This is a Preliminary Official Statement, subject to amendment and completion. These Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2012

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 2012A Bonds. Selected information is presented on this cover page for the convenience of the reader. ***To make an informed decision, a prospective investor should read this Official Statement in its entirety.*** Unless otherwise indicated, capitalized terms have the meanings given in Appendix D.

$262,310,000*
STATE OF FLORIDA
Full Faith and Credit
Department of Transportation
Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A

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

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

Tax Status In the opinion of Bond Counsel, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2012A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2012A Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2012A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest income or profits on debt obligations owned by corporations, as defined therein. See "TAX MATTERS".

Redemption The 2012A Bonds maturing on or after July 1, 2022, are subject to optional redemption. Certain of the 2012A Bonds may be subject to mandatory redemption, contingent upon the exercise of the Term Bonds option.

Security The 2012A Bonds are payable primarily from Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes, and are additionally secured by the full faith and credit of the State of Florida.

Lien Priority The lien of the 2012A Bonds on the Pledged Gas Taxes will be on a parity with the Outstanding Bonds and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2012A Bonds is $2,387,305,000*, including the principal amount of $558,165,000* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

Additional Bonds Additional Bonds payable on a parity with the 2012A Bonds from the Pledged Gas Taxes may be issued if the Annual Debt Service for all Bonds does not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2012A BONDS - Additional Bonds" herein for more complete information.

Purpose Proceeds will be used to refinance a portion of the outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A and Series 2003A, 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 2012A 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 2012A Bonds will not receive physical delivery of the 2012A Bonds.

Closing/Settlement It is anticipated that the 2012A Bonds will be available for delivery through the facilities of DTC in New York, New York approximately three weeks from the date bids are received.

Bond Registrar/ Paying Agent U.S. Bank Trust National Association, New York, New York.

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

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

Maturity Structure The 2012A 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
	July 1, 2013	$1,405,000			-
	July 1, 2014	8,670,000			-
	July 1, 2015	9,065,000			-
	July 1, 2016	9,465,000			-
	July 1, 2017	9,900,000			-
	July 1, 2018	10,350,000			-
	July 1, 2019	10,805,000			-
	July 1, 2020	11,300,000			-
	July 1, 2021	11,810,000			-
	July 1, 2022**	12,330,000			July 1, 2021 @ 100%
	July 1, 2023**	12,905,000			July 1, 2021 @ 100
	July 1, 2024**	12,750,000			July 1, 2021 @ 100
	July 1, 2025**	13,320,000			July 1, 2021 @ 100
	July 1, 2026**	13,915,000			July 1, 2021 @ 100
	July 1, 2027**	14,545,000			July 1, 2021 @ 100
	July 1, 2028**	15,200,000			July 1, 2021 @ 100
	July 1, 2029**	15,885,000			July 1, 2021 @ 100
	July 1, 2030**	16,595,000			July 1, 2021 @ 100
	July 1, 2031**	17,345,000			July 1, 2021 @ 100
	July 1, 2032**	18,125,000			July 1, 2021 @ 100
	July 1, 2033**	16,625,000			July 1, 2021 @ 100

BIDS FOR THE 2012A 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 2012A 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

GOVERNING BOARD OF THE DIVISION OF BOND FINANCE

GOVERNOR
RICK SCOTT
Chairman

ATTORNEY GENERAL
PAM BONDI
Secretary

CHIEF FINANCIAL OFFICER
JEFF ATWATER
Treasurer

COMMISSIONER OF AGRICULTURE
ADAM H. PUTNAM

J. BEN WATKINS III
Director
Division of Bond Finance

ANANTH PRASAD
Secretary
Department of Transportation

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

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

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TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to

$262,310,000*
STATE OF FLORIDA
Full Faith and Credit
Department of Transportation
Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of $262,310,000* State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A, dated the date of delivery thereof (the "2012A Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

The proceeds of the 2012A Bonds will be used to refinance all of the callable State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A and 2003A (collectively, the "Refunded Bonds"). 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 2012A Bonds are payable primarily from the Pledged Gas Taxes, consisting of certain designated motor fuel and diesel fuel (formerly special fuel) taxes and are additionally secured by the full faith and credit of the State of Florida (the "State"). See "SECURITY FOR THE 2012A BONDS" below for more detailed information.

The 2012A Bonds will be on a parity as to lien and security for payment from the Pledged Gas Taxes with several series of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, issued since 2002 (the "Outstanding Bonds"), and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2012A Bonds is $2,387,305,000*, including the principal amount of $558,165,000* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
Fax: (850) 413-1315
E-mail: bond@sbafla.com
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 2012A 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

*Preliminary, subject to change.

AUTHORITY FOR ISSUANCE OF THE 2012A BONDS

General Legal Authority

The 2012A Bonds are being issued by the Division of Bond Finance on behalf of the Department of Transportation (the "Department") pursuant to Article VII, Section 17 of the Florida Constitution, the State Bond Act, Sections 206.46, 215.605, and 337.276, Florida Statutes, as amended, and other applicable provisions of law. Article VII, Section 17 of the Florida Constitution provides that, when authorized by law, bonds pledging the full faith and credit of the State may be issued to finance or refinance the acquisition of real property or rights to real property for road right-of-way, bridge construction and purposes incidental thereto. This section also provides that such bonds will be primarily payable from motor fuel or special fuel (called diesel fuel in the Florida Statutes) taxes, but not from the taxes defined in Section 9(c) of Article XII of the Florida Constitution. No election or approval of qualified electors is required for the issuance of the 2012A Bonds.

Division of Bond Finance

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

State Board of Administration of Florida

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

Department of Transportation

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

Administrative Approval

The Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance, authorized the issuance and sale of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds (the "Bonds") by a resolution adopted on February 28, 1989, (as subsequently amended and supplemented, "the Resolution"). A resolution authorizing the issuance and sale of not exceeding $310,000,000 of refunding Bonds was adopted by the Governing Board of the Division of Bond Finance on March 20, 2012.

By a resolution adopted on March 2, 2012, the Department requested the Division of Bond Finance to issue refunding Bonds in an amount not exceeding $310,000,000. Certain resolutions are attached as appendices.

By a resolution adopted on March 20, 2012, the Board of Administration made the required determinations regarding the 2012A Bonds in the aggregate amount of $310,000,000 and approved the 2012A Bonds as to fiscal sufficiency.

DESCRIPTION OF THE 2012A BONDS

General

The 2012A Bonds are full faith and credit obligations of the State issued in the name of the Department of Transportation.

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

The 2012A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2012A 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 2012A Bonds. Individual purchases of the 2012A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2012A Bonds or any certificate representing their beneficial ownership interest in the 2012A Bonds. See Appendix N, "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS" for a description of DTC, certain responsibilities of DTC, the Department and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2012A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2012A Bonds maturing in the years 2013 through 2021, both inclusive, are not redeemable prior to their stated dates of maturity. The 2012A Bonds maturing in the year 2022 and thereafter (including any Term Bonds) are redeemable prior to their stated dates of maturity, without premium, at the option of the Division of Bond Finance, (i) in part, by maturities and/or Amortization Installments to be selected by the Division of Bond Finance, and by lot within a maturity and/or Amortization Installment if less than an entire maturity and/or Amortization Installment is to be redeemed, or (ii) as a whole, on July 1, 2021, or on any date thereafter, at the principal amount of the 2012A Bonds so redeemed, together with interest accrued to the date of redemption.

Mandatory Redemption

The 2012A 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 2012A Bonds in any two or more consecutive years will, in lieu of maturing in each of such years, be considered to comprise a single maturity of such 2012A 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 2012A 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 2012A Bonds maturing on July 1, 20_ (the "20__ Term Bonds"), are subject to mandatory redemption in part, by lot at par, on July 1, 20__, and on each July 1 thereafter to and including July 1, 20__, at the principal amount of the 20__ Term Bonds to be redeemed, without premium, plus accrued interest, from Amortization Installments in the years and amounts as follows:

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 2012A Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access System ("EMMA"), and will be mailed at least 30 days prior to the date of redemption to Registered Owners of the 2012A Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2012A Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2012A 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 2012A Bonds will not affect the validity of the call for redemption of any 2012A 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 Refunding Portion of the 2012A Bonds, together with other legally available moneys, will be used to refund all of the callable previously issued State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A maturing in the years 2013* through 2032*, inclusive, and Series 2003A maturing in the years 2014* through 2033*, inclusive, in the combined aggregate outstanding principal amount of $284,605,000* (the "Refunded Bonds"), and to pay costs of issuance. This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2012A Bonds, an agreement will be entered into to provide for the investment of the proceeds of the 2012A Bonds and other moneys, and the Division of Bond Finance will cause a portion of the proceeds of the 2012A Bonds, along with other legally available moneys, to be deposited in the State Treasury investment pool, a fund held and invested by the State Treasurer of Florida. The amount initially deposited, together with interest thereon, is expected to be sufficient to make all payments with respect to the Refunded Bonds. The Refunded Bonds will be economically defeased only; they will not be legally defeased but will remain Outstanding and will continue to be secured by the Pledged Revenues until redeemed.

The Refunded 2002A Bonds will be called for redemption by a separate redemption notice on July 1, 2012, and the Refunded 2003A Bonds will be called for redemption by a separate redemption notice on July 1, 2013, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date, plus the required redemption premium equal to one percent of the principal amount of the Refunded 2002A Bonds and the Refunded 2003A Bonds.

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* Preliminary, subject to change.

Estimated Sources and Uses of Funds

The table below presents the estimated sources and uses of funds based upon certain assumptions as to interest rates, costs of issuance and the purchase price of the 2012A Bonds, which will be determined upon the actual pricing of the 2012A Bonds.

Sources:	
Par Amount of 2012A Bonds	$262,310,000
Plus: Premium Bid[1]	37,410,679
Available Sinking Fund moneys	3,508,360
Total Sources	$303,229,039
Uses:	
Deposit of Refunding Proceeds	302,834,663
Cost of Issuance	394,376
Total Uses	$303,229,039

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

SECURITY FOR THE 2012A BONDS

The 2012A Bonds are payable primarily from and are secured by the Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund (the "STTF") and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund, and are additionally secured by the full faith and credit of the State. The 2012A Bonds are payable and secured on a parity with several series of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds. The aggregate principal amount of Bonds expected to be Outstanding subsequent to the issuance of the 2012A Bonds is $2,387,305,000*, including the principal amount of $558,165,000* of refunded Bonds that either have been or are anticipated to be economically but not legally defeased.

No Holders of the 2012A Bonds will be entitled to require the payment of the principal of or interest on the 2012A Bonds from any funds of the State, the Department of Transportation, or any other political subdivision or agency of said State, except from the Pledged Gas Taxes pledged for the payment thereof and moneys appropriated for such purpose pursuant to the pledge of the full faith and credit of the State.

Pledged Gas Taxes

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

Pursuant to Section 206.46(2), Florida Statutes, in each Fiscal Year a maximum of 7% of the revenues deposited into the State Transportation Trust Fund, payable from motor fuel and diesel fuel sales taxes, is transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund as needed to meet the debt service requirements on Outstanding Bonds. Notwithstanding the 7% annual transfer of funds authorized, revenues transferred shall not exceed the greater of an amount necessary to provide the required debt service coverage levels for annual debt service or $275 million. The limits on the transfer of funds for such purpose have

* Preliminary, subject to change.

been increased by the Legislature from time to time. See "HISTORY OF MOTOR AND DIESEL FUEL (FORMERLY SPECIAL FUEL) TAX RATES AND DISTRIBUTION" herein.

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

Full Faith and Credit of the State

The 2012A Bonds are additionally secured by a pledge of the full faith and credit of the State, and the State is unconditionally and irrevocably required to make all payments of the principal of and interest on the 2012A Bonds as the same mature and become due to the full extent that the Pledged Gas Taxes on deposit in the Sinking Fund are insufficient for such payments.

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

Reserve Account

The Resolution establishes a Reserve Account and subaccounts therein for individual series of Bonds to be funded at the discretion of the Division of Bond Finance. There are no funded subaccounts for any of the Outstanding Series of Bonds and the Division of Bond Finance has determined that there will be no funded subaccount for the 2012A Bonds.

Flow of Funds

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

The Department makes monthly transfers from the Right-of-Way Acquisition and Bridge Construction Trust Fund to the Board of Administration for deposit into the Debt Service Fund.

Application of Gas Tax Funds.

