticipation certificates issued pursuant to Article XII, Section 18, of the Constitution of 1885, as amended, or pursuant to Article XII, Section 9, Subsection (d), as amended, prior to the effective date of the School Capital Outlay Amendment which was approved at the general election of November, 1972, and which are payable from motor vehicle license taxes; and (ii) the State of Florida, Full Faith and Credit, State Board of Education, Capital Outlay Bonds, Series 1974-A through Series 1991A.

(dd) "Rating Agency" shall mean a nationally recognized bond rating agency.

(ee) "Rebate Account" shall mean the applicable separate account established within the Rebate Fund for each Series issued under this Resolution.

(ff) "Rebate Amount" shall mean, with respect to each Series that are not taxable bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on that Series, plus any income attributable to such excess, or shall have such other meaning as may be required by the Code.

(gg) "Rebate Fund" shall be the Rebate Fund created and established pursuant to Section 6.05 hereof.

(hh) "Record Date" shall mean the Regular Record Date or Special Record Date, as applicable.

(ii) "Registered Owner" shall mean the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

(jj) "Regular Record Date" shall mean, with respect to each Series, the 15th day of the calendar month next preceding a Principal or Interest Payment Date or such other date specified for a Series pursuant to the applicable Supplemental Authorizing Resolution.

(kk) "Resolution" shall mean this Resolution.

(ll) "School Capital Outlay Amendment" shall mean Article XII, Section 9, Subsection (d), of the Florida Constitution of 1968, approved at the general election of November, 1968, as amended at the general election of November, 1972, and as hereafter amended from time to time.

(mm) "School Districts" shall mean the several School Districts of the State of Florida, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

(nn) "Serial Bonds" shall mean the Bonds of a Series which shall be stated to mature in periodic installments.

(oo) "Series" shall mean all of the Bonds authenticated and delivered on original issuance and pursuant to this Resolution and the Supplemental Authorizing Resolution authorizing such Bonds as a separate Series, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

(pp) "Sinking Fund" shall mean the trust fund, herein created, to be held and administered by the State Board of Administration, pursuant to Article IV of this Resolution.

(qq) "Special Interest Payment Date" means a date established pursuant to Section 3.02 hereof for the payment of interest which has become delinquent.

(rr) "Special Record Date" means a record date established pursuant to Section 3.02 hereof for the payment of interest on any Special Interest Payment Date.

(ss) "State" shall mean the State of Florida.

(tt) "State Board" shall mean the Board of Education of Florida, as constituted pursuant to Section 2 of Article IX of the Constitution of Florida.

(uu) "State Board of Administration" shall mean the Board of Administration of Florida as created by the Florida Constitution and shall also include any statutory body succeeding to the duties and powers given the State Board of Administration by law and particularly Section 403.1834, Florida Statutes.

(vv) "State Bond Act" shall mean Sections 215.57 through 215.83, Florida Statutes.

(ww) "Supplemental Authorizing Resolution" means, as to any Series, the resolution or resolutions of the State Board authorizing and providing for the sale and issuance of such Series and includes any certificate of award, any trust indenture, the bond purchase agreement or other document or instrument that is approved by or required to be executed (prior to the issuance of such Series) by any such resolution.

(xx) "Term Bonds" shall mean the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Amortization Account in the Sinking Fund, hereinafter created, as set forth in the Supplemental Authorizing Resolution applicable thereto.

SECTION 1.03. CORRELATIVE WORDS. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural, and vice versa, and the word "person" shall include corporations and associations, including public bodies, as well as natural persons.

SECTION 1.04. FINDINGS. It is hereby found, determined and declared as follows:

(a) The State Board has previously issued the Prior Lien Obligations to finance or refinance the cost of Capital Outlay Projects pursuant to certain resolutions of the State Board, which resolutions permit the issuance of additional parity bonds only upon satisfaction of the limitations and conditions set forth therein, which limitations and conditions restrict the ability of the State Board to issue certain types of obligations, to effectively provide credit or liquidity support for obligations and to otherwise structure financing transactions so as to achieve the lowest overall borrowing costs.

(b) By closing the lien of the prior resolutions and hereafter issuing Bonds pursuant to this Resolution and, with respect to each Series, the applicable Supplemental Authorizing Resolution, the State Board will enhance its flexibility in structuring financing transactions to take advantage of both traditional and contemporary financing methods to reduce the overall borrowing costs.

(c) Each Series to be issued under this Resolution will be authorized by, and the details of such Series determined pursuant to, a Supplemental Authorizing Resolution to be adopted prior to the issuance of such Series.

SECTION 1.05. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the State Board and such Bondholders. The covenants and agreements to be performed by the State Board shall be for the equal benefit, protection, and security of the Holders of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction of any of such Bonds over any other thereof, except as expressly provided therein and herein. The Supplemental Authorizing Resolution for any Series shall be deemed to be and shall constitute a contract between the State Board and the Holders of Bonds of such Series and the covenants and agreements set forth in such Supplemental Authorizing Resolution to be performed by the State Board shall be for the equal benefit, protection and security of the Registered Owners of all Bonds of such Series.

ARTICLE II
AUTHORIZATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. (a) Subject and pursuant to the provisions of this Resolution, the School Capital Outlay Amendment and the State Bond Act and other applicable provisions of law, there are hereby authorized to be issued from time to time, as hereinafter provided, State Board of Education Capital Outlay Bonds. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or in any Supplemental Authorizing Resolution or as may be limited by law.

(b) The Bonds may, if and when authorized by one or more Supplemental Authorizing Resolutions, be issued in one or more Series. The designation of each Series shall include such further appropriate particular designation added to or incorporated in the title for the Bonds of such Series as the State Board may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

SECTION 2.02. SERIES RESOLUTIONS. Each Series shall be authorized by the adoption of a Supplemental Authorizing Resolution, which shall specify such terms and conditions relative to the Bonds of such Series, and such other matters relative thereto, as the State Board shall determine. Each Supplemental Authorizing Resolution shall specify the Capital Outlay Projects to be financed with the proceeds of such Series or the outstanding Bonds to be refinanced thereby; the Education Districts on behalf of which the Series is to be issued; and shall make the determination that the proportionate share of each Education District of the Debt Service Requirements on such Series and other Outstanding Bonds does not exceed ninety per centum (90%) of the amount the State Board has found and determined can be serviced by the Motor Vehicle License Taxes accruing to such Education District under the provisions of the School Capital Outlay Amendment. Such Supplemental Authorizing Resolution may provide for the following with respect to the Series authorized therein:

(a) the form, denominations, maturities, amortization installments, interest rates or yields, and, if applicable, the method of determination of such interest rates or yields, which may be fixed or variable rates or yields, Principal and Interest Payment Dates, redemption provisions, including provisions for the selection of Bonds for redemption and the giving of notice thereof, registration and transfer provisions, the manner of sale, and such other terms as the State Board shall determine;

(b) the form of any documents or instruments relative to such Series, and the application of the proceeds thereof, including any escrow agreement, construction fund agreement, trust indenture, paying agent or registrar agreement, letter of representation or other agreement regarding book-entry or other registration systems, and such other documents or instruments as the State Board shall determine;

(c) any additional security, credit enhancement or liquidity facility for such Series, which may include a debt service reserve account, pledge of additional revenues or other collateral, municipal bond insurance, surety bond or other financial arrangement, a letter of credit, standby purchase agreement, tender, auction or remarketing agreement, or such other additional security, credit enhancement or liquidity facility as the State Board shall determine; and

(d) such other terms applicable solely to such Series as the State Board shall determine, which terms may include provisions for the application of the proceeds of such Series, the amendment of such Supplemental Authorizing Resolution, the defeasance of Bonds of such Series and the termination of the lien and pledge in favor thereof, additional covenants and agreements of the State Board and such other provisions as the State Board shall determine.