(A) All revenues in the Debt Service Fund will be applied in the following manner and order of priority:
(1) to the Board of Administration for deposit to the Interest Account to pay interest on the Bonds;

(2) to the Board of Administration for deposit to the Principal Account to pay the principal of the Bonds;

(3) to the Board of Administration for deposit to the Bond Amortization Account for Amortization Installments on the Bonds Outstanding, such payments to be on a parity with payments to the Principal Account;

(4) to the Board of Administration to each subaccount of the Reserve Account, if any, a sum if necessary to immediately restore any funds on deposit in each subaccount (No funded Reserve Subaccounts exist or are anticipated to be created. See "Reserve Account" above);

(5) for reimbursement to the State if moneys from its General Revenue Fund were used to satisfy debt service on the Bonds;

(6) moneys remaining after the required payments and deposits may be used for right-of-way acquisition or bridge construction, as provided by law.

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

Additional Bonds

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

The Act and the Resolution provide that no Additional Bonds will be issued unless the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, will not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service in any fiscal year. No Additional Bonds will be issued under the Resolution if any Event of Default will have occurred and continues thereunder. Additional Bonds, including the 2012A Bonds, will be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith) will be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Resolution. Except as provided in the Resolution, all Bonds, regardless of the time or times of their issuance, will rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

Future Financings

Based upon the current work plan and economic conditions, the Department tentatively plans to issue \$917 million of Additional Bonds in various series over the next ten years. The actual timing and amounts of these issues will be determined by the Department based upon the need for proceeds. The need for proceeds is based upon various factors including availability of revenues, current economic conditions and prevailing interest rates, all of which are continuously monitored by the Department to evaluate the need for revisions to the work plan. It is anticipated that issuance of the \$917 million in Additional Bonds during the next ten years will generate maximum annual debt service of \$209 million in Fiscal Year 2020-21, assuming the Refunded Bonds are called for redemption on July 1, 2012 and July 1, 2013, which is below the allowable maximum annual debt service of \$275 million; if the Refunded Bonds were treated as outstanding the maximum annual debt service would be \$256 million. **The projections are based on the best information available when the estimates are made, which is believed to be accurate**. **Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

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PLEDGED GAS TAXES AND DEBT SERVICE COVERAGE

Levy of Motor Fuel and Diesel Fuel Sales Taxes

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

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

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

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

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

Source: State of Florida Department of Revenue.

1 Includes only the motor fuel and diesel fuel sales taxes levied pursuant to Subsections 206.41(1)(g) and 206.87(1)(e), Florida Statutes. State law also imposes various other fuel taxes upon the sale of motor and diesel fuels. Although certain of these other fuel taxes are deposited into the Fuel Tax Collection Trust Fund or the State Transportation Trust Fund, they are not transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund from which debt service on the 2012A Bonds will be paid.

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

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

State of Florida
Projected Motor Fuel and Diesel Fuel Sales Tax Rates and Consumption[1]

Fiscal Year	Fuel Sales Tax Rate (cents per gallon)[2,3]	Consumption (gallons in millions)
2011-12	12.2 & 12.6	9,394.1
2012-13	12.6 & 12.8	9,552.4
2013-14	12.8 & 13.0	9,767.4
2014-15	13.0 & 13.3	10,027.1
2015-16	13.3 & 13.6	10,279.0
2016-17	13.6 & 13.8	10,513.6
2017-18	13.8 & 14.1	10,729.2
2018-19	14.1 & 14.3	10,939.6
2019-20	14.3 & 14.6	11,144.8
2020-21	14.6 & 14.8	11,349.2

Source: Florida Consensus Estimating Conference on Transportation Revenues, January, 2012.

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

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

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

Collection and Distribution of Motor Fuel and Diesel Fuel Sales Taxes

Motor fuel and diesel fuel sales taxes deposited to the Fuel Collection Trust Fund are distributed monthly to the State Transportation Trust Fund ("STTF") after deducting administrative costs, refunds, and other distributions.

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

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

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

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

State of Florida
Historical Motor Fuel and Diesel Fuel Sales Tax
Collections and Distributions
Accrual Basis[1]

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

Source: State of Florida Department of Revenue.

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

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

[3] An additional distribution of a portion of the motor fuel tax collections to the Marine Resource Conservation Trust Fund pursuant to Section 206.606(1), Florida Statutes, began in Fiscal Year 2003-04.

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The table below shows the forecast of motor and diesel fuel sales taxes and other State revenues which fund the State Transportation Trust Fund, as well as their respective percentage of total State Transportation Trust Fund revenues. Total State Transportation Trust Fund Revenues are used in calculating the maximum transfer for debt service in accordance with Section 206.46(2), Florida Statutes. See "SECURITY FOR THE 2012A BONDS -Pledged Gas Taxes" above.

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

	STTF State Revenues[1]				
Fiscal Year	**Motor and Diesel Fuel Sales Tax (millions)**	**Percent of Total STTF Revenues**	**Other State Revenues (millions)[2]**	**Percent of Total STTF Revenues**	**Total STTF Revenues (millions)**
2011-12	$1,094.2	41%	$1,602.4	59%	$2,696.6
2012-13	1,139.3	41	1,640.6	59	2,779.9
2013-14	1,184.6	40	1,814.3	60	2,998.9
2014-15	1,239.5	40	1,891.4	60	3,130.9
2015-16	1,301.3	40	1,983.0	60	3,284.3
2016-17	1,358.9	40	2,073.8	60	3,432.7
2017-18	1,411.7	40	2,154.3	60	3,566.0
2018-19	1,468.3	40	2,235.1	60	3,703.4
2019-20	1,521.6	40	2,312.1	60	3,833.7
2020-21	1,579.4	40	2,388.3	60	3,967.7

Source: Florida Consensus Estimating Conferences on Transportation and Documentary Stamp Tax Revenues held in January, 2012.

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

2 Includes all State revenues deposited to the State Transportation Trust Fund (except motor fuel and diesel fuel sales taxes levied pursuant to Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes), including documentary stamp tax revenues distributed to the State Transportation Trust Fund pursuant to Section 201.15(1)(c), Florida Statutes, net of the State Economic Enhancement Trust Fund transfers pursuant to Section 201.15, Florida Statutes. Such moneys are not pledged to pay debt service on the 2012A Bonds.

Historical and Pro Forma Debt Service Coverage

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

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

Fiscal Year	Motor Fuel and Diesel Fuel Sales Tax Transferred to STTF[1]	Actual Debt Service[2]	Debt Service Coverage
2006-07	$1,113,085,454	$120,096,136[3]	9.27x
2007-08	1,102,966,466	124,446,825	8.86x
2008-09	1,091,213,744	130,721,359	8.35x
2009-10	1,104,267,676	134,261,668[4]	8.22x
2010-11	1,107,572,964	143,330,426[5]	7.73x

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

2 Source: State Board of Administration of Florida Annual Reports for Fiscal Years 2006 through 2011.

3 Includes $111,595.52 of accrued debt service on the previously refunded 1996 Bonds.

4 Includes $8,360,061.72 of accrued debt service on the previously refunded 1999A Bonds.

5 Includes $2,047,807.65 of accrued debt service on the previously refunded 2002 and 2002A Bonds.

The following table shows the pro forma debt service coverage for the Outstanding Bonds and the 2012A Bonds, as well as the projected coverage on the currently allowed maximum amount of debt service.

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

Fiscal Year	Projected Motor & Diesel Fuel Sales Tax Available for Debt Service[1, 2] (000's)	Estimated Debt Service[3] (000's)	Pro Forma Debt Service Coverage[4]	Maximum Allowable Debt Service[5] (000's)	Pro Forma Debt Service Coverage[6]
2011-12	$1,094,200	$142,706	7.67x	$188,762	5.80x
2012-13	1,139,300	143,974	7.91x	194,593	5.85x
2013-14	1,184,600	143,740	8.24x	209,923	5.64x
2014-15	1,239,500	143,795	8.62x	219,163	5.66x
2015-16	1,301,300	143,791	9.05x	229,901	5.66x
2016-17	1,358,900	143,838	9.45x	240,289	5.66x
2017-18	1,411,700	143,894	9.81x	249,620	5.66x
2018-19	1,468,300	143,814	10.21x	259,238	5.66x
2019-20	1,521,600	143,919	10.57x	268,359	5.67x
2020-21	1,579,400	143,923	10.97x	275,000	5.74x

1 The projected fuel sales taxes are as adopted by the Florida Consensus Estimating Conference on Transportation Revenues, January 2012, and are rounded to the nearest hundred thousand dollars.

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

3 Excludes debt service of approximately $12.8 million in 2011-12, $38.8 million in 2012-13, $46.3 million annually in 2013-14 through 2022-23, $42.2 million annually in 2023-24 through 2030-31, $32.4 million in 2031-32 and $19.4 million in 2032-33 for the 2002, 2002A and 2003A Bonds which either were or will be refunded by the 2011A, 2011B and 2012A Bonds and will be called for redemption on July 1, 2012 and July 1, 2013. The Refunded Bonds are not anticipated to be legally defeased.

4 Coverage has been calculated by dividing the amount of Projected Motor and Diesel Fuel Sales Tax Available for Debt Service by the Estimated Debt Service. The Pro Forma Debt Service Coverage on Estimated Debt Service on Outstanding Bonds and 2012A Bonds would total 7.04x, 6.23x, 6.24x, 6.52x, 6.85x, 7.15x, 7.42x, 7.73x, 8.00x, and 8.30x for Fiscal Years 2011-12 through 2020-2021, respectively, if debt service on the refunded Series 2002, 2002A and 2003A Bonds is included in Estimated Debt Service.

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

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

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SCHEDULE OF ESTIMATED DEBT SERVICE

The following table shows the debt service on the Right-of-Way Acquisition and Bridge Construction Bonds which are estimated to be Outstanding subsequent to the refunding accomplished with the proceeds of the 2012A Bonds, the estimated debt service on the 2012A Bonds and estimated total debt service. Payments due on July 1 are deemed to accrue in the preceding Fiscal Year.

Fiscal Year Ended June 30	Outstanding Debt Service [1,2]	Series 2012A Estimated Debt Service [3] Principal	Interest	Total	Total Estimated Debt Service[2]
2012	$140,115,866 [4]	-	$2,590,574	$2,590,574	$142,706,439
2013	130,764,603	$1,405,000	11,803,950	13,208,950	143,973,553
2014	123,329,328	8,670,000	11,740,725	20,410,725	143,740,053
2015	123,379,571	9,065,000	11,350,575	20,415,575	143,795,146
2016	123,383,115	9,465,000	10,942,650	20,407,650	143,790,765
2017	123,421,015	9,900,000	10,516,725	20,416,725	143,837,740
2018	123,472,790	10,350,000	10,071,225	20,421,225	143,894,015
2019	123,403,728	10,805,000	9,605,475	20,410,475	143,814,203
2020	123,499,496	11,300,000	9,119,250	20,419,250	143,918,746
2021	123,501,853	11,810,000	8,610,750	20,420,750	143,922,603
2022	120,166,815	12,330,000	8,079,300	20,409,300	140,576,115
2023	119,234,660	12,905,000	7,524,450	20,429,450	139,664,110
2024	116,459,233	12,750,000	6,943,725	19,693,725	136,152,958
2025	106,067,158	13,320,000	6,369,975	19,689,975	125,757,133
2026	106,108,325	13,915,000	5,770,575	19,685,575	125,793,900
2027	96,463,381	14,545,000	5,144,400	19,689,400	116,152,781
2028	74,616,381	15,200,000	4,489,875	19,689,875	94,306,256
2029	66,090,088	15,885,000	3,805,875	19,690,875	85,780,963
2030	66,059,963	16,595,000	3,091,050	19,686,050	85,746,013
2031	66,014,600	17,345,000	2,344,275	19,689,275	85,703,875
2032	57,532,313	18,125,000	1,563,750	19,688,750	77,221,063
2033	48,596,525	16,625,000	748,125	17,373,125	65,969,650
2034	48,558,650	-	-	-	48,558,650
2035	28,931,988	-	-	-	28,931,988
2036	28,886,350	-	-	-	28,886,350
2037	28,846,688	-	-	-	28,846,688
2038	18,895,100	-	-	-	18,895,100
2039	18,894,100	-	-	-	18,894,100
2040	5,905,600	-	-	-	5,905,600
2041	5,907,200	-	-	-	5,907,200
	$2,486,506,478	$262,310,000	$152,227,274	$414,537,274	$2,901,043,752

1 The 2012A Bonds are issued on a parity as to lien and security for payment from the Pledged Gas Taxes with the Outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2002 through Series 2011B.