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01. GENERALLY. The form, denominations, maturities, amortization installments, interest rates or yields, principal and interest payment dates, manner and place of payment, redemption, registration and transfer provisions and other terms and details of each Series shall be determined pursuant to the Supplemental Authorizing Resolution applicable thereto; provided, however, that any Series as to which any such terms and details (other than the principal amount, maturity and interest rates or yields) are not specified in the applicable Supplemental Authorizing Resolution shall be governed by the general provisions of this Article III.

SECTION 3.02. DESCRIPTION OF BONDS. The Bonds shall be payable, with respect to interest, principal and premium, if any, 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; shall be issued in the form of fully registered Bonds; shall be dated as of the first day of the month of the sale thereof; shall bear interest from their date at a rate not exceeding the legal rate per annum; and shall be in principal or Accreted Value at maturity denominations of $5,000 or integral multiples thereof.

SECTION 3.03. PRIOR REDEMPTION OF THE BONDS. The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as are determined pursuant to the Supplemental Authorizing Resolution applicable thereto.

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 days prior to the date fixed for redemption, to the Holder of the Bonds to be redeemed of record on the books kept by the Bond Registrar/Paying Agent as of forty-five days prior to the date fixed for 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, 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 Holder, 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 Holder of such Bond receives such notice.

The Bond 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 the 15th business day next preceding the date fixed for redemption and ending at the close of business on the date fixed for redemption; or (b) to transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Notice having been published and mailed 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 published and mailed and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board, or the Bond Registrar/Paying Agent, in trust for the Holders of the Bonds or portions thereof to be redeemed, all as provided in this Resolution or the applicable Supplemental Authorizing 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 entitled to any lien, benefit or security under this Resolution or the applicable Supplemental Authorizing 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 and, to the extent provided in the final paragraph of this section, to receive Bonds for any unredeemed portion of the Bonds. Any and all of the Bonds redeemed prior to maturity shall be duly cancelled by the Bond Registrar/Paying Agent, and shall not be reissued.

In addition to the foregoing notice, further notice shall be given as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(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 Bond Registrar/Paying Agent; 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, Pacific Securities Depository Trust Company, San Francisco, California 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, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, 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, by issue and maturity, the Bonds being 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 Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent 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 3.04. EXECUTION AND AUTHENTICATION OF BONDS. The Bonds shall be executed in the name of the State Board by the Chairman of the State Board, and attested by the Secretary or an Assistant Secretary, or such other officers as may be designated pursuant to a resolution of the State Board, and the corporate seal of the State Board or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of the Chairman, and the Secretary or Assistant Secretary, or such other officer, may be imprinted or reproduced on the Bonds, provided that, in accordance with the laws of Florida in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Bond Registrar/Paying Agent, required to be placed on the Bonds shall be manually subscribed. In the event that the laws of Florida relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of a Series, then the signatures which are actually imprinted, reproduced, or manually subscribed on the Bonds of such Series 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 shall cease to be such officer of the State Board before the Bonds so signed and sealed shall 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 Bonds may be signed and sealed on behalf of the State Board by such person as at the actual time of the execution of such Bonds shall hold the proper office, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

If the Bonds have been validated, a certification as to Circuit Court validation, in substantially the form hereinafter provided, shall be executed with the facsimile signature of any present or future Chairman.

SECTION 3.05. NEGOTIABILITY. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investments Securities Law of the State of Florida, as provided in the Act.

SECTION 3.06. REGISTRATION, TRANSFER AND PAYMENTS. The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State of Florida.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Holder or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees, a fully registered Bond or Bonds of authorized denomination of the same maturity for the aggregate principal amount which the Holder is entitled to receive.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the State Board or the Bond Registrar/Paying Agent) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the State Board and the Bond Registrar/Paying Agent, duly executed by the Holder or by his duly authorized attorney.

Neither the State Board, the State Board of Administration, nor the Bond Registrar/Paying Agent may charge the Holder of any Bonds or his transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the State Board, the State Board of Administration and the Bond Registrar/Paying Agent may require payment from the Holder of any Bonds 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 shall be paid before any such new Bonds shall be delivered.

The principal amount of the Bonds shall be paid to the Registered Owner or registered assigns on the maturity date of the Bonds, unless redeemed prior thereto in accordance with the terms thereof, upon presentation and surrender of the Bonds at the principal corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Bondholder whose name appears on the books of the Bond Registrar/Paying Agent as of 5:00 p.m. (local time, New York, New York) on the Regular Record Date, by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided by the agreement between the Bond Registrar/Paying Agent and the State, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof. Provided, however, that (upon written request of the Holder of $500,000 or more in principal amount of Bonds) interest may be paid when due by electronic funds transfer ("wire") if such Holder (if other than a securities depository) advances to the Paying Agent, if any, the amount necessary to pay the wire charges or authorizes the Paying Agent to deduct the amount of such payment. If and to the extent, however, that the State Board fails to make payment or provision for payment on any Interest Payment Date of interest on any Bond, that interest shall cease to be payable to the Person who was the Holder of that Bond as of the applicable Regular Record Date. In that event, when moneys become available for payment of the delinquent interest, the Bond Registrar/Paying Agent shall establish a Special Interest Payment Date for the payment of that interest, and a Special Record Date, which Special Record Date shall be not more than fifteen (15) nor fewer than ten (10) days prior to the Special Interest Payment Date; and the Paying Agent shall cause notice of the proposed payment, of the Special Interest Payment Date and of the Special Record Date to be mailed not fewer than ten (10) days preceding the Special Record Date to each Person who was a Holder of such Bond at the close of business on the fifteenth (15th) day preceding said mailing to such Person's address as it appears on the Register on that fifteenth (15th) day preceding the mailing of such notice and, thereafter, the interest shall be payable to the Person who was the Holder of such Bond as of the close of business on the Special Record Date.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the State Board, evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution and the applicable Supplemental Authorizing Resolution, and shall be entitled to all of the security and benefits thereof to the same extent as the Bonds surrendered.

The State Board, the State Board of Administration and the Bond Registrar/Paying Agent may treat the Holder of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any Bond is registered may be deemed the owner thereof by the State Board, the State Board of Administration and the Bond Registrar/Paying Agent, and any notice to the contrary shall not be binding upon the State Board, the State Board of Administration or the Bond Registrar/Paying Agent.

In addition, notwithstanding the foregoing, to the extent permitted by applicable law, the State Board may establish a system of registration with respect to any or all Series and may issue certificated public obligations (represented by instruments) or uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, combinations thereof, or such other obligations as may then be permitted by law. The State Board or the State Board of Administration shall appoint such registrars, transfer agents, depositories and other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Bonds within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premium, if any, payable with respect to the Bonds. Any such system may be effective for any Series previously issued or to be subsequently issued, provided that if the State Board adopts a system for the issuance of uncertificated public obligations for a Series, it shall permit thereunder the conversion, at the option of a Holder of any Bonds of such Series issued prior to the adoption of such system, of a certificated registered public obligation to an uncertificated registered obligation, and the reconversion of the same.

Notwithstanding the foregoing provision of this section, the State Board reserves the right, on or prior to the delivery of any Series, to amend or modify the foregoing provisions relating to registration of the Bonds of such Series in order to comply with all applicable laws, rules and regulations of the United States Government and the State of Florida relating thereto.

SECTION 3.07. AUTHENTICATION. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution or a Supplemental Authorizing Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 3.08. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall either be retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the State Board or the State Board of Administration or, at the option of the State Board or the State Board of Administration, shall be cancelled and destroyed by the Bond Registrar/Paying Agent and a copy of a certificate of destruction evidencing such destruction shall be furnished to the State Board or the State Board of Administration.

SECTION 3.09. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the State Board may in its discretion issue and deliver a new Bond of like tenor as the Bonds 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 Bondholder furnishing the State Board proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the State Board may prescribe and paying such expense as the State Board may incur. All Bonds so surrendered shall be disposed of as provided in Section 3.08 hereof. If any such Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the State Board may provide for the payment of the same upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the State Board, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution, from the Motor Vehicle License Taxes distributable under the School Capital Outlay Amendment, and the Full Faith and Credit of the State of Florida.

SECTION 3.10. FORM OF BONDS. The text of the Bonds, together with the validation certificate (if any) to be endorsed thereon, shall be substantially of the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or as may be necessary to comply with applicable laws, rules, and regulations of the United States Government and the State of Florida in effect upon the issuance thereof.

(Form of Bond intentionally omitted)

ARTICLE IV
PLEDGE OF THE PLEDGED REVENUES; SINKING FUND

SECTION 4.01. FUNDS PLEDGED FOR BONDS. The Bonds shall be payable primarily from the Motor Vehicle License Taxes pledged for the payment thereof, and shall be additionally secured by a pledge of the Full Faith and Credit of the State of Florida, pursuant to the School Capital Outlay Amendment and this Resolution. Any Series may be further secured as provided in the Supplemental Authorizing Resolution therefor. No Holder of the Bonds shall ever be entitled to require the payment of the principal of or interest on the Bonds from any funds of the State of Florida, the State Board, the Education Districts, or any other political subdivision or agency of said State, except from the Motor Vehicle License Taxes distributable to the Education Districts pledged for the payment thereof by the School Capital Outlay Amendment and this Resolution, moneys received pursuant to the pledge of the Full Faith and Credit of the State in the manner provided by this Resolution, and any additional security provided for a Series by such Supplemental Authorizing Resolution.

SECTION 4.02. BONDS SECURED BY PLEDGE OF MOTOR VEHICLE LICENSE TAXES AND THE FULL FAITH AND CREDIT OF THE STATE OF FLORIDA. (a) The payment of the principal (including Amortization Installments, if any) of and interest on all of the Bonds issued hereunder, including any Additional Bonds hereafter issued pursuant to and in conformity with the terms, conditions and restrictions contained in this Resolution, shall be secured equally and ratably by a lien on the Motor Vehicle License Taxes deposited in the State Treasury of Florida for the account of the Education Districts, pursuant to the School Capital Outlay Amendment, in an amount sufficient to pay the principal of and interest on the Bonds, and to make the other payments provided for in Section 4.03(a) of this Resolution; which lien is subject only to the prior lien on the Motor Vehicle License Taxes of the Prior Lien Obligations. The Motor Vehicle License Taxes are hereby irrevocably pledged to the payment of the principal (including Amortization Installments, if any) of and interest on the Bonds as the same become due, and for the purposes provided in Section 4.03 of this Resolution.

The lien of the Holders of the Bonds issued hereunder on the Motor Vehicle License Taxes is and shall be junior, inferior and subordinate to the prior lien thereon of the Holders of the Prior Lien Obligations.

(b) The payment of the principal (including Amortization Installments, if any) of and interest on the Bonds is 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 payment of such principal (including Amortization Installments, if any) of and interest on the Bonds as the same mature and become due to the full extent that the moneys derived from said Motor Vehicle License Taxes then on deposit in the Sinking Fund, hereinafter described, for the Education Districts are insufficient for the full payment of all such principal (including Amortization Installments, if any) of and interest on the Bonds as the same mature and become due.

It shall be the mandatory duty of the State Board on or prior to each Principal or Interest Payment 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 (including Amortization Installments, if any) of and interest on the Bonds on such principal (or mandatory redemption) and interest maturity dates. It shall further be the mandatory duty of the appropriate officials of the State of Florida to pay over to the State Board the amounts of such deficiencies in the manner provided herein and in the School Capital Outlay Amendment and other applicable provisions of the law.

In the event that any deficiencies have been paid from any reserve fund created by a Supplemental Authorizing Resolution for a Series, the State shall continue to be mandatorily obligated to make such deficiency payments to the State Board, and such deficiency payments shall be deposited in such reserve fund when the same are received to the extent that any moneys from said reserve fund have been used to make up such deficiencies.

SECTION 4.03. CAPITAL OUTLAY BONDS AND DEBT SERVICE FUND. After making provision for the current required payments for the Prior Lien Obligations, all of the Motor Vehicle License Taxes accruing to and distributable to the Education Districts, under the provisions of said School Capital Outlay Amendment, shall, as soon as practicable, be deposited in the State Treasury of Florida in a trust account to be known as the Capital Outlay Bonds and Debt Service Fund (herein referred to as "Sinking Fund"). The moneys in said Sinking Fund shall be used and applied only in the following manner and order of priority:

(a) First, for the payment in each year of the full amount of the principal of and interest on the Bonds maturing in such year.

Each Supplemental Authorizing Resolution shall create such subaccounts in the Sinking Fund as shall be necessary or desirable to provide for the payment of such Series, including Amortization Accounts for the Term Bonds of such Series. Deposits to any such subaccounts shall be made pro-rata from the amounts deposited in the Sinking Fund pursuant to this Section 4.03.

Upon the issuance of any Additional Bonds, as herein provided, the provisions of this Subsection 4.03(a) shall apply to such Additional Bonds equally with the Bonds theretofore issued. All payments provided under this Subsection 4.03(a) for the Bonds theretofore issued and such Additional Bonds, shall be on a parity and shall constitute a first lien on all moneys in the Sinking Fund in the manner provided herein.

(b) Thereafter, in each Fiscal Year, but only after all payments required for such Fiscal Year by Subsection 4.03(a) hereof, including any deficiencies for prior payments, have been fully provided for, the remaining moneys on deposit in the Sinking Fund shall be distributable by the State Board, (i) for the payment of any amounts required to be paid into funds or accounts, or to reimburse providers of credit or liquidity support, established pursuant to a Supplemental Authorizing Resolution, (ii) to the State of Florida in amounts sufficient to reimburse the State for moneys paid pursuant to the requirements of Subsection 4.02(b) hereof, (iii) to pay Administrative Expenses, and (iv) thereafter in the manner provided by said School Capital Outlay Amendment.

SECTION 4.04. INVESTMENT OF SINKING FUND MONEYS. All moneys maintained at any time in the Sinking Fund under the provisions of Subsection 4.03(a) hereof, may be invested and reinvested by the State Board of Administration in direct obligations of the United States of America or in other investments authorized in Section 18.10, Florida Statutes, as such statute shall be amended from time to time; provided, however, that the investments of moneys needed to meet the requirements of Subsection 4.03(a) hereof shall mature prior to the next ensuing Principal or Interest Payment Date for which such moneys are needed and set aside.

All such investments or reinvestments shall be liquidated whenever necessary for the purpose of such investments or reinvestments. Any earnings from such investments or reinvestments shall be credited to the account or fund from which such investments or reinvestments were made, and any losses upon the liquidation of such investments or reinvestments shall be fully restored from the first available moneys after all other required payments under Subsection 4.03(a) hereof have been made to the date of such restoration.

All moneys maintained at any time in a fund or account (other than an account in the Sinking Fund) established by a Supplemental Authorizing Resolution may be invested and reinvested, and any earnings therefrom applied, as provided in such Supplemental Authorizing Resolution or as provided in the preceding sentence.

SECTION 4.05. TRUST FUNDS. The Sinking Fund, including the Amortization Accounts therein, and all moneys on deposit therein shall constitute trust funds for the purposes provided in Section 4.03 hereof, and the Holders of the Bonds shall have a lien on such moneys until used or applied as provided in such Section 4.03. The Sinking Fund shall be maintained, held and administered by the State Board of Administration; such funds shall be fully and continuously secured in the manner provided by the laws of the State of Florida for the securing of deposits of State funds.