2 Excludes debt service of approximately $12.8 million in 2011-12, $38.8 million in 2012-13, $46.3 million annually in 2013-14 through 2022-23, $42.2 million annually in 2023-24 through 2030-31, $32.4 million in 2031-32 and $19.4 million in 2032-33 for the 2002, 2002A and 2003A Bonds which either were or will be refunded by the 2011A, 2011B and 2012A Bonds and will be called for redemption on July 1, 2012 and July 1, 2013. The Refunded Bonds are not anticipated to be legally defeased.

3 Preliminary, subject to change.

4 Includes approximately $4.1 million in accrued debt service on the Refunded Bonds and previously refunded bonds that will be paid from their respective escrow funds.

Note: Numbers may not add due to rounding.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

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

Negotiability

The 2012A Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Division of Bond Finance, the Board of Administration and the Department must continue to meet after the issuance of the 2012A Bonds in order that interest on the 2012A Bonds not be included in gross income for federal income tax purposes. The failure by the Division of Bond Finance, the Board of Administration or the Department to meet these requirements may cause interest on the 2012A Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Division of Bond Finance, the Board of Administration and the Department have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the 2012A Bonds from gross income for federal income tax purposes.

In the opinion of Bond Counsel, assuming continuing compliance by the Division of Bond Finance, the Board of Administration and the Department with the tax covenant referred to above, under existing statutes, regulations, rulings and court decisions interest on the 2012A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2012A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2012A Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that the 2012A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Except as described herein, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the 2012A Bonds. Prospective purchasers of 2012A Bonds should be aware that the ownership of 2012A Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2012A Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a 2012A Bond, (ii) the reduction of loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2012A Bonds, (iii) the inclusion of interest on the 2012A Bonds in the effectively connected earnings and profits (with adjustments) of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the 2012A Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2012A Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits.

From time to time, there are legislative proposals pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the 2012A Bonds, adversely affect the market price or marketability of the Series 2012A Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2012A Bonds.

Original Issue Premium and Discount

The 2012A Bonds maturing on July 1 in the years _______________ (the “Noncallable Premium Bonds”) and the 2012A Bonds maturing on July 1, _____ (the “Callable Premium Bonds”) were sold at a price in excess of the amount payable at maturity in the case of the Noncallable Premium Bonds or their earlier call date in the case of the Callable Premium Bonds. Under the Code, the difference between the amount payable at maturity of the Noncallable Premium Bonds and the tax basis to the purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (other than a purchaser who holds a Noncallable or Callable Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is “bond premium”. Bond premium is amortized for federal income tax purposes over the term of a Noncallable Premium Bond and over the period to the call date of a Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond. A purchaser of a Noncallable or Callable Premium Bond is required to decrease his adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year is determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Noncallable or Callable Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Noncallable or Callable Premium Bonds and with respect to the state and local consequences of owning and disposing of Noncallable or Callable Premium Bonds.

Under the Code, the difference between the principal amount of the 2012A Bonds maturing July 1 in the years _____________________ (the “Discount Bonds”) and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount. Original issue discount represents interest which is excluded from gross income to the same extent, and subject to the same considerations discussed above, as other interest on the 2012A Bonds. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded actuarially. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the cover page of the Official Statement for the Bonds will be treated as receiving an amount of interest excludable from gross income equal to the original issue discount accruing during the period he holds the Discount Bond, and will increase his adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Discount Bonds, which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the 2012A Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2012A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2012A Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the 2012A Bonds and proceeds from the sale of 2012A Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2012A Bonds. This withholding generally applies if the owner of 2012A Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2012A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes

The 2012A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2012A Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2012A Bonds for estate tax purposes.

The 2012A Bonds and the income thereon are subject to the tax imposed by Chapter 220, Florida Statutes, on interest, income, or profits on debt obligations owned by corporations and other specified entities.

RECENT STATE FINANCIAL DEVELOPMENTS

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

The financial information set forth below is unaudited. 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 below. No assurance is given that actual results will not differ materially from the estimates provided below.

Fiscal Year 2010-11

Revenues. General revenue collections for Fiscal Year 2010-11 were $22.6 billion, which was approximately $1.1 billion (4.8%) over Fiscal Year 2009-10 collections of $21.5 billion.

Budget. The final budget for Fiscal Year 2010-11 totaled $70.7 billion, an increase of $2.9 billion or 4.3% over the final budget for Fiscal Year 2009-10 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. The Fiscal Year 2010-11 ending balance in the General Fund was $746.4 million. Taking into account the Budget Stabilization Fund balance of $281.3 million, General Fund reserves totaled $1.03 billion or 4.6% of general revenues at fiscal year end. Additional reserve balances totaled $2.5 billion for Fiscal Year 2010-11, including $768 million in the Lawton Chiles Endowment Fund and $1.7 billion in various other trust funds. The inclusion of trust fund reserve balances brought the total reserves at fiscal year end to approximately $3.5 billion (15.6% of general revenues), which was a decrease from the total reserve balance of $4.0 billion (18.8% of general revenues) at the end of Fiscal Year 2009-10.

Fiscal Year 2011-12

Revenues. Estimated general revenue collections for Fiscal Year 2011-12 remained at $23.2 billion after the January 2012 Revenue Estimating Conference ("REC"), increasing by $46 million or 0.2% above the October 2011 REC forecast. The January 2012 REC forecast projects year-over-year general revenue growth of 3.1% for Fiscal Year 2011-12. The January 2012 adjustments to the general revenue forecast reflect the State's economy which remains in the early stages of an abnormally slow recovery.

General revenue collections of $14.7 billion for the eight month period ending February 29, 2012 were $75 million over estimate and were $576 million (4.1%) over collections during the same period of the prior fiscal year.

Budget and Reserves. The Fiscal Year 2011-12 budget totals $69.2 billion, a decrease of approximately $1.5 billion or 2.1% less than the adjusted Fiscal Year 2010-11 budget of $70.7 billion. 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.

At the January 2012 REC, the Fiscal 2011-12 year-end General Fund balance was projected to total approximately $994 million, and the Budget Stabilization Fund was estimated to increase to $496 million, with a $214.5 million transfer to the fund authorized in the budget. When including the Budget Stabilization Fund, General Fund reserves at fiscal year end were projected to total $1.5 billion, or 6.4% of general revenues. The Fiscal 2011-12 year-end trust fund reserve balances were estimated to total $1.4 billion, including an estimated $657 million in the Lawton Chiles Endowment Fund and $781 million in various other trust funds. The inclusion of trust fund reserve balances increased the estimated total reserves to approximately $2.9 billion, or 12.6% of general revenues at fiscal year end. Subsequent to the January 2012 REC, the 2012 Legislature adopted the Fiscal Year 2012-13 General Appropriations Act which contains items that, if approved by the Governor, will decrease the projected Fiscal 2011-12 year-end General Fund and trust fund reserve balances. See the following paragraph for more details.

The Fiscal Year 2012-13 General Appropriations Act includes adjustments to Fiscal Year 2011-12 General Fund and trust fund appropriations of approximately $252 million and $24 million, respectively, primarily to cover projected current-year deficits. The Legislature also authorized a $120 million transfer from the General Fund and a $130 million transfer from the Educational Enhancement Trust Fund to pay for previously authorized public education capital outlay projects. These budget adjustments and transfers will be sent to the Governor for review and are subject to his line-item veto powers; therefore, they are preliminary and subject to change. If these budget adjustments and transfers are signed into law, the estimated Fiscal 2011-12 year-end General Fund and trust fund balances would decrease to approximately $622 million and $1.3 billion, respectively. When including the projected year-end balance in the Budget Stabilization Fund of $496 million, estimated total reserves at the end of Fiscal Year 2011-12 would be approximately $2.4 billion.

Fiscal Year 2012-13

Revenues. The January 2012 REC maintained the general revenue forecast for Fiscal Year 2012-13 at $24.5 billion, decreasing the estimate by $19.9 million or 0.1% below the October 2011 REC forecast. The January 2012 REC forecast projects year-over-year general revenue growth of 5.4% for Fiscal Year 2012-13.

Budget & Reserves. The 2012 legislative session ended March 9, 2012 with the State Legislature adopting the General Appropriations Act for Fiscal Year 2012-13 (the "Budget") totaling $70.0 billion, an increase of approximately $800 million or 1.2% more than the adopted prior fiscal year budget of $69.2 billion. The General Fund budget totals $24.8 billion and will be primarily funded with general revenue collections and $542 million in trust fund transfers, including a $350 million transfer from the Lawton Chiles Endowment Fund. The Budget includes a $214.5 million transfer to the Budget Stabilization Fund, which would increase the Budget Stabilization Fund balance to $710.5 million at June 30, 2013. Estimates of Fiscal Year 2012-13 year-end balances for the General Fund, the Lawton Chiles Endowment Fund and other trust funds are not yet available.

The Budget was presented to the Governor on April 6, 2012. The Governor has until April 21, 2012 to: sign the bill into law; veto the entire bill; veto individual line item appropriations; or do nothing which will result in the bill becoming law without the Governor's signature. Because the Budget is still subject to the veto powers of the Governor, no representations can be made as to whether the final budget will differ materially from the Budget passed during the 2012 legislative session. Additionally, there may be other substantive legislation that, if enacted, may impact estimated revenues or approved spending authority.

Proposed Constitutional Amendment: Revision to State Government Revenue Limitation. Florida's 2012 ballot for the General Election will include a proposed amendment to the Florida Constitution that replaces the existing state revenue limitation based on Florida personal income growth with a new state revenue limitation based on inflation and population changes. The amendment revises the base year for determining the revenue limitation to Fiscal Year 2013-14 and modifies the definition of "state revenues" subject to the limitation to include revenues used to pay debt service for bonds issued by the State after June 30, 2012 and exclude receipts of Citizens Property Insurance Corporation and public universities and colleges. The Legislature would be able to override the state revenue limitation through a bill approved by a super majority vote of each house. The Legislature would also be permitted to submit a proposed increase in the state revenue limitation to the voters. Analysis indicates that over time, the proposed state revenue limitation potentially constrains growth in state revenues more than the current limitation. However, the proposed amendment will not affect the State's ability to meet its annual debt service obligations. If approved by the electors, the constitutional amendment will first apply to Fiscal Year 2014-15.

Pension Litigation: A Florida Circuit Court has ruled that the Legislature acted improperly in enacting a 3% employee contribution for participation in the Florida retirement system and in eliminating a cost-of-living adjustment for pension benefits earned after July 1, 2011. The court enjoined the State from continuing these changes and ordered the State to reimburse employees for contributions which were previously deducted from salaries.

The State has appealed the decision. The appeal has been certified directly to the Florida Supreme Court as involving an issue of great public importance which requires immediate resolution. The appeal resulted in an automatic stay of the decision until a higher court rules on the appeal.

The State is confident in its arguments before the Circuit Court and believes that controlling Florida Supreme Court precedent dictates that the law implementing pension reform is constitutional. However, no provision has been made in the State's budget for the 2012-2013 fiscal year for the payment of any amounts resulting from an adverse ruling by the Florida Supreme Court. If upheld, the decision could cost the State an estimated $530 million to reimburse employees for Fiscal Year 2011-12 contributions and could also increase the State's actuarial liability by an estimated $473 million for Fiscal Year 2011-12 due to the reinstatement of the cost-of-living adjustment. Potential costs to the State in future fiscal years have not yet been determined and the estimates provided above have not been reviewed by an actuary.

MISCELLANEOUS

Variable Rate Debt and Derivatives

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

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2012A Bond proceeds (net of issuance costs) will be deposited as described above under the heading "THE REFUNDING PROGRAM".

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

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of December 31, 2011, the ratio was approximately 52% internally managed funds, 36% externally managed funds, and 12% Certificates of Deposit and Security Lending. The total portfolio market value was $19,802,538,327.72 on December 31, 2011.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of December 31, 2011, $10.229 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 $7.413 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 $2.4 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 December 31, 2011, the Board of Administration directed the investment/administration of 38 funds in over 480 portfolios.

As of December 31, 2011, the total market value of the FRS (Defined Benefit) Trust Fund was $118,235,090,454. 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 December 31, 2011, the total market value of these funds equaled $30,943,743,416. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

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

Bond Ratings

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of ___, ___ and ___, respectively, to the 2012A 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 2012A 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 2012A Bonds.