SECTION 4.06. ENFORCEABILITY BY BONDHOLDERS. The State Board hereby irrevocably agrees that the pledge of the Motor Vehicle License Taxes as provided herein shall be deemed to have been made for the benefit of, and shall be a contract with, the Holders of the Bonds and that such pledge and all the provisions of this Resolution and the applicable Supplemental Authorizing Resolution shall be enforceable in any court of competent jurisdiction by any Holder or Holders of such Bonds, against either the State Board, the State Board of Administration, or any other agency of the State of Florida, or political subdivision or instrumentality having any duties concerning the collection, administration, and disposition of the Motor Vehicle License Taxes. The State Board and the Division of Bond Finance do hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Holder or Holders of Bonds for the enforcement of all provisions of this Resolution and the applicable Supplemental Authorizing Resolution and do hereby waive, to the extent permitted by law, any privilege or immunity from suit which the Division of Bond Finance or the State Board may now or hereafter have as an agency of the State of Florida. However, no covenant or agreement contained in this Resolution or any Supplemental Authorizing Resolution or any Bond issued pursuant thereto shall be deemed to be the covenant or agreement of any officer or employee of the State, in his or her or individual capacity and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 4.07. STATE BOARD OF ADMINISTRATION FISCAL AGENT FOR FUNDS. Pursuant to the provisions of Section 215.69, Florida Statutes, after the Division of Bond Finance receives the proceeds of the Bonds, pays its costs, and transfers the remainder of such proceeds as provided herein, the State Board of Administration shall succeed, in accordance with said Statutes, to all the powers, authority, duties, and discretions of the Division of Bond Finance with regard to said Bonds, and shall receive, manage, and disburse all moneys and administer and maintain all funds provided for by this Resolution and any Supplemental Authorizing Resolution.

ARTICLE V
ADDITIONAL PARITY BONDS AND REFUNDING BONDS

SECTION 5.01. ISSUANCE OF ADDITIONAL PARITY BONDS.

(a) Additional Bonds may be issued by the State Board after the issuance of the first Series pursuant to this Resolution, but only upon the terms, restrictions and conditions contained in the School Capital Outlay Amendment and this Article V.

(b) No such Additional Bonds, except parity refunding Bonds provided for in Section 5.02 hereof, shall be created or issued at any time unless the greater of (a) the amount of Motor Vehicle License Taxes which would have been deposited in the State Treasury of Florida for the account of the School Districts, and for the School Districts for and on behalf of which the Additional Bonds are proposed to be issued, under the provisions of the School Capital Outlay Amendment in the school fiscal year 1967-68, if such Amendment had been in effect in such school fiscal year 1967-68; and for the account of the Junior College Districts, and for the Junior College Districts for and on behalf of which the Additional Bonds are proposed to be issued, under the provisions of the School Capital Outlay Amendment in the school fiscal year 1968-69, if such Amendment had been in effect in such school fiscal year 1968-69; and for the account of any other Education District, and for any other Education District on behalf of which the Additional Bonds are proposed to be issued, under the School Capital Outlay Amendment in the fiscal year designated in the School Capital Outlay Amendment for determining the minimum number of instruction units for allocation of Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment to such other Education District; or (b) the average annual amount of Motor Vehicle License Taxes actually deposited in the State Treasury of Florida for the account of all the Education Districts, under the provisions of the School Capital Outlay Amendment, in the two school fiscal years immediately preceding the issuance of such Additional Bonds, shall be at least equal to one and twelve-hundredths (1.12) times the average annual amount of principal and interest which will mature and become due thereafter on the following:

(1) The Bonds then outstanding; and

(2) The Additional Bonds then proposed to be issued.

(c) Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution to the same extent as the Bonds originally authorized and issued pursuant to this Resolution, and all of the 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 and the Holders of any such Additional Bonds. All of the Bonds, regardless of the time or times of their issuances, shall rank equally with respect to their lien on and source and security for payment from the Motor Vehicle License Taxes and amounts provided pursuant to the pledge of the full faith and credit of the State without preference or priority of any Bonds or Additional Bonds, over any other thereof.

(d) (1) No such Additional Bonds shall be created or issued at any time unless all the payments required by the provisions of Section 4.03 hereof, including any deficiencies for prior payments, have been made in full to the date of such issuance and the State Board shall have complied fully with all the covenants, agreements, and provisions of this Resolution and all Supplemental Authorizing Resolutions authorizing Bonds then Outstanding.

(2) No such Additional Bonds shall be issued to finance the cost of any Capital Outlay Project pursuant to the Public Education Bond Amendment unless the construction or acquisition of such Capital Outlay Project has been theretofore authorized by the Legislature of Florida.

SECTION 5.02. REFUNDING BONDS. (a) Any part of the Bonds may be refunded and the lien of the refunded Bonds fully preserved for the refunding Bonds by the issuance of Additional Bonds in compliance with the requirements of Section 5.01.

(b) (1) In the event any Bonds are refunded in compliance with the terms, restrictions, and conditions set forth in Section 5.01, then the Holders of such refunding Bonds shall have and enjoy the same lien on the Motor Vehicle License Taxes and all rights, privileges, and remedies which are granted to and vested in the Holders of the Bonds so refunded, by this Resolution or any Supplemental Authorizing Resolution hereto, to the same extent and as fully as if such refunding Bonds constituted the Bonds so refunded. All of the covenants, agreements and provisions in this Resolution shall refer to and apply fully to such refunding Bonds.

(2) Any Prior Lien Obligations may be refunded as a whole or in part by the issuance of Additional Bonds upon compliance with the terms, restrictions and conditions contained in Section 5.01 and this Section 5.02.

(3) Any refunding obligations hereafter issued which do not conform to and comply with the terms, restrictions, and conditions contained in this Section 5.02, shall be junior, inferior, and subordinate, as to lien on and source and security for payment from the Motor Vehicle License Taxes, to Bonds outstanding at the time of such refunding.

SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES. The State Board covenants that it will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof or refunding Bonds provided for in Section 5.02 hereof, payable from the Motor Vehicle License Taxes, nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Holders of the Bonds upon the Motor Vehicle License Taxes pledged as security for such Bonds in this Resolution. Any such other obligations hereafter issued by the State Board, in addition to the Bonds authorized by this Resolution and such Additional Bonds shall contain an express statement that such obligations are junior, inferior, and subordinate to the Bonds as to lien on and source and security for payment from such Motor Vehicle License Taxes.

The State Board specifically covenants that it will not hereafter issue any obligations (including refunding obligations) pursuant to the proceedings which authorized such Prior Lien Obligations which will rank on a parity with the Prior Lien Obligations.

SECTION 5.04. CANCELLATION OF UNISSUED PRIOR LIEN OBLIGATIONS. Any State Board of Education, Capital Outlay Bonds authorized prior to January 1, 1992, under the authority of Section 9(a) of Article XII of the Florida Constitution of 1968, as amended, which have not been issued as of the date of issuance of the Bonds authorized herein, are hereby cancelled.

SECTION 5.05. BASIS FOR DETERMINATION OF DEBT SERVICE AVAILABLE FOR BONDS. The State Board covenants that the amount of Motor Vehicle License Taxes available for Debt Service in each year for the Bonds will be computed by the State Board on the basis of the provisions of the School Capital Outlay Amendment.

SECTION 5.06. COVENANT AGAINST DECREASE IN INSTRUCTION UNITS. The State Board covenants, pursuant to paragraph (3) of the School Capital Outlay Amendment, that it will not approve any change in the basis for or method of computing, defining, or determining the number of instruction units for the allocation of School District and Junior College District Capital Outlay and Debt Service Funds proposed in any law enacted hereafter by the Legislature of Florida during the life of the School Capital Outlay Amendment unless under said new law the aggregate total number of instruction units in the School Districts and Junior College Districts, in each year will be not less than the greater of (1) the number of instruction units in the School Districts for the school fiscal year 1967-68, and in the Junior College Districts for the school fiscal year 1968-69, or (2) the number of instruction units in the School Districts and Junior College Districts for the school fiscal year in which any Bonds are issued on behalf of the School Districts and Junior College Districts for the school fiscal year in which any Bonds are issued on behalf of School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment, or (3) the number of instruction units in such School Districts and Junior College Districts which will produce sufficient revenues in such year under said School Capital Outlay Amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all Bonds issued on behalf of the School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment which will mature and become due in such year.

SECTION 5.07. COVENANT AS TO INSTRUCTION UNITS. The State Board covenants that pursuant to the provisions of the School Capital Outlay Amendment the number of instruction units in the School Districts and Junior College Districts in each future school fiscal year, for the purposes of the School Capital Outlay Amendment, shall be not less than the greater of (1) the number of instruction units in the School Districts for the school fiscal year 1967-68, and in the Junior College Districts for the school fiscal year 1968-69, or (2) the number of such instruction units for the school fiscal year in which any Bonds are issued on behalf of such School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment, or (3) the number of instruction units in such School Districts and Junior College Districts which will produce sufficient revenues in such year under the School Capital Outlay Amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all Bonds issued on behalf of such School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment which will mature and become due in such year.

ARTICLE VI
MISCELLANEOUS

SECTION 6.01. MODIFICATION OR AMENDMENT. (a) Except as otherwise provided in this section, no material adverse modification or amendment of this Resolution, or of any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Holders of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all Series then Outstanding are affected by the modification or amendment, the Holders of more than fifty percent in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or affecting the unconditional promise to pay the principal of and interest on the Bonds, as the same mature or become due, or reduce the percentage of Holders of Bonds required above for such modification or amendments, without the consent of the Holders of all the Bonds then Outstanding.

(b) This Resolution or any Supplemental Authorizing Resolution or any resolution amendatory or supplemental thereto may be amended, changed, modified and altered without the consent of the Holders of Bonds, (i) to cure any ambiguity or correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds which will not materially adversely affect the interests of the Bondholders, (iii) to provide for the issuance of Bonds in coupon form, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the State Board, other covenants and agreements to be observed by the State Board which are not contrary to or inconsistent with the Resolution or any Supplemental Authorizing Resolution as theretofore in effect, (vi) to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar statute or federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, (vii) to enable the State Board, the Division of Bond Finance and the State Board of Administration to comply with their covenants, agreements and obligations under Section 6.05 of this Resolution, or (viii) to make any amendment, change, modification or alteration that does not materially adversely affect the interests of the Bondholders.

SECTION 6.02. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution or any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto shall be held to be 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 or provisions shall be null and void, shall be deemed separable from the remaining covenants or provisions of such resolution, and shall in no way affect the validity of the remaining covenants or provisions of such resolution or of the Bonds.

SECTION 6.03. DEFEASANCE OF BONDS. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution (and the applicable Supplemental Authorizing Resolution) may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

(a) By paying the principal of and interest on Bonds when the same shall become due and payable whether at maturity or redemption; or

(b) By depositing with the State Board of Administration, certain moneys which are irrevocably pledged to the payment of the Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal, redemption premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof; or

(c) By depositing with the State Board of Administration, moneys which are irrevocably pledged to the payment of the Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal, redemption premium, if any, and interest due and to become due on said Bonds on or prior to a date fixed for redemption or the maturity date thereof. Upon such payment or deposit in the amount and manner provided in this section, Bonds shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the State Board with respect to said Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled for payment solely out of the moneys or securities so deposited and investment earnings thereon.

(d) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series, any portion of any Series, any maturity or maturities of any Series, any portion of a maturity of any Series or any combination thereof.

(e) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Department or the State Board of Administration may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(f) Nothing herein shall be deemed to require the State Board or Division of Bond Finance to call any of the Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the State Board or Division of Bond Finance in determining whether to exercise any such option for early redemption.

(g) Notwithstanding the foregoing, any provisions of this Resolution or the applicable Supplemental Authorizing Resolution which relate to the maturity of Bonds, interest provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, the calculation of Rebate Amount and the payment of the Rebate Amount to the United States, shall remain in effect and be binding upon the State Board, the Division of Bond Finance, each Trustee, each Registrar, Paying Agent and the Holders notwithstanding the release and discharge of the lien and pledge of this Resolution or any such Supplemental Authorizing Resolution.

SECTION 6.04. NONPRESENTMENT OF BONDS. In the event any Bond shall not be presented to the Bond Registrar/Paying Agent for payment within seven years after the principal thereof becomes due, either at maturity, or otherwise, the funds for payment of said principal on deposit with the Bond Registrar/Paying Agent shall be remitted to the State Board of Administration for disposition in accordance with the laws of Florida. In the event the Bond Registrar/Paying Agent shall not have been able to pay the interest, either all or a portion thereof, on any Bond within seven years after the principal (or accreted value) thereof becomes due, either at maturity, or otherwise, the funds on deposit with the Bond Registrar/Paying Agent for the payment of said interest shall be remitted to the State Board of Administration for disposition in accordance with the laws of Florida. The earnings on the funds which were held to pay the principal and the interest on said Bond shall be governed by the agreement between the State Board of Administration and the Bond Registrar/Paying Agent and Transfer Agreement.

SECTION 6.05. COMPLIANCE WITH TAX REQUIREMENTS; REBATE FUND.

(a) Except as provided in a Supplemental Authorizing Resolution with respect to any specific Bonds, it is the intention of the State Board that the interest on the Bonds issued hereunder, be and remain excluded from gross income for federal income tax purposes. The State Board hereby covenants and agrees, for the benefit of the Holders from time to time of the Bonds, that the State Board will comply with the applicable requirements contained in the Code, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the State Board covenants and agrees:

(1) to be responsible for making or causing to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount and to obtain verification of such determinations and calculations by the Division of Bond Finance;

(2) to set aside, or cause to be set aside, sufficient moneys in the Rebate Account with respect to such Series from the amounts in the Sinking Fund, or from any other legally available funds, to permit a timely payment of the Rebate Amount to the United States of America;

(3) to pay, or cause to be paid, the Rebate Amount at the times required pursuant to the Code;

(4) to maintain and retain, or cause to be maintained and retained, all records pertaining to the Rebate Amount with respect to each Series and required payments of the Rebate Amount with respect to that Series, for at least six (6) years after the retirement of that Series or such other period as shall be necessary to comply with the Code;

(5) to refrain from using proceeds from any Series in a manner that would cause the Bonds of such Series to be classified as private activity bonds under Section 141(a) of the Code; and

(6) to refrain from taking any action that would cause any Series to become arbitrage bonds under Section 148 of the Code or any action that would otherwise cause interest on any Bonds to become includable in gross income for federal income tax purposes.

The State Board understands that the foregoing covenants impose continuing obligations on it that will exist as long as the requirements of the Code are applicable to the Bonds.

Notwithstanding any other provision of this Resolution, the obligation to pay over the Rebate Amount to the United States and to comply with all other requirements of this Section 6.05 shall survive the defeasance or payment in full of the Bonds or any Series.

(b) The State Board may deposit or direct another to deposit into the appropriate Rebate Account in the Rebate Fund which is hereby created and established, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Department, an amount equal to the Rebate Amount for such Rebate Year. Such moneys deposited in a Rebate Account shall be used only for the payment of the Rebate Amount to the United States as required by Subsection (A) of this Section 6.05, and as directed by the State Board and the Division of Bond Finance. At the end of each Rebate Year, however, funds on deposit in any Rebate Account in excess of the applicable Rebate Amount may be applied, withdrawn and paid over to the State Board for deposit into the Sinking Fund. In complying with the foregoing, the State Board and Division of Bond Finance may rely upon any instructions or opinions from nationally recognized bond counsel.