Verification of Mathematical Calculations

The arithmetical accuracy of the mathematical computations supporting the adequacy of the funds deposited to redeem the Refunded Bonds to pay the principal of, redemption premium and interest on the Refunded Bonds and the arithmetical accuracy of the mathematical computations relating to the investment of funds in the Escrow Deposit Trust Fund, supporting the conclusion that the 2012A 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 2012A Bonds.

Litigation

Currently there is no litigation pending, or to the knowledge of the Department or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2012A Bonds or questioning or affecting the validity of the 2012A Bonds or the proceedings and authority under which such 2012A Bonds are to be issued. The Department and the Division of Bond Finance from time to time engage in certain routine litigation the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2012A Bonds. There is litigation pending against the State concerning employee contributions to the Florida Retirement System and pension benefits. See "RECENT STATE FINANCIAL DEVELOPMENTS - *Pension Litigation*" herein.

Legal Opinion and Closing Certificates

The legal opinion of Greenberg Traurig, P.A., Miami, Florida, approving certain legal matters, will be provided on the date of delivery of the 2012A Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2012A Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading will also be provided on the date of delivery of the 2012A Bonds. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix M.

Continuing Disclosure

The Department will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2012A Bonds to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the "MSRB") using its Electronic Municipal Market Access System ("EMMA"). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix L, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

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

Underwriting

___________________ (the "Underwriters") have agreed to purchase the 2012A Bonds at an aggregate purchase price of $______________ (which represents the par amount of the 2012A Bonds [plus][minus] an original issue [premium][discount] of $________________ and minus the Underwriters' discount of $____________) plus accrued interest from the date of delivery thereof. The Underwriters may offer and sell the 2012A Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering prices. The offering prices or yields on the 2012A Bonds set forth on the inside front cover may be changed after the initial offering by the underwriters.

Execution of Official Statement

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

DIVISION OF BOND FINANCE of the STATE BOARD OF ADMINISTRATION

RICK SCOTT
Governor, as Chairman of the Governing Board

J. BEN WATKINS III
Director, Division of Bond Finance

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

1981 - Motor and special fuels are subject to excise taxes levied pursuant to the provisions of Chapter 206, Florida Statutes. Motor fuels are taxed at the rate of six cents per gallon pursuant to Section 206.41, Florida Statutes, consisting of the "first gas tax" of four cents and the "second gas tax" of two cents. Motor fuels are subject to an additional one cent of tax pursuant to Section 206.60 (the "seventh cent"), and another one cent of tax pursuant to Section 206.605 (the "eighth cent") (the seventh cent and the eighth cent are together referred to as the "second gas tax"). Special fuels are taxed pursuant to the provisions of Section 206.87 at the rate of eight cents per gallon. Gasohol, which is a motor fuel, is exempt from the "first gas tax" pursuant to Section 206.415 and from the seventh cent pursuant to Section 206.60. The proceeds of the "first gas tax" are distributed to the Department of Transportation. The proceeds of the "second gas tax" are distributed pursuant to Article XII, Section 9(c) of the Florida Constitution of 1968. Pursuant to Section 215.20, Florida Statutes, certain moneys (including some motor and special fuel tax moneys) and trust funds are subject to a service charge that contributes to the cost of general government paid from the General Revenue Fund.

1983 - The "first gas tax" is abolished and the "second gas tax" is renamed the "constitutional gas tax." The motor fuel tax imposed pursuant to Section 206.41 is reduced from four cents to two cents. The special fuels tax imposed pursuant to Section 206.87 is reduced to four cents. Part II of Chapter 212 is created pursuant to Chapter 83-3, Laws of Florida, which imposes sales taxes on motor and special fuels. The tax is imposed on motor and special fuels at the rate of 5% of the total retail price, which is initially determined by the Legislature to be $1.148 per gallon. The total retail price is to be adjusted on June 1 of each year, beginning June 1, 1985, based on the percentage change in the average monthly gasoline price component of the Consumer Price Index for the most recent 12 month period ending March 31, compared to said average for the 12 month period ending March 31, 1984. Chapter 83-3 exempted gasohol from the payment of the entire tax imposed by Part II of Chapter 212 from April 1, 1983, through June 30, 1985, and from 50% of such tax from July 1, 1985, through June 30, 1987. Taxes collected pursuant to Part II of Chapter 212 are to be deposited in the Gas Tax Collection Trust Fund created by Section 206.45. Said moneys, exclusive of the service charge imposed by Section 215.20 and of any refunds granted by Section 212.92, shall be distributed to the State Transportation Trust Fund, except that $2.8 million shall be transferred to the Department of Natural Resources. Not less than 10% of the moneys transferred to the State Transportation Trust Fund pursuant to Section 212.95 shall be allocated by the Department of Transportation for public transit and rail capital projects.

1984 - Section 212.63, Florida Statutes, was amended to provide that the exemption from the tax imposed pursuant to Part II of Chapter 212 for gasohol shall be repealed on July 1, 1987. Section 212.69 was amended to provide that the distribution of the proceeds of the tax collected pursuant to Part II of Chapter 212 to the Department of Natural Resources was increased from $2.8 million to $3.8 million.

1985 - Section 212.62, Florida Statutes was amended to provide that the tax collected thereunder shall not be less than 5.7¢ per gallon and provides that the appropriate sales tax shall be calculated by July 1 of each year.

1987 - Chapter 87-6, Laws of Florida, added paragraph (1)(b) to Section 206.87, Florida Statutes, which imposed an additional five cents excise tax on special fuels, beginning July 1, 1987. This tax was repealed by Chapter 87-548, Laws of Florida, as of January 1, 1988.

1988 - Section 206.46, Florida Statutes, was amended by Chapter 88-247, Laws of Florida, to provide that $30 million in Fiscal Year 1988-1989 and $50 million in each fiscal year thereafter shall be transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund to pay debt service on bonds issued pursuant to Section 215.605, Florida Statutes.

1990 - Part II of Section 212, Florida Statutes, was amended by Chapter 90-136, Laws of Florida, to provide that the adjustment to the sales tax on motor and special fuels based on the change in the average of the Consumer Price Index (no longer just the monthly gasoline price component) would be made on January 1, beginning January 1, 1991, based on the most recent 12 month period ending on September 30, compared to the base year average, which is the average for the 12 month period ending September 30, 1989. Section 212.62, was also amended to increase the sales tax rate to 6%, with a minimum rate of six and nine-tenth cents per gallon. In addition, Chapter 90-136, Laws of Florida, created the State Comprehensive Enhanced Transportation System tax, which is levied in counties which levy a voted or local option gas tax.

1992 - Section 212.69, Florida Statutes, was amended by Chapters 92-152 and 92-308, Laws of Florida, to increase the annual transfers of taxes to the Department of Environmental Protection from $3.8 million to $7.55 million and to require an annual transfer of $1.25 million to the Game and Freshwater Fish Commission. Effective July 1, 1993, Section 212.69 was amended to additionally require an annual transfer of $1.5 million to the Board of Regents.

1995 - Chapter 95-417, Laws of Florida, consolidated the imposition of taxes on motor fuel into a single statutory section; amended statutes referring to "special fuel" to refer to the term "diesel fuel" instead; consolidated the imposition of taxes on diesel fuel primarily into a single statutory section; and amended statutory references to "gas taxes" to refer to "fuel taxes" instead, including references to the Gas Tax Collection Trust Fund, which is now the Fuel Tax Collection Trust Fund. Section 206.46, Florida Statutes, was amended by Chapter 95-257, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $50 million to an amount not exceed to $100 million or an amount equal to 5% of the revenues deposited into the State Transportation Trust Fund, whichever is less.

1996 - Section 206.46, Florida Statutes, was amended by Chapters 96-320 and 96-323, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $100 million to an amount not to exceed $115 million or an amount equal to 6% of the revenues deposited into the State Transportation Trust Fund if such percentage is less than the $115 million.

1999 - Section 206.46, Florida Statutes, was amended by Chapter 99-385, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds. The annual amount transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund may not exceed an amount necessary to provide the required debt service coverage levels for a maximum debt service not to exceed $135 million. The amendment also raised to 7% the percentage of STTF funds which can be transferred, in order to provide for constitutional coverage requirements.

2000 - Section 215.211, Florida Statutes, created by Chapter 2000-257, Laws of Florida, eliminated the 7% and 0.3% service charges which were previously deducted from the diesel fuel sales tax and the fuel sales tax prior to distribution to the STTF.

2002- Section 206.46, Florida Statutes, was amended by Chapter 2002-20, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $135 million to $200 million.

2003- Section 206.606, Florida Statutes, was amended by Chapter 2003-156, Laws of Florida, to provide for a distribution of moneys from the Fuel Tax Collection Trust Fund to the Marine Resources Conservation Trust Fund, in the amount of $2.5 million in Fiscal Year 2003-04; $5.0 million in Fiscal Year 2004-05; $8.5 million in Fiscal Year 2005-06; $10.9 million in Fiscal Year 2006-07; and $13.4 million in Fiscal Year 2007-08 and each year thereafter. The transferred taxes are attributable to taxes from a portion of the sale of motor and diesel fuel at marinas.

2004- As a result of legislation during the 2004 Legislative session, motor fuel taxes in Florida were reduced by 8 cents per gallon from August 1, 2004 through August 31, 2004. Diesel fuel tax rates did not change. An appropriation of $58 million was made from the General Revenue Fund to the State Transportation Trust Fund to compensate for the reduction in revenues.

2005- Section 206.46, Florida Statutes, was amended by Chapter 2005-290, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $200 million to $275 million. Chapter 2005-290, Laws of Florida, also amended Section 201.15(1), Florida Statutes, to require the transfer of $541,750,000 from documentary stamp tax collections to the STTF in each Fiscal Year, beginning in Fiscal Year 2005-2006, as well as a one time transfer of $575,000,000 in Fiscal Year 2005-2006.

2007- Section 206.41, Florida Statutes, was amended by Chapter 2007-31, Laws of Florida, to provide for refunds of motor fuel taxes collected on sales of motor fuel for commercial aviation purposes.

2008- Section 201.15(1), Florida Statutes, was amended by Chapter 2008-114, Laws of Florida, to provide that the amount of documentary stamp moneys to be transferred to the STTF shall be changed from $541,750,000 in each Fiscal Year to a variable amount based on documentary stamp tax collections, with a maximum transfer of $541,750,000 in each Fiscal Year.

2011- Subsection 201.15(1)(c)1, Florida Statutes, was amended by Chapter 2011-142, Laws of Florida, to provide that, of the documentary stamp taxes designated to be distributed to the State Transportation Trust Fund pursuant to that subsection, $50 million shall first be transferred to the State Economic Enhancement and Development Trust Fund within the Department of Economic Opportunity prior to any distribution to the State Transportation Trust Fund, beginning in Fiscal Year 2012-13. The amount so transferred shall be increased to $65 million in Fiscal Year 2013-14 and then to $75 million in Fiscal Years 2014-15 and thereafter.

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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 18.91 million as of April 1, 2011. This represents a 0.55% increase from April 1, 2010.

While the State's population has grown by 18.3% between 2000 and 2011, annual population growth has slowed considerably in recent years. Florida's average annual population growth rate was 2.0% from 2000 to 2008, 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 0.52% between 2009 and 2011, compared to the relatively stable average annual growth rate for the US of .78% 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 17.3% of the State's population and is projected to increase to 20.5% 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 61.4% of total population and is expected to decline to 59.1% 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)	21,022	11.8	341,387	10.6

Source: Office of Economic and Demographic Research, The Florida Legislature (November, 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%	1,073,506	5.7%	1,175,810	5.5%	1,317,447	5.5%
5 to 17	2,700,597	16.9%	2,928,585	15.6%	3,173,308	14.9%	3,444,211	14.4%
18-24	1,330,636	8.3%	1,739,657	9.3%	1,831,811	8.6%	1,987,752	8.3%
25-44	4,569,515	28.6%	4,720,799	25.1%	5,261,582	24.7%	5,942,571	24.9%
45-64	3,628,573	22.7%	5,079,161	27.6%	5,516,572	25.9%	5,426,479	22.7%
65+	2,807,650	17.6%	3,259,602	17.3%	4,367,714	20.5%	5,759,429	24.1%
Total	15,982,824		18,801,310		21,326,797		23,877,889	

Source: Office of Economic and Demographic Research, The Florida Legislature. (Demographic Estimating Conference Database, January, 2012)

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 2001 through 2011.