If any amount remains in a Rebate Account after payment in full of all Bonds of the Series for which such Rebate Account was established and after payment in full of any Rebate Amount to the United States on account of such Series in accordance with the terms hereof, such amount may be used for any purpose authorized by the law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the State Board and shall be subject to a lien in favor of the Bondholders, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division of Bond Finance and the State Board shall not be required to continue to comply with the requirements of this section in the event that the Division of Bond Finance and State Board receive an opinion of nationally recognized bond counsel that such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or that compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate.

Notwithstanding any of the above, the State Board's responsibilities and duties pursuant to Subsection 6.05(a)(1), (2), (3) or (4) of this section may be assumed in whole or in part by the Division of Bond Finance or another entity as provided by law, administrative rule, or resolution of the Division of Bond Finance.

SECTION 6.06. VALIDATION AUTHORIZED. The Attorneys for the Division of Bond Finance are herein and hereby authorized to institute proceedings to validate any Series authorized by a Supplemental Authorizing Resolution if required by law or desirable.

SECTION 6.07. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, be and the same are hereby repealed, revoked and rescinded.

SECTION 6.08. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 4, 1992.

APPENDIX E

[Reserved]

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APPENDIX F

A RESOLUTION AUTHORIZING THE COMPETITIVE SALE OF NOT EXCEEDING $65,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2011 SERIES (TO BE DETERMINED).

BE IT RESOLVED BY THE STATE BOARD OF EDUCATION OF FLORIDA, A BODY CORPORATE UNDER SECTION 2 OF ARTICLE IX OF THE FLORIDA CONSTITUTION:

Section 1. That not exceeding $65,000,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, to be designated 2011 Series (to be determined) (or such other designation as may be determined by the director of the Division of Bond Finance)(the "Bonds") heretofore authorized by a Master Resolution and a Twenty-seventh Supplemental Authorizing Resolution (collectively, the "Resolution") adopted by the State Board of Education of Florida (the "Board of Education") on the 4th day of February, 1992, and on the 20th day of September, 2011, respectively, are hereby authorized to be sold by competitive sale for the purpose of achieving debt service savings 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. The Bonds may be sold at different times in more than one series, or may be sold as a part of the same series of other Capital Outlay Bonds authorized to be issued, whether for new money or refunding purposes.

Proposals for purchase of the Bonds shall be received at the office of the Division of Bond Finance of the State Board of Administration (the "Division"), 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, 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. That the Division, as the agent of the Board of Education, is hereby authorized to sell the Bonds; to publish, at its discretion, the Notice of Bond Sale of the Bonds or a short form thereof as required pursuant to section 215.68(5)(b), Florida Statutes, such publication to be not less than ten days prior to the date of sale; provided, that if no bids are received at the time and place called or provided for by the Notice of Bond Sale, or if all bids received are rejected, such Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Director of the Division. Any prior publication of a Notice of Bond Sale, or short form thereof, is hereby ratified.

Section 3. The Director of the Division is hereby authorized to distribute an Official Notice of Bond Sale and a form of proposal for the sale of the Bonds. The Official Notice of Bond Sale shall be in such form as shall be determined by the Director of the Division, with the advice of bond counsel, and shall contain such information as required by applicable law. Any prior distribution of a Notice of Bond Sale and form of proposal is hereby ratified.

Section 4. The Director of the Division is hereby authorized to have up to 3,500 copies of the Preliminary Official Statement and 3,500 copies of the Final Official Statement relating to the public offering of the Bonds printed and distributed; to contract with national rating services to rate the Bonds; 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. Any prior printing and distribution of a Preliminary Official Statement is hereby ratified.

Section 5. The Commissioner or Deputy Commissioner of Education and an Assistant Secretary of the Governing Board of the Division are hereby authorized and empowered to award said Bonds, when offered, on their 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 other appropriate officer shall report such award to the Board of Education. In the event of the absence of the Commissioner or Deputy Commissioner of Education at the time bids are received, an Assistant Secretary of the Governing Board of the Division is authorized to act on behalf of the Board of Education in awarding the Bonds, with the concurrence of a duly designated representative of the Board of Education.

Section 6. The proper officials of the Board of Education are hereby authorized to execute the Bonds in the manner provided by the resolution authorizing the issuance of the Bonds, and the Division is hereby authorized 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 proceedings authorizing the issuance of the Bonds.

Section 7. The 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 8. In the event that market conditions preclude the sale of the principal amount of Bonds authorized to be sold by this resolution or if proceeds of all Bonds authorized to be sold pursuant to this resolution are not required at any particular time, then in such event, in order to sell the Bonds, the Director of the Division is hereby authorized to offer for sale a lesser principal amount than that set forth in this resolution.

Section 9. The appropriate officers and employees of the Board of Education and of the Division 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 Board of Education and the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds.

Section 10. 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 11. This resolution shall take effect immediately upon its adoption.

ADOPTED ON September 20, 2011.

APPENDIX G

THE SCHOOL CAPITAL OUTLAY AMENDMENT
SUBSECTION (d), SECTION 9, ARTICLE XII
OF THE CONSTITUTION OF FLORIDA

SECTION 9. BONDS.

(d) SCHOOL BONDS.

(1) [5]Article XII, Section 9, Subsection (d) of this constitution, as amended (which, by reference, adopted [6]Article XII, Section 18, of the Constitution of 1885, as amended) as the same existed immediately before the effective date of this amendment is adopted by this reference as part of this amendment as completely as though incorporated herein verbatim, for the purpose of providing that after the effective date of this amendment the first proceeds of the revenues derived from the licensing of motor vehicles as referred to therein shall be distributed annually among the several counties in the ratio of the number of instruction units in each county, the same being coterminus with the school district of each county as provided in Article IX, Section 4, Subsection (a) of this constitution, in each year computed as provided therein to the extent necessary to comply with all obligations to or for the benefit of holders of bonds or motor vehicle tax anticipation certificates issued before the effective date of this amendment or any refundings thereof which are secured by any portion of such revenues derived from the licensing of motor vehicles.

(2) No funds anticipated to be distributed annually among the several counties under the formula stated in [5]Article XII, Section 9, Subsection (d) of this constitution, as amended, as the same existed immediately before the effective date of this amendment shall be pledged as security for any obligations hereafter issued or entered into, except that any outstanding obligations previously issued pledging such funds may be refunded at a lower net average interest cost rate by the issuance of refunding bonds.

(3) Subject to the requirements of paragraph (1) of this subsection (d) beginning July 1, 1973, the first proceeds of the revenues derived from the licensing of motor vehicles (hereinafter called "motor vehicles license revenues) to the extent necessary to comply with the provisions of this amendment, shall, as collected, be placed monthly in the school district and community college district capital outlay and debt service fund in the state treasury and used only as provided in this amendment. Such revenue shall be distributed annually among the several school districts and community college districts in the ratio of the number of instruction units in each school district or community college district in each year computed as provided herein. The amount of the first motor vehicle license revenues to be so set aside in each year and distributed as provided herein shall be an amount equal in the aggregate to the product of six hundred dollars ($600) multiplied by the total number of instruction units in all the school districts of Florida for the school fiscal year 1967-68, plus an amount equal in the aggregate to the product of eight hundred dollars ($800) multiplied by the total number of instruction units in all the school districts of Florida for the school fiscal year 1972-73 and for each school fiscal year thereafter which is in excess of the total number of such instruction units in all the school districts of Florida for the school fiscal year 1967-68, such excess units being designated "growth units." The amount of the first motor vehicle license revenues to be so set aside in each year and distributed as provided herein shall additionally be an amount equal in the aggregate to the product of four hundred dollars ($400) multiplied by the total number of instruction units in all community college districts of Florida. The number of instruction units in each school district or community college district in each year for the purposes of this amendment shall be the greater of (1) the number of instruction units in each school district for the school fiscal year 1967-68 or community college district for the school fiscal year 1968-69 computed in the manner heretofore provided by general law, or (2) the number of instruction units in such school district, including growth units, or community college district for the school fiscal year computed in the manner heretofore or hereafter provided by general law and approved by the state board of education (hereinafter called the state board), or (3) the number of instruction units

in each school district, including growth units, or community college district on behalf of which the state board has issued bonds or motor vehicle license revenue anticipation certificates under this amendment which will produce sufficient revenues under this amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all bonds or motor vehicle license revenue anticipation certificates issued under this amendment which will mature and become due in such year, computed in the manner heretofore or hereafter provided by general law and approved by the state board.