Florida Housing Starts and Construction Value: 2001-2011[1]

	Housing Starts (thous)		Construction Value (millions of current dollars)			
Year	Single Family	Multi-Family	Single Family	Multi-Family	Non-Residential	Total
2001	107.6	61.6	$16,569.4	$5,073.4	$17,750.6	$39,393.4
2002	122.5	64.0	20,313.5	5,763.6	16,498.1	42,575.1
2003	146.7	68.8	25,615.4	7,052.4	17,111.1	49,778.8
2004	172.4	81.6	31,956.0	9,404.6	17,450.3	58,810.9
2005	193.1	93.6	39,349.7	13,249.4	19,111.5	71,710.6
2006	132.6	84.1	30,251.0	11,472.8	22,002.9	63,726.6
2007	63.8	54.3	15,484.4	6,575.2	28,431.6	50,491.3
2008	34.5	25.3	9,110.1	3,015.8	20,268.5	32,394.4
2009	24.6	7.7	6,513.0	943.7	17,591.9	25,048.6
2010	29.0	9.5	7,708.0	1,058.4	15,869.4	24,635.7
2011	29.3	11.9	8,211.6	1,419.1	12,656.2	22,286.8

Source: Office of Economic and Demographic Research, The Florida Legislature, March, 2012.
[1] Data is subject to revision on a monthly basis for up to five years.

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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 8.20 million in 2010-11, the unemployment rate increased from 11.1% in 2009-10 to 11.4% 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, and it is projected that this will continue in Fiscal Year 2011-12.

The total number of non-agricultural jobs in Florida has decreased over the past five years by 9.1% from 8.0 million in 2006 to 7.3 million in 2011. However, total non-agricultural jobs increased from 7.2 million in 2010 to 7.3 million in 2011.

Unemployment Rate, Florida vs. U.S.
Fiscal Years 2002-2012

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.
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	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11	9,252.2	153,700.0	8,195.6	139,400.0	11.4	9.3
2011-12*	9,233.7	154,200.0	8,258.9	140,300.0	10.6	9.0

Source: Office of Economic and Demographic Research, The Florida Legislature (December, 2011)
* Projected. Preliminary, subject to change.

Composition of Nonagricultural Employment
Florida and the Nation
2006 and 2011 [1]
(thousands)

	2006				2011			
	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	6.6	0.1	684.0	0.5	5.7	0.1	784.0	0.5
Construction	682.2	8.5	7,691.0	5.7	330.1	4.5	5,504.0	4.2
Manufacturing	416.4	5.2	14,155.0	10.4	311.2	4.3	11,733.0	8.9
Transportation & Warehousing	226.9	2.8	4,469.6	3.3	209.0	2.9	4,292.2	3.3
Utilities	24.0	0.3	548.5	0.4	22.4	0.3	555.2	0.4
Wholesale Trade	351.3	4.4	5,904.0	4.3	308.7	4.2	5,528.8	4.2
Retail Trade	1,022.1	12.8	15,353.3	11.3	954.9	13.1	14,642.9	11.1
Information	161.7	2.0	3,038.0	2.2	134.3	1.8	2,659.0	2.0
Financial Activities	554.7	6.9	8,328.0	6.1	482.9	6.6	7,681.0	5.8
Professional & Business Services	1,158.0	14.5	17,566.0	12.9	1,051.6	14.5	17,331.0	13.2
Education & Health Services	996.5	12.5	17,826.0	13.1	1,104.4	15.2	19,884.0	15.1
Leisure & Hospitality Services	964.7	12.1	13,110.0	9.6	954.0	13.1	13,320.0	10.1
Other Services	338.0	4.2	5,438.0	4.0	307.0	4.2	5,342.0	4.1
Government	1,099.3	13.7	21,974.0	16.1	1,095.5	15.1	22,104.0	16.8
Total Non-farm	8,002.4		136,086.0		7,271.5		131,359.0	

Source: US Department of Labor, Bureau of Labor Statistics. (April, 2012)
[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 2011, accounting for 4.4% of total U.S. exports of goods. The State's international merchandise trade (imports and exports) totaled $149.2 billion in 2011, an increase of 18.2% over 2010. The State's merchandise exports increased by 18.7% between 2010 and 2011, and imports increased by 17.4%. During the same period, the nation's exports increased by 15.9% and imports increased by 15.4%.

The State's top five exports for 2011 were precious metals, aircraft, vehicles, telecommunications equipment, and computers. The top imports were oil, gold, vehicles, refined copper and alloys, and electronics. Florida's top trading partners for 2011 were Brazil, Colombia, China, Venezuela and Switzerland.
(Source: Enterprise Florida, March 2012)

Florida's International Trade: 2001-2011

(millions of U.S. dollars)

Year	Exports	% Change	Imports	% Change
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
2011	86,753	18.7	62,413	17.4

Source: Enterprise Florida. (March, 2012)

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

0.25% to the Department of Environmental Protection Water Quality Assurance Trust Fund;

0.25% 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;
0.5% / $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 and 2015-16
including results of the January 12, 2012 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	23,122.1	119.4	23,241.5
Transfers from trust funds	0.0	391.6	391.6
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	(0.3)	0.0	(0.3)
Total 2011-12 funds available	$23,121.8	$1,259.4	$24,381.2
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]	$322.5	$671.4	$993.8
FUNDS AVAILABLE 2012-13			
Balance forward from 2011-12	$0.0	$993.8	$993.8
Estimated revenues	24,252.8	254.1	24,506.9
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	$24,252.6	$1,342.9	$25,595.5
FUNDS AVAILABLE 2013-14			
Estimated revenues	$25,786.3	$331.3	$26,117.6
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	$25,786.1	$426.3	$26,212.4
FUNDS AVAILABLE 2014-15			
Estimated revenues	$27,458.9	$121.9	$27,580.8
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	$27,457.7	$216.9	$27,674.6
FUNDS AVAILABLE 2015-16			
Estimated revenues	$28,901.3	$0.0	$28,901.3
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 2015-16 funds available	$28,900.1	$95.0	$28,995.1

Source: Office of Economic and Demographic Research.

1 Based on January 12, 2012 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 January 12, 2012, $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 January 12, 2012 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	Actual	% 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%	$17,269.7	3.8%	$18,101.4	4.8%	$19,225.9	6.2%	$20,553.2	6.9%
Beverage Tax & Licenses	585.7	550.8	(6.0)	497.1	(9.7)	473.4	(4.8)	444.6	(6.1)	405.8	(8.7)
Corporate Income Tax	1,790.0	1874.5	4.7	1,959.3	4.5	2,159.1	10.2	2,351.3	8.9	2,358.4	0.3
Documentary Stamp Tax[2]	143.3	167.2	16.7	181.9	8.8	224.5	23.4	441.3	96.6	494.4	12.0
Tobacco Tax	205.8	213.4	3.7	200.2	(6.2)	198.5	(0.8)	197.6	(0.5)	197.3	(0.2)
Insurance Premium Tax	649.2	660.5	1.7	635.6	(3.8)	639.2	0.6	660.6	3.3	646.5	(2.1)
Pari-Mutuels Tax	27.7	30.8	11.2	23.7	(23.1)	22.2	(6.3)	26.2	18.0	25.8	(1.5)
Intangibles Tax	158.7	162.5	2.4	164.7	1.4	180.3	9.5	212.2	17.7	247.8	16.8
Interest Earnings	118.1	135.6	14.8	111.3	(17.9)	109.4	(1.7)	117.3	7.2	174.7	48.9
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	1,025.4	6.2	1,076.6	5.0	1,080.8	0.4	1,077.7	(0.3)
Medical & Hospital Fees	210.2	208.6	(0.8)	222.8	6.8	286.8	28.7	328.9	14.7	362.0	10.1
Severance Taxes	13.0	18.6	43.1	18.5	(0.5)	18.7	1.1	20.7	10.7	19.9	(3.9)
Corporation Filing Fees	238.1	273.6	14.9	255.5	(6.6)	259.8	1.7	261.9	0.8	264.2	0.9
Service Charges	435.2	462.5	6.3	444.1	(4.0)	462.6	4.2	470.1	1.6	481.8	2.5
Other Taxes, Licenses & Fees	437.5	375.6	(14.1)	374.1	(0.2)	368.9	(1.5)	363.6	(1.4)	359.1	(1.2)
Less: Refunds	(537.8)	(326.1)	(39.4)	(288.5)	(11.5)	(295.7)	2.5	(311.4)	5.3	(314.8)	1.1
Net General Revenue:[3]	$21,523.1	$22,551.6	4.8%	$23,241.5	3.1%	$24,506.9	5.4%	$26,117.6	6.6%	$27,580.7	5.6%

Source: Office of Economic and Demographic Research, January 12, 2012 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 2008-09 through 2012-13
(In Millions of Dollars)

Program	2008-09		2009-10		2010-11		2011-12		2012-13	
General Revenue	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
Education	$12,932.9	$8.8	$11,377.2	$10.9	$12,494.9	$6.4	$11,887.1	$29.3	$12,680.1	$9.4
Human Services	7,147.6	-	5,200.6	-	6,703.4	5.4	7,012.8	1.4	7,665.3	7.9
Criminal Justice & Corrections	3,521.6	343.9	3,487.5	45.5	3,420.9	74.4	3,269.7	74.7	3,065.6	70.5
Natural Resources, Environment Growth Mngmt, & Transportation	256.0	21.2	168.7	0.5	158.6	24.4	166.3	63.0	174.2	51.4
General Government	961.9	25.8	763.4	4.9	847.7	6.7	612.4	18.4	681.1	29.7
Judicial Branch	403.7	-	134.6	-	46.9	-	47.6	-	330.4	1.0
Total General Revenue	$25,223.7	$399.7	$21,132.0	$61.8	$23,672.4	$117.3	$22,995.9	$186.8	$24,596.7	$169.9
Trust Funds										
Education	$5,214.0	$2,948.4	$7,947.1	$1,937.2	$7,666.6	$2,347.3	$6,214.5	$1,769.7	$5,966.7	$1,630.2
Human Services	16,129.4	95.7	20,824.8	17.9	21,754.7	18.8	22,927.3	49.7	22,220.6	19.0
Criminal Justice & Corrections	659.9	0.5	1,221.4	1.0	1,155.6	-	1,134.0	-	1,055.2	-
Natural Resources, Environment Growth Mngmt, & Transportation	2,908.0	8,906.8	2,375.0	6,749.3	2,478.7	7,116.9	2,150.4	8,479.3	2,728.4	8,375.8
General Government	3,567.4	112.8	3,729.0	222.6	3,554.9	78.8	3,290.4	67.0	3,058.6	100.8
Judicial Branch	34.6	-	316.7	-	415.1	0.4	411.6	-	114.8	-
Total Trust Funds	$28,513.3	$12,064.2	$36,414.0	$8,928.0	$37,025.6	$9,562.2	$36,128.2	$10,365.7	$35,144.3	$10,125.8
Total All Funds										
Education	$18,147.0	$2,957.0	$19,324.0	$1,948.0	$20,162.0	$2,354.0	$18,101.6	$1,799.0	$18,646.8	$1,639.6
Human Services	23,277.0	95.7	26,025.4	17.9	28,458.1	24.2	29,940.1	51.1	29,885.9	26.9
Criminal Justice & Corrections	4,181.5	344.4	4,708.9	46.5	4,576.5	74.4	4,403.7	74.7	4,120.8	70.5
Natural Resources, Environment Growth Mngmt, & Transportation	3,163.9	8,928.0	2,543.7	6,749.8	2,637.3	7,141.3	2,316.7	8,542.3	2,902.6	8,427.2
General Government	4,529.2	138.5	4,492.4	227.5	4,402.6	85.5	3,902.8	85.4	3,739.7	130.5
Judicial Branch	438.3	-	451.3	-	462.0	0.4	459.2	-	445.2	1.0
Total All Funds	$53,736.9	$12,463.6	$57,545.7	$8,989.7	$60,698.5	$9,679.8	$59,124.1	$10,552.5	$59,741.0	$10,295.7

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.