(4) Such funds so distributed shall be administered by the state board as now created and constituted by Section 2 of Article IX of the State Constitution as revised in 1968, or by such other instrumentality of the state which shall hereafter succeed by law to the powers, duties and functions of the state board, including the powers, duties and functions of the state board provided in this amendment. For the purposes of this amendment, said state board shall be a body corporate and shall have all the powers provided in this amendment in addition to all other constitutional and statutory powers related to the purposes of this amendment heretofore or hereafter conferred upon said state board.

(5) The state board shall, in addition to its other constitutional and statutory powers, have the management, control and supervision of the proceeds of the first motor vehicles license revenues provided for in this subsection (d). The state board shall also have power, for the purpose of obtaining funds for the use of any school board of any school district or board of trustees of any community college district in acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes to issue bonds or motor vehicle license revenue anticipation certificates, and also to issue such bonds or motor vehicle license revenue anticipation certificates to pay, fund or refund any bonds or motor vehicle license revenue anticipation certificates theretofore issued by said state board. All such bonds or motor vehicle license revenue anticipation certificates shall bear interest at not exceeding the rate provided by general law and shall mature not later than thirty years after the date of issuance thereof. The state board shall have power to determine all other details of the bonds or motor vehicle license revenue anticipation certificates and to sell in the manner provided by general law, or exchange the bonds or motor vehicle license revenue anticipation certificates, upon such terms and conditions as the state board shall provide.

(6) The state board shall also have power to pledge for the payment of the principal of and interest on such bonds or motor vehicle license revenue anticipation certificates, including refunding bonds or refunding motor vehicle license revenue anticipation certificates, all or any part from the motor vehicle license revenues provided for in this amendment and to enter into any covenants and other agreements with the holders of such bonds or motor vehicle license revenue anticipation certificates at the time of the issuance thereof concerning the security thereof and the rights of the holders thereof, all of which covenants and agreements shall constitute legally binding and irrevocable contracts with such holders and shall be fully enforceable by such holders in any court of competent jurisdiction.

(7) No such bonds or motor vehicle license revenue anticipation certificates shall ever be issued by the state board, except to refund outstanding bonds or motor vehicle license revenue anticipation certificates, until after the adoption of a resolution requesting the issuance thereof by the school board of the school district or board of trustees of the community college district on behalf of which the obligations are to be issued. The state board of education shall limit the amount of such bonds or motor vehicle license revenue anticipation certificates which can be issued on behalf of any school district or community college district to ninety percent (90%) of the amount which it determines can be serviced by the revenue accruing to the school district or community college district under the provisions of this amendment, and shall determine the reasonable allocation of the interest savings from the issuance of refunding bonds or motor vehicle license revenue anticipation certificates, and such determination shall be conclusive. All such bonds or motor vehicle license revenue anticipation certificates shall be issued in the name of the state board of education but shall be issued for and on behalf of the school board of the school district or board of trustees of the community college district requesting the issuance thereof, and no election or approval of qualified electors shall be required for the issuance thereof.

(8) The state board shall in each year use the funds distributable pursuant to this amendment to the credit of each school district or community college district only in the following manner and in order of priority:

a. To comply with the requirements of paragraph (1) of this subsection (d).

b. To pay all amounts of principal and interest maturing in such year on any bonds or motor vehicle license revenue anticipation certificates issued under the authority hereof, including refunding bonds or motor vehicle license revenue anticipation certificates, issued on behalf of the school board of such school district or board of trustees of such community college district; subject, however, to any covenants or agreements made by the state board concerning the rights between holders of different issues of such bonds or motor vehicle license revenue anticipation certificates, as herein authorized.

c. To establish and maintain a sinking fund or funds to meet future requirements for debt service or reserves therefor, on bonds or motor vehicle license revenue anticipation certificates issued on behalf of the school board of such school district or board of trustees of such community college district under the authority hereof, whenever the state board shall deem it necessary or advisable, and in such amounts and under such terms and conditions as the state board shall in its discretion determine.

d. To distribute annually to the several school boards of the school districts or the boards of trustees of the community college districts for use in payment of debt service on bonds heretofore or hereafter issued by any such school boards of the school districts or boards of trustees of the community college districts where the proceeds of the bonds were used, or are to be used, in the acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects in such school districts or community college districts and which capital outlay projects have been approved by the school board of the school district or board of trustees of the community college district, pursuant to the most recent survey or surveys conducted under regulations prescribed by the state board to determine the capital outlay needs of the school district or community college district. The state board shall have power at the time of issuance of any bonds by any school board of any school district or board of trustees of any community college district to covenant and agree with such school board or board of trustees as to the rank and priority of payments to be made for different issues of bonds under this subparagraph d., and may further agree that any amounts to be distributed under this subparagraph d. may be pledged for the debt service on bonds issued by any school board of any school district or board of trustees of any community college district and for the rank and priority of such pledge. Any such covenants or agreements of the state board may be enforced by any holders of such bonds in any court of competent jurisdiction.

e. To pay the expenses of the state board in administering this subsection (d), which shall be prorated among the various school districts and community college districts and paid out of the proceeds of the bonds or motor vehicle license revenue anticipation certificates or from the funds distributable to each school district and community college district on the same basis as such motor vehicle license revenues are distributable to the various school districts and community college districts.

f. To distribute annually to the several school boards of the school districts or boards of trustees of the community college districts for the payment of the cost of acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes in such school district or community college district as shall be requested by resolution of the school board of the school district or board of trustees of the community college district.

g. When all major capital outlay needs of a school district or community college district have been met as determined by the state board, on the basis of a survey made pursuant to regulations of the state board and approved by the state board, all such funds remaining shall be distributed annually and used for such school purposes in such school district or community college district as the school board of the school district or board of trustees of the community college district shall determine, or as may be provided by general law.

(9) Capital outlay projects of a school district or community college district shall be eligible to participate in the funds accruing under this amendment and derived from the proceeds of bonds and motor vehicle license revenue anticipation certificates and from the motor vehicle license revenues, only in the order of priority of needs, as shown by a survey or surveys conducted in the school district or community college district under regulations prescribed by the state board, to determine the capital outlay needs of the school district or community college district and approved by the state board; provided that the priority of such projects may be changed from time to time upon the request of the school board of the school district or board of trustees of the community college district and with the approval of the state board; and provided, further, that this paragraph (9) shall not in any manner affect any covenant, agreement or pledge made by the state board in the issuance by said state board of any bonds or motor vehicle license revenue anticipation certificates, or in connection with the issuance of any bonds of any school board or any school district, or board of trustees of any community college district.