Debt Outstanding by Type and Program
As of June 30, 2011
(In Millions of Dollars)

Debt Type		Amount
Net Tax-Supported Debt		$ 22,945.0
Self- Supporting Debt		4,732.4
Total State Debt Outstanding		**$ 27,677.4**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$ 11,298.1	
Capital Outlay	604.1	
Lottery	2,903.9	
University System Improvement	214.5	
Community Colleges	101.8	
Total Education		$ 15,122.3
Environmental		
Preservation 2000 / Florida Forever	2,052.7	
Everglades Restoration Bonds	214.6	
Save Our Coast	4.8	
Inland Protection	90.1	
Total Environmental		2,362.2
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,760.1	
State Infrastructure Bank	19.0	
P3 Obligations	1,694.3	
Florida Ports	267.9	
Total Transportation		3,741.3
Appropriated Debt / Other		
Facilities	374.5	
Prisons	686.2	
Juvenile Justice	11.5	
Children & Families	121.2	
Master Lease	7.5	
Energy Saving Contracts	54.3	
Affordable Housing	66.0	
Sports Facility Obligations	352.9	
Florida High Charter School	17.9	
Lee Moffitt Cancer Center	27.2	
Total Appropriated Debt / Other		1,719.2
Total Net Tax-Supported Debt Outstanding		**$ 22,945.0**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$ 752.4
Environmental		
Florida Water Pollution Control		527.3
Transportation		
Toll Facilities	3,295.6	
State Infrastructure Bank Revenue Bonds	72.8	
Road and Bridge	84.4	
Total Transportation		3,452.7
Total Self-Supported Debt Outstanding		**$ 4,732.4**

Source: State of Florida, 2011 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
2011	18,880	22,945.0	1,215

[1] Population estimate by the Office of Economic and Demographic Research, Florida Legislature, (November, 2011).

[2] State of Florida 2011 Debt Affordability Study; excludes refunded debt.

Total State Debt Outstanding As of June 30, 2011

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
2012	$ 193,637,240	$ 224,304,093	$ 417,941,333	$ 1,176,498,637	$ 1,045,145,869	$ 2,221,644,506	$ 1,370,135,877	$ 1,269,449,962	$ 2,639,585,838
2013	213,866,726	215,284,255	429,150,981	1,261,418,731	989,895,256	2,251,313,987	1,475,285,457	1,205,179,511	2,680,464,968
2014	262,795,247	208,787,890	471,583,137	1,041,419,357	927,156,407	1,968,575,764	1,304,214,604	1,135,944,297	2,440,158,901
2015	266,896,379	201,746,548	468,642,927	1,127,349,559	877,608,139	2,004,957,697	1,394,245,938	1,079,354,686	2,473,600,624
2016	221,510,814	186,675,912	408,186,726	1,157,209,920	833,195,821	1,990,405,741	1,378,720,734	1,019,871,733	2,398,592,467
2017	220,158,819	175,337,627	395,496,445	1,184,766,252	785,921,704	1,970,687,956	1,404,925,070	961,259,331	2,366,184,401
2018	226,141,432	164,777,536	390,918,968	1,201,428,371	736,670,938	1,938,099,309	1,427,569,803	901,448,474	2,329,018,277
2019	235,861,440	153,837,412	389,698,852	1,174,925,398	686,339,592	1,861,264,989	1,410,786,838	840,177,004	2,250,963,841
2020	226,114,280	142,514,206	368,628,486	1,174,380,387	636,765,602	1,811,145,988	1,400,494,667	779,279,807	2,179,774,474
2021	232,605,012	131,394,047	363,999,059	1,198,879,335	587,424,973	1,786,304,307	1,431,484,347	718,819,019	2,150,303,366
2022	211,270,386	120,165,996	331,436,381	1,205,113,820	537,459,454	1,742,573,273	1,416,384,205	657,625,449	2,074,009,654
2023	200,574,904	109,878,392	310,453,296	1,168,904,262	469,056,172	1,637,960,434	1,369,479,166	578,934,564	1,948,413,730
2024	205,055,430	100,091,790	305,147,219	1,075,917,324	419,340,003	1,495,257,328	1,280,972,754	519,431,793	1,800,404,547
2025	210,690,912	90,183,640	300,874,552	1,004,523,930	363,491,479	1,368,015,409	1,215,214,841	453,675,119	1,668,889,961
2026	190,675,598	80,045,393	270,720,991	841,215,963	321,124,007	1,162,339,970	1,031,891,561	401,169,400	1,433,060,961
2027	191,457,635	70,817,319	262,274,954	761,811,816	285,919,490	1,047,731,305	953,269,451	356,736,809	1,310,006,260
2028	156,938,000	61,799,420	218,737,420	684,193,366	268,619,033	952,812,399	841,131,366	330,418,454	1,171,549,820
2029	148,103,000	54,214,698	202,317,698	596,637,751	241,368,870	838,006,621	744,740,751	295,583,568	1,040,324,319
2030	136,176,000	46,990,187	183,166,187	547,800,750	219,286,179	767,086,929	683,976,750	266,276,366	950,253,116
2031	123,785,000	40,248,503	164,033,503	492,715,607	201,271,144	693,986,751	616,500,607	241,519,647	858,020,254
2032	115,925,000	34,149,151	150,074,151	481,701,862	185,391,741	667,093,603	597,626,862	219,540,892	817,167,754
2033	121,360,000	28,342,608	149,702,608	440,652,192	169,680,495	610,332,687	562,012,192	198,023,102	760,035,294
2034	112,875,000	22,260,353	135,135,353	382,807,682	151,091,811	533,899,494	495,682,682	173,352,164	669,034,846
2035	97,380,000	16,599,634	113,979,634	354,955,262	142,638,178	497,593,440	452,335,262	159,237,812	611,573,074
2036	78,060,000	11,560,345	89,620,345	331,236,311	135,642,745	466,879,055	409,296,311	147,203,090	556,499,400
2037	45,160,000	7,554,734	52,714,734	297,301,777	127,461,471	424,763,248	342,461,777	135,016,204	477,477,981
2038	34,625,000	5,086,248	39,711,248	201,129,961	120,014,509	321,144,470	235,754,961	125,100,757	360,855,718
2039	36,240,000	3,002,678	39,242,678	136,103,659	109,347,838	245,451,497	172,343,659	112,350,516	284,694,175
2040	16,510,000	822,750	17,332,750	85,683,543	118,765,010	204,448,553	102,193,543	119,587,760	221,781,303
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
	$ 4,732,449,252	$ 2,708,473,362	$ 7,440,922,614	$ 22,944,997,424	$ 13,061,274,436	$ 36,006,271,860	$27,677,446,676	$ 15,769,747,798	$ 43,447,194,475

[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 2011 Debt Affordability Report.

Net Tax-Supported Bonds Issued Since July 1, 2011

(chronological, by date of issuance)

State Board of Education Public Education Capital Outlay Bonds, 2008 Series F&G	$144,500,000
Less: Public Education Capital Outlay Bonds refunded	(78,510,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series C	220,885,000
Less: Public Education Capital Outlay Bonds refunded	(233,755,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2011A	127,920,000
Less: Florida Forever Bonds refunded	(140,455,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2011B	164,010,000
Less: Florida Forever Bonds refunded	(180,350,000)
State Board of Education Lottery Revenue Refunding Bonds, Series 2011A	242,240,000
Less: Lottery Revenue Bonds refunded	(262,090,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series D	241,825,000
Less: Public Education Capital Outlay Bonds refunded	(273,035,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series E	164,450,000
Less: Public Education Capital Outlay Bonds refunded	(170,960,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series F	164,035,000
Less: Public Education Capital Outlay Bonds refunded	(168,245,000)
State Board of Education Capital Outlay Refunding Bonds, 2011 Series A	53,785,000
Less: Capital Outlay Bonds refunded	(58,310,000)
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2011B	243,785,000
Less: Right-of-Way Acquisition and Bridge Construction Bonds refunded	(152,425,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2012 Series A	285,820,000
Less: Public Education Capital Outlay Bonds refunded	(323,065,000)
	$12,055,000

Self Supporting Bonds Issued Since July 1, 2011

(chronological, by date of issuance)

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 Dormitory Bonds refunded	(16,595,000)
Board of Governors Florida State University Dormitory Revenue Refunding Bonds, Series 2011A	27,745,000
Less: Florida State University Dormitory Bonds refunded	(27,340,000)
Board of Governors Florida International University Dormitory Revenue Refunding Bonds, Series 2011A	22,210,000
Less: Florida International University Dormitory Bonds refunded	(23,215,000)
Board of Governors University of Central Florida Parking Facility Revenue Refunding Bonds, Series 2011A	11,005,000
Less: University of Central Florida Parking Bonds refunded	(12,170,000)
Board of Governors University of Central Florida Dormitory Revenue Bonds, Series 2012A	66,640,000
Less: University of Central Florida Dormitory Bonds refunded	(24,965,000)
Department of Education Florida College System Capital Improvement Revenue Bonds, Series 2012A	10,000,000
	$152,250,000

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

(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. In addition to Chapter 121, the FRS is governed by Article X, Section 14 of the State Constitution, which prohibits increasing benefits without concurrently providing for funding the increase on a sound actuarial basis. 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 based on 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 required contributions to the plan and investment returns represent the member's benefits. Instead of guaranteed benefits based on a formula, the contributions to the member account are guaranteed and investment risk is assumed by the member. Since the employer's obligation to make contributions to the defined contribution plan does not extend beyond the required contribution from current payroll, the employer's funding obligation for a 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 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 choose 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, 2011, there were 992 participating employers, and 1,097,450 individual members, as follows:

Retirees & Beneficiaries	318,341[1]
Terminated Vested Members	90,271
DROP Participants	45,092[2]
Active Vested Members	479,153
Active Non-vested members	164,593
TOTAL	1,097,450

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

[2] Includes 8,202 FRS members whose DROP applications were received but were not finalized as of June 30, 2011.

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 Members"), as compared to those provided to employees who were members of the FRS prior to July 1, 2011 ("Existing Members"). 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. Existing Members vest after 6 years for service retirement benefits for all membership classes and New Members vest after 8 years of service retirement benefits for all membership classes. 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 Existing Members of the Regular Class, SMSC and the EOC, normal retirement is age 62 and vested, or 30 years of service regardless of age, and age 65 and vested, or 33 years of service regardless of age for New members. For Existing Members of the Special Risk Class and the Special Risk Administrative Support Class, normal retirement is age 55 and vested, or 25 years of service regardless of age, and age 60 and vested, or 30 years of service regardless of age, for New Members. 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 Members	6 years	62 years old or 30 years of service	55 years old or 25 years of service
New Members	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 using a formula comprised of 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.

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program ("DROP"), which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months. The retirement benefit is calculated as of the beginning of DROP participation and no further service is accrued. 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 members vest immediately for in-line-of-duty disability benefits or after eight years for non-duty related disability benefits if totally and permanently disabled from all employment. FRS Pension Plan members receive disability monthly benefits until no longer disabled. Periodic reexamination is conducted to verify continued disability retirement eligibility. FRS Investment Plan members 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. FRS Investment Plan members who retain their account balances to fund their disability retirement may leave their funds invested in the plan, structure periodic payments, purchase an annuity, 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 their account balances at the time they choose to retire as managed by the member throughout retirement. FRS Investment Plan members may leave their funds invested in the plan, structure periodic benefit payments under their investment contracts, purchase an annuity, 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, Administrative and Professional Service staff, and Florida 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. From the establishment of the FRS through 1975 both employers and members were required to pay retirement contributions. Members contributions were made on a post-tax basis. From 1975 through June 30, 2011, employers paid all required contributions. Beginning July 1, 2011, both employer and members are required to pay retirement contributions. Members contribute 3% of their salary as retirement contributions, on a pre-tax basis, with the employer automatically deducting the employee contributions from the members' 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 by membership class or sub-class 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 portion for Pension Plan funding is forwarded to the FRS Trust Fund. 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% employee 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 from the highest 5 fiscal years to the highest 8 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 plan assets to determine the funded ratio of the plan as compared to the actuarial liabilities. 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 and is intended to decrease the volatility of employer contribution rates. The actuarial value of assets is not 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, 2011, 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, 2011 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 with 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 and the recommendation of the actuary, the FRS Assumptions Conference may adopt changes to 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 a long-term 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 Years 2010 and 2011 were greater than the assumed rate of return, no assurance can be given about future market performance and its impact on the UAAL.

The assumed rate of investment return for Fiscal Year 2011 was 7.75 percent; the actual return calculated on the basis of fair value was 22.09 percent. As of June 30, 2011, the Florida Retirement System Trust Fund was valued at $128.53 billion (market value), and invested in the classes and approximate percentages as follows:

60.2%	Global Equity
24.8%	Fixed Income
6.5%	Real Estate
4.4%	Private Equity
3.2%	Strategic Investments
0.9%	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	2006-07[1]	2007-08[2]	2008-09[2]	2009-10[2]	2010-11[2]
Annuitants	263,198	276,252	289,602	304,337	319,689
Benefits Payments (000 omitted)	$4,127,517	$4,488,653	$4,878,227	$5,315,144	$5,775,405
Average Benefits	$15,682	$16,248	$16,845	$17,465	$18,066

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System Annual Reports for Fiscal Years 2006-07 through 2010-11.

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, DROP participants, payouts and accrued benefits.

Funded Status. As shown in the table below, the value of the assets increased from $120.9 billion in Fiscal Year 2010 to $126.1 billion in Fiscal Year 2011 on an actuarial basis and from $109.3 billion to $128.5 billion on a market value basis. The actuarial liabilities increased from $139.7 billion in Fiscal Year 2010 to $145 billion in Fiscal Year 2011. As of the end of Fiscal Year 2011, the FRS had an aggregate UAAL of approximately $18.96 billion on an actuarial basis (using the Asset Smoothing Method) and $16.5 billion on a market value basis. The respective Funded Ratios for these UAALs are 86.93% and 88.62%. 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, 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
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93	25,686,138	73.80

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)
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
2011	128,532,863	145,034,475	16,501,612	88.62	25,686,138	64.24

[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 2002 through 2011. The Annual Required Contribution ("ARC") increased from $2.4 billion in Fiscal Year 2010 to $3.7 billion in Fiscal Year 2011 as the FRS Pension Plan exhausted the remainder of its surplus under the plan's smoothing methodology. The ARC is projected to decline in Fiscal Year 2012 as a result of the adopted benefit changes to the FRS effective July 1, 2011 as described previously herein. The projected decline in the ARC to approximately $2 billion for Fiscal Year 2012 was partially based on a composite employer contribution rate of 8.50% as determined by the July 1, 2011 actuarial valuation of the FRS. The actual employer composite contribution rate adopted by the Legislature was 3.77%.

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[2]
2002	$442,717	$1,312,570	$1,755,287	$1,825,485	96.15%	$70,198
2003	334,434	1,382,986	1,717,420	1,844,203	93.13	126,783
2004	434,308	1,464,128	1,898,436	2,044,540	92.85	146,104
2005	518,488	1,547,700	2,066,187	2,141,862	96.47	75,675
2006	476,437	1,619,089	2,095,527	2,193,928	95.51	-
2007	589,123	2,141,612	2,730,735	2,455,255	111.22	-
2008	560,990	2,232,013	2,793,002	2,612,672	106.90	-
2009	575,035	2,229,146	2,804,181	2,535,854	110.58	-
2010	570,420	2,144,136	2,714,556	2,447,374	110.92	-
2011	648,006	2,377,183	3,025,189	3,680,042	82.21	654,853

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]For Fiscal Years 2002-08 the FRS was in an actuarial surplus position. For Fiscal Years 2002-05 a portion of the actuarial surplus was used to fund the Annual Required Contribution.

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, 2011, 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, 2011, 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	2011
Recipients	220,757	232,406	244,390	256,452	269,999	283,479
Contributions	$301,748	$326,052	$334,819	$341,569	$332,023	$334,449
Benefits Paid	$275,603	$290,656	$305,682	$321,742	$338,892	$356,150
Trust Fund Net Assets	$192,467	$238,353	$275,139	$294,547	$291,459	$271,348

Beginning with Fiscal Year 2007, 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%[2]
Projected salary increases:	5.85%[2,3]
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 inflation at 3.00%.

[3] Includes individual salary growth of 4.00 percent plus an age- and service-graded merit scale defined by gender and employment class.

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%
2011	N/A	$334,449	N/A

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 177,109 contracts including 35,823 retirees and 141,286 employees and COBRA participants for Fiscal Year 2011. 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 June 2011 coverage, for active employees and retirees under the age of 65 for the standard plan were $549.80 and $1,243.34 for single and family contracts, respectively.

Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2011 coverage, for the standard Preferred Provider Organization Plan were $305.82 for a single contract, $611.84 for two Medicare eligible members, and $881.80 when only one member is Medicare eligible.

The following schedules regarding OPEB cost, net OPEB obligation and OPEB funded status disclose only the State of Florida's share of the OPEB.

(This portion intentionally left blank)

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2011 (dollars in thousands):

Annual Required Contribution (ARC)	$237,028
Interest on the Net OPEB Obligation	12,790
Adjustments to the ARC	(10,658)
Annual OPEB Cost	239,160
Employer Contribution	(81,580)
Increase/Decrease in the Net OPEB Obligation	157,580
Net OPEB Obligation - July 1, 2010	319,750
Net OPEB Obligation - June 30, 2011	$477,330
Percent of annual OPEB cost contributed	34.11%

Funded Status

The funded status of the plan as of June 30, 2011, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2010
Actuarial accrued liability (AAL)*	$3,510,526
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,510,526
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	$4,606,592
UAAL as a percentage of covered payroll	76.21%

*Forecasted for June 30, 2011 from the July 1, 2010 valuation.

Other Postemployment Benefits Schedule of Funding Progress[1]

(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[2]	--	$4,545,845	$4,545,845	0.00%	$7,574,317	60.02%

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

1 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 76%.

2 Update of the July 1, 2009 actual valuation. A new valuation was not performed.

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%
2011	$313,415	32.80%

[1] 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 annual required contribution is approximately 76%.

[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. Initial healthcare cost trend rates used for the Preferred Provider Organization (PPO) Plans are 9.02%, 9.47%, and 9.62% for the first three years followed by 6.60% in the fourth year grading to 5.10% over the course of 70 years. For the Health Maintenance Organization (HMO) Plans, initial healthcare cost trend rates of 7.11%, 10.50% and 10.50% for the first three years followed by 6.60% in the fourth year and grading to 5.10% over the course of 70 years. The refunded 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. To address this shortfall and fund its unemployment compensation program, Florida (1) modified its unemployment compensation tax laws; and (2) in 2009, began taking advances from the U.S. Treasury.

Prior Amendments to Florida's Unemployment Compensation Law

Effective January 1, 2012, the amount of wages per employee subject to unemployment taxes (the "taxable wage base") increased from $7,000 to $8,500. In addition, the trigger for the positive adjustment tax rate factor increased 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, a positive adjustment factor is triggered to increase the employer contribution rates that will become effective the following January 1st. As a result of these changes, on January 1, 2012 the minimum unemployment tax rate increased from 1.03% to 2.02% (or from $72.10 to$171.70 per employee). The maximum unemployment tax rate remained at 5.4%; however, the per employee rate increased from $378 per employee to $459 per employee as a result of the $1,500 increase in the taxable wage base.

2012 Legislation

The 2012 Florida Legislature passed House Bill 7027 ("HB 7027"), which rebrands the State's Unemployment Compensation Law as the Reemployment Assistance Program Law, sets the taxable wage base at $8,000, and modifies the formula used to compute the positive adjustment factor. HB 7027 was signed into law by the Governor on March 28, 2012. The changes set forth in HB 7027 are retroactive to January 1, 2012. Initial estimates indicate that the changes will bring the minimum unemployment tax rate to approximately 1.52% or $121.60 per employee. The maximum rate will remain at 5.4%, but the per employee rate will be $432 per employee as a result of the $500 decrease 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. In November 2011, it was projected that the balance of federal advances at the end of Fiscal Year 2011-12 will be $634 million, with total payoff estimated to occur in Fiscal Year 2012-13. With the enactment of HB 7027, initial estimates calculate the projected balance of federal advances at the end of Fiscal Year 2011-12 at approximately $832 million, with total payoff still projected 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 was set at 4.09% for calendar year 2011 and is set at 2.94% for calendar year 2012. 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. In November 2011, it was estimated that the September 2012 interest payment will total $43.3 million; however, with the enactment of HB 7027, the preliminary estimate of the September 2012 interest payment is approximately $45.8 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. In November 2011, payments through the loss of the credit were estimated at $150 million and $307 million for Fiscal Years 2011-12 and 2012-13, respectively. Initial estimates indicate that HB 7027 will not have an affect on the estimated payments to the federal government through the loss of the federal tax credit.

Fund Balance

In November 2011, it was projected that the State will begin replenishing the Fund during Fiscal Year 2012-13, with an estimated balance of approximately $868 million in the Fund at June 30, 2013. As a result of HB 7027, the Fund balance is preliminarily estimated to total approximately $319 million at June 30, 2013.

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.

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State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 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, 2011

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, 2011

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INTRODUCTORY SECTION

CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

January 25, 2012

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, 2011, 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, 2011. 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.

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

ECONOMIC CONDITION

Florida was deeply affected by the national and global economic recessions, but was turning the corner and consistently posting year-over-year growth on key measures of economic performance prior to the international and national shockwaves experienced over the summer.

Leading up to these events, the Florida Legislature's Office of Economic and Demographic Research (EDR) indicated that Florida's economic growth returned to positive territory after declining for two years. Florida's Gross Domestic Product in 2010 showed real growth of 1.4 percent, and the state's population growth was strengthening. On a more real-time measure, Florida showed positive quarterly growth in personal income from the fourth quarter of the 2009 calendar year through the second quarter of the 2011 calendar year, moving Florida ahead of the national growth rate of 1.1 percent in the second quarter of 2011. In response to all of this, the state's revenue collections were growing over the prior year.

The state also reached its twelfth consecutive month of positive year-over-year job growth in September 2011, after losing jobs for three years. However, across-the-board strengthening 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, Florida's recovery is coming from other sectors.

Bringing some of these gains to a temporary halt, EDR reported the Eurozone debt crisis led to banking instability with spillover effects on the global credit market. As a result, tighter credit conditions and reduced exports and corporate earnings will be experienced in the United States. These problems were exacerbated by the national debt ceiling crisis and related downgrade of national debt by Standard & Poor's, federal budget deficit discussions and potential automatic cuts - all causing consumer confidence to plummet in August to near the lowest level of the Great Recession which negatively affected Florida's sales tax collections.

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 slow recovery, regardless of what happens in the Eurozone and with the national debt crisis. 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 Florida Governor and Legislature made difficult budgetary decisions that contributed to Standard & Poor's revising their outlook from negative to stable on their AAA rating of Florida's general obligation debt. Standard & Poor's referenced their "view of an improved revenue environment and a fiscal 2012 budget that is structurally balanced and improves reserve funding levels" as a basis for their revised outlook.

Even with these measures, the constitutionally required Long-Range Financial Outlook shows that the expected minimum budget gap in fiscal year 2012-13 will approach just over $1.0 billion when projections are updated with the most recent estimates. After additional priorities are included for the Florida Senate and House of Representatives, the potential gap widens significantly. The Long-Range Financial Outlook also identifies potential obligations of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation as significant risks 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. Their contributions are appreciated.

Sincerely,

Jeff Atwater
Chief Financial Officer

JA:pdr

ORGANIZATION AT JUNE 30, 2011

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
  - Deparment 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, 2011

Legislative Branch
Senate
Mike Haridopolos, President
House of Representatives
Dean Cannon, Speaker

Executive Branch
Rick Scott, Governor
Jennifer Carroll, Lieutenant Governor
Cabinet
Pam Bondi, Attorney General
Jeff Atwater, Chief Financial Officer
Adam Putnam, Commissioner of Agriculture

Judicial Branch
Charles T. Canady, Chief Justice

FINANCIAL SECTION

AUDITOR GENERAL

STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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, 2011, 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 35 percent and 6 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 94 percent and 93 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 31 percent and 14 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 88 percent of the assets and 49 percent of the revenues/additions of the aggregate remaining fund information.
- The Florida Legislature, which represents less than two percent of the assets and less than one percent of the 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 67 percent and 45 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, 2011, 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 January 25, 2012, 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 Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 148 through 159, 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.