(10) The state board shall have power to make and enforce all rules and regulations necessary to the full exercise of the powers herein granted and no legislation shall be required to render this amendment of full force and operating effect. The legislature shall not reduce the levies of said motor vehicle license revenues during the life of this amendment to any degree which will fail to provide the full amount necessary to comply with the provisions of this amendment and pay the necessary expenses of administering the laws relating to the licensing of motor vehicles, and shall not enact any law having the effect of withdrawing the proceeds of such motor vehicle license revenues from the operation of this amendment and shall not enact any law impairing or materially altering the rights of the holders of any bonds or motor vehicle license revenue anticipation certificates issued pursuant to this amendment or impairing or altering any covenant or agreement of the state board, as provided in such bonds or motor vehicle license revenue anticipation certificates.

(11) Bonds issued by the state board pursuant to this subsection (d) shall be payable primarily from said motor vehicle license revenues as provided herein, and if heretofore or hereafter authorized by law, may be additionally secured by pledging the full faith and credit of the state without an election. When heretofore or hereafter authorized by law, bonds issue pursuant to [(6)]Article XII, Section 18 of the Constitution of 1885, as amended prior to 1968, and bonds issued pursuant to Article XII, Section 9, subsection (d) of the Constitution as revised in 1968, and bonds issued pursuant to this subsection (d), may be refunded by the issuance of bonds additionally secured by the full faith and credit of the state.

(e) DEBT LIMITATION.

Bonds issued pursuant to this Section 9 of Article XII which are payable primarily from revenues pledged pursuant to this section shall not be included in applying the limits upon the amount of state bonds contained in Section 11, Article VII, of this revision.

(Note-Footnote numbers in this appendix refer to obsolete constitutional sections, and have no effect herein)

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State Board of Education of Florida (the "Board of Education") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance") in connection with the issuance of $__________ State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2011 Series A (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 6.02 of the Twenty-seventh Supplemental Authorizing Resolution adopted by the Board of Education on September 20, 2011, providing for the issuance of the Bonds (the "Resolution"). The Board of Education and the Division of Bond Finance covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Board of Education and the Division of Bond Finance 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 Board of Education, the Division of Bond Finance, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution and the Original Resolution adopted by the Board of Education on February 4, 1992, 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 Board of Education assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Board of Education 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 Vehicle License 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.

(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;
(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 tax liability, 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 Board of Education to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Board of Education 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 Board of Education's obligations hereunder.

(B) Methods 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 Board of Education's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board of Education 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 Board of Education chooses to include additional information not specifically required by this Disclosure Agreement, the Board of Education shall have no obligation under this Disclosure Agreement to update such information or include it in any such future submission.

Dated this ___ day of ________, 2011.

STATE BOARD OF EDUCATION OF FLORIDA	DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
By_______________________________	By____________________________________
Deputy Commissioner, Finance and Operations	Assistant Secretary

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APPENDIX I

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2011 Series A Bonds, Squire, Sanders & Dempsey (US) LLP, Bond Counsel, proposes to render its final opinion with respect to the 2011 Series A Bonds in substantially the following form:

State Board of Education
Tallahassee, Florida

State of Florida
State Board of Administration
Division of Bond Finance
Tallahassee, Florida

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the State Board of Education of Florida (the "Board of Education") of $___________ State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2011 Series A (the "2011 Series A Bonds"), dated the date of delivery, pursuant to Section 9(d) of Article XII of the Constitution of the State of Florida, as amended (herein referred to as the "School Capital Outlay Amendment"), and applicable statutes, including Chapters 1001 and 1010, Florida Statutes, Sections 215.57 215.83, Florida Statutes, and other applicable provisions of law, and a resolution duly adopted by the Board of Education on February 4, 1992 (the "Master Resolution"), as supplemented by the Twenty-seventh Supplemental Resolution duly adopted by the Board of Education on September 20, 2011 (hereinafter collectively referred to as the "Resolution"), authorizing the issuance of the 2011 Series A Bonds for and on behalf of certain School Boards of the School Districts and Boards of Trustees of the Community College Districts in Florida, as described in the Resolution, for the purpose of financing the cost of acquiring refunding a portion of the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2002 Series B and 2003 Series A, all as more particularly described in the Resolution. The documents in the Transcript include a certified copy of the Resolution. Capitalized terms used and not otherwise defined herein shall have the same meanings specified in the Resolution.

In our capacity as Bond Counsel, we have reviewed: the Resolution and a tax compliance certificate of the Board of Education, the attachments thereto, including a certificate of the original purchaser of the 2011 Series A Bonds (the "Purchaser"), each dated the date hereof (collectively the "Tax Certificate"); other certificates of the Board of Education, the Purchaser and others; and such other documents, opinions and other matters to the extent we deemed necessary to render the opinions set forth herein. We also have examined a copy of an unauthenticated 2011 Series A Bond.

Based upon this examination and the limitations stated below, we are of the opinion that, under existing law:

1. The 2011 Series A Bonds and the Resolution incorporated in the Transcript are valid, legal, binding and enforceable in accordance with their respective terms. The 2011 Series A Bonds are entitled to the benefits and security of the Resolution for the payment thereof in accordance with the terms of the Resolution.

2. The principal of, premium, if any, and interest on the 2011 Series A Bonds, together with the principal of, premium, if any, and interest on additional bonds issuable under the Resolution on a parity with the 2011 Series A Bonds are payable primarily from the state motor vehicle license taxes distributable for the account of such School Districts and Community College Districts in Florida, under the provisions of the School Capital Outlay Amendment (the "Motor Vehicle License Taxes"), and are additionally secured by the Full Faith and Credit of the State of Florida. The Series 2011 A Bonds are being issued on a parity with other Capital Outlay Bonds and Capital Outlay Refunding Bonds issued by the Board of Education pursuant to the Master Resolution.

3. The 2011 Series A Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

4. The interest on the 2011 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. We express no opinion as to any other tax consequences regarding the 2011 Series A Bonds.

Under the Code, portions of the interest on the 2011 Series A Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the 2011 Series A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we have assumed, without independent verification, and relied upon the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and the due and legal authorization and execution of those documents by, and the binding nature of those documents upon, any parties other than the Board of Education.

In rendering the opinions expressed in numbered paragraph 4, we have further assumed and relied upon compliance with the covenants of the Board of Education in the proceedings and documents we have examined. The accuracy of certain of the representations and certifications of the Board of Education, and compliance by the Board of Education with certain of those covenants of the Board of Education, may be necessary for interest on the 2011 Series A Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance of the 2011 Series A Bonds may cause interest on the 2011 Series A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the 2011 Series A Bonds and the enforceability of the 2011 Series A Bonds and the Resolution are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the 2011 Series A Bonds has concluded with their issuance on this date.

Respectfully submitted,

APPENDIX J

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 2011A Bonds. The 2011A 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 2011A 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** and **www.dtc.org**.

Purchases of the 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011A 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 2011A 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 2011A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2011A 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 2011A 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 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011A 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 2011A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2011A Bond documents. For example, Beneficial Owners of 2011A Bonds may wish to ascertain that the nominee holding the 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 Board of Education, 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 2011A 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 2011A 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 2011A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2011A Bonds.

For every transfer and exchange of beneficial interests in the 2011A 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 2011A Bonds, references herein to the Registered Owners or Holders of the 2011A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2011A Bonds unless the context requires otherwise.

The Division of Bond Finance, the Board of Education 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 2011A 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 2011A 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 2011A Bonds, or the purchase price of, any 2011A 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 2011A Bonds for partial redemption.

So long as the 2011A Bonds are held in book-entry only form, the Division of Bond Finance, the Board of Education 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 2011A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2011A Bonds;

(ii) giving notices of redemption and other matters with respect to the 2011A Bonds;

(iii) registering transfers with respect to the 2011A Bonds; and

(iv) the selection of the beneficial ownership interests in the 2011A 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 Board of Education and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2011A Bond as the absolute owner for all purposes, whether or not such 2011A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2011A Bonds will be payable upon presentation and surrender of the 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2011A Bonds on the Record Date.

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