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 163 through 239, and the statistical section on pages 243 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
January 25, 2012

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, 2011 (fiscal year 2010-11). 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	***Proprietary Funds***	***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, 2011, and 2010, 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 $50.5 billion for governmental activities and by $10.5 billion for business-type activities, for a combined total of $61.0 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 $62.4 billion as of June 30, 2011, 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 $13.1 billion as of June 30, 2011. 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 $15.1 billion at June 30, 2011. 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 $549 million at June 30, 2011. The decrease 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 21,953	$ 22,152	$ 26,390	$ 25,142	$ 48,343	$ 47,294
Capital assets, net	61,357	60,222	8,179	7,860	69,536	68,082
Total assets	83,310	82,374	34,569	33,002	117,879	115,376
Other liabilities	8,138	8,688	5,535	4,755	13,673	13,443
Noncurrent liabilities	24,710	24,436	18,566	19,510	43,276	43,946
Total liabilities	32,848	33,124	24,101	24,265	56,949	57,389
Net assets:						
Invested in capital assets, net of related debt	57,100	56,936	5,256	4,910	62,356	61,846
Restricted	8,479	8,154	4,663	3,213	13,142	11,367
Unrestricted	(15,117)	(15,840)	549	614	(14,568)	(15,226)
Total net assets	$ 50,462	$ 49,250	$ 10,468	$ 8,737	$ 60,930	$ 57,987

Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2010-11 and fiscal year 2009-10, 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 $2.9 billion. The net assets of governmental activities increased by $1.2 billion and the net assets of business-type activities increased by $1.7 billion. The majority of the increase in total program expenses for governmental activities relates to a $1.5 billion increase in Education expenses and a $1.3 billion increase in Human Services expenses, while the decrease in business-type activities expenses is primarily due to a $1.9 billion decrease in Unemployment Compensation expenses and an $800 million decrease in Prepaid College Program expenses. 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	$ 7,382	$ 7,263	$ 8,988	$ 9,522	$ 16,370	$ 16,785
Operating grants and contributions	27,921	26,832	3,864	5,454	31,785	32,286
Capital grants and contributions	2,059	1,974	.....	6	2,059	1,980
Total program revenues	37,362	36,069	12,852	14,982	50,214	51,051
General revenues and payments						
Sales and use tax	17,822	17,102	.....	.....	17,822	17,102
Other taxes	11,569	11,422	.....	.....	11,569	11,422
Investment earnings (loss)	369	555	4	10	373	565
Emergency assessments	.....	.....	387	329	387	329
Total general revenues and payments	29,760	29,079	391	339	30,151	29,418
Total revenues	67,122	65,148	13,243	15,321	80,365	80,469
Program expenses						
General government	6,830	6,883	.....	.....	6,830	6,883
Education	20,424	18,947	.....	.....	20,424	18,947
Human services	29,041	27,692	.....	.....	29,041	27,692
Criminal justice and corrections	4,535	4,448	.....	.....	4,535	4,448
Natural resources and environment	2,339	2,588	.....	.....	2,339	2,588
Transportation	3,614	3,177	386	383	4,000	3,560
State courts	435	427	.....	.....	435	427
Lottery	.....	.....	2,865	2,748	2,865	2,748
Hurricane Catastrophe Fund	.....	.....	236	362	236	362
Prepaid College Program	.....	.....	692	1,523	692	1,523
Unemployment Compensation	.....	.....	5,743	7,657	5,743	7,657
Nonmajor enterprise funds	.....	.....	269	265	269	265
Indirect interest on long-term debt	7	19	.....	.....	7	19
Total program expenses	67,225	64,181	10,191	12,938	77,416	77,119
Excess (deficiency) before gain (loss) and transfers	(103)	967	3,052	2,383	2,949	3,350
Gain (loss) on sale of capital assets	(3)	(60)	(3)	(2)	(6)	(62)
Transfers	1,318	1,353	(1,318)	(1,353)	.....	.....
Change in net assets	1,212	2,260	1,731	1,028	2,943	3,288
Beginning net assets	49,250	47,124	8,737	7,709	57,987	54,833
Prior period adjustments	.....	(134)	.....	.....	.....	(134)
Ending net assets	$ 50,462	$ 49,250	$ 10,468	$ 8,737	$ 60,930	$ 57,987

Major Fund Analysis

Governmental Funds

The state's governmental funds report combined ending fund balance of $13.9 billion at June 30, 2011, a $194 million or 1.4 percent increase from the prior year. Revenues increased by $2.7 billion or 4.2 percent, other financing sources declined by $792 million or 25.7 percent and expenditures increased by $2.5 billion or 3.8 percent. Overall increases in revenue, as well as expenditures, were attributable primarily to federal grants from the American Recovery and Reinvestment Act and rising costs for health care and food stamps. Information is provided below regarding major funds with significant variances relative to the prior year.

General Fund – Fund balance at June 30, 2011, totaled $3.6 billion, a decrease of $543 million or 13.0 percent. Revenues and other financing sources increased $935 million or 3.5 percent predominantly due to increased sales and use taxes. Expenditures and other financing uses increased $2.3 billion or 8.7 percent from the prior year. Significant expenditure increases were made in the following areas: education - $1.1 billion and human services - $1.1 billion.

Health and Family Services – Fund balance at June 30, 2011, totaled $2.2 billion, an increase of $958 million or 74.4 percent. Revenues and other financing sources increased $1.2 billion or 4.9 percent primarily due to additional grants and donations revenues for funding as a result of increased costs for health care and food stamps. Expenditures and other financing uses increased $527 million or 2.2 percent primarily due to continued increases in current expenditures for health care and food stamps.

Transportation – Fund balance at June 30, 2011, totaled $1.4 billion, an increase of $348 million or 31.8 percent. Expenditures decreased $198 million or 4.0 percent primarily due to a decrease in capital outlay for highway construction, and operating transfers out decreased $261 million, or 32.5 percent.

Proprietary Funds

The state's proprietary funds report combined ending net assets of $10.5 billion at June 30, 2011, of which $5.3 billion is invested in capital assets, net of related debt, and $4.7 billion is restricted for specific purposes. The remaining $549 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, 2011, totaled $4.7 billion, an increase of approximately $1.5 billion or 46.4 percent. The increase in net assets remained consistent with the increase in prior year as year-over-year results of operations were consistent at $1.2 billion of operating income. Net premium revenues and other operating revenues remained consistent with the prior year and the fund did not incur any hurricane losses. See Note 14 to the financial statements for additional information on this fund.

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 $374 million decrease between the original and final estimated revenues. Because of the lower estimated revenues, final budgeted total expenditures decreased by $212 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, 2011, the state reported $61.4 billion in net capital assets for governmental activities and $8.2 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2009-10 to fiscal year 2010-11 by approximately two 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 $6.1 billion. Construction commitments by other state

agencies for major projects including office buildings and correctional facilities decreased by $384 million compared to the prior year. 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

The state maintained its credit ratings during the past year. Total bonded debt outstanding decreased by $125 million, or approximately less than 1 percent, from the prior fiscal year to a total of $30.1 billion at June 30, 2011. The majority of the outstanding debt serves to finance educational facilities ($16.4 billion), the Florida Hurricane Catastrophe Fund ($5.4 billion) and transportation infrastructure ($5 billion). New bonded debt issues for 2011 totaled $2.5 billion. Annual debt service payments on net tax-supported debt totaled $2.2 billion for 2011, an increase of $109 million from the prior year. Annual debt service payments are projected to decrease from $2.2 billion to $2.0 billion over the next three years, based on project bond issuance.

Standard & Poor's rating was AAA with its outlook changed from negative to stable, Fitch Rating was AAA with a negative outlook and Moody's Investors Services rating was Aa1 with stable outlook. The State's benchmark debt ratio of debt service to revenues available to pay debt service has increased over the past year from 7.39 percent for fiscal year 2010 to 7.46 percent for fiscal year 2011. The slight increase in the benchmark debt ratio is due to the offsetting effects from increased debt service and improved revenue collections. The projected benchmark debt ratio is expected to exceed the 7 percent cap through 2013 based on existing borrowing plans and August 2011 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 2011 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 2010-11 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, 2011, were 3.9 percent higher than the prior fiscal year. In a reversal from the past few years, the growth came from gains in virtually all of the major sources supporting the general fund. Even sales tax revenue – the state's primary source of general revenue – more than offset its prior year decline of 2.6 percent by growing 4.8 percent in Fiscal Year 2010-11 over Fiscal Year 2009-10. While the economic recovery was modest with only limited gains in employment and personal income, it was clearly underway by the end of the fiscal year. However, revenue collection levels were still sharply lower across-the-board than the 2005-06 peak collection year.

Several revenue sources have closely tracked the ebb and flow of the state's overall economic conditions. Among them, documentary stamp and intangibles tax collections largely rely on activity in the state's real estate market. Since the end of the housing boom in 2005-06, Florida's growing inventory of unsold homes and looming foreclosures have delayed any meaningful recovery in the real-estate market. Five years later, this continues to be true. Both statewide existing home sales and median sales price for existing homes have drifted slightly downwards over the past year, registering -1 percent and -0.3 percent declines respectively. The picture was slightly improved for private housing starts and refinancing, allowing overall documentary stamp taxes – and therefore the distribution to the general fund – to grow 6.9 percent over a base from the prior year that was the lowest since 1997-98. The intangibles tax, which entirely benefits the general fund, followed a similar pattern, posting a 3.1 percent gain over the prior year.

Almost divorced from an economy still struggling to achieve a sustainable recovery, national corporate profits continued to be in record-breaking territory in Fiscal Year 2010-11, and the state's corporate income tax collections have followed this direction if not the magnitude. While still considerably below peak total receipts, Florida's corporate income tax collections grew 5.3 percent over the past year. Also related to general business activity, corporate filing fees posted a 14.9 percent gain over the prior year.

Several sources comprise a small percentage of the total general fund, but had strong growth rates over the prior year. Among these smaller sources, earnings on investments posted 14.8 percent growth and pari-mutuel taxes had 18.2 percent growth. Other notable increases were in sources continuing to benefit from legislative changes enacted in prior years: tobacco taxes which include an additional surcharge enacted by the 2009 Legislature, highway safety licenses and fees which are still benefitting from 2009 legislative actions to increase and redirect fees into the general fund, and service charges which were increased by the 2009 Legislature. Overall, the general fund outperformed the class of all governmental funds. Total revenues for all governmental funds increased by only $2.7 billion or 4.2 percent.

At the end of the 2010-11 fiscal year, overall collections were $139.1 million above the estimate made by the state's Revenue Estimating Conference in March 2011. Although financial shockwaves from adverse international and national events over the summer have since darkened the outlook going forward, the most recent projections by state economists indicate that general revenue collections for the fiscal year ending June 30, 2012, will be $689.9 million higher than last year to produce a 3.1 percent growth rate. As a buffer against any further financial shocks, the latest General Revenue Outlook shows that there will be nearly $994 million in unallocated general revenue remaining at the end of the current fiscal year. The state's major reserve for emergencies, the Budget Stabilization Fund, holds $279.2 million at June 30, 2011, and will increase to $493.6 million at June 30, 2012. The anticipated increase is related to the scheduled first repayment of the funds transferred to the general fund ($1.07 billion in total). 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, 2011
(in thousands)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Totals	Component Units
ASSETS				
Cash and cash equivalents	$ 356,913	$ 93,553	$ 450,466	$ 4,139,326
Pooled investments with State Treasury	10,916,512	1,182,805	12,099,317	2,867,255
Other investments	1,646,522	20,861,710	22,508,232	19,007,981
Receivables, net	4,747,427	1,192,493	5,939,920	1,951,536
Internal balances	415,032	(415,032)	......	......
Due from component units/primary	3,264	1,839	5,103	829,336
Inventories	59,527	5,050	64,577	67,381
Restricted cash and cash equivalents	......	17,164	17,164	507,875
Restricted pooled investments with State Treasury	......	41,546	41,546	587,361
Restricted investments	......	1,720,469	1,720,469	2,068,687
Advances to other entities	921,909	......	921,909	......
Loans and notes receivable, net	2,879,473	1,647,169	4,526,642	3,667,199
Other assets	6,967	41,280	48,247	877,051
Capital assets, net	61,356,925	8,179,293	69,536,218	21,222,963
Total assets	83,310,471	34,569,339	117,879,810	57,793,951
LIABILITIES				
Accounts payable and accrued liabilities	2,534,053	1,230,934	3,764,987	3,137,501
Due to other governments	......	12,310	12,310	......
Due to component units/primary	37,169	116	37,285	235,784
Deferred revenue	......	38,378	38,378	615,308
Obligations under security lending agreements	1,773,410	2,243,988	4,017,398	......
Long-term liabilities				
Due within one year	3,793,814	2,009,042	5,802,856	3,489,608
Due in more than one year	24,710,270	18,566,523	43,276,793	12,784,490
Total liabilities	32,848,716	24,101,291	56,950,007	20,262,691
NET ASSETS				
Invested in capital assets, net of related debt	57,100,033	5,256,229	62,356,262	17,719,992
Restricted for				
Environment, Recreation and Conservation	2,359,437	......	2,359,437	......
Public Education	700,343	......	700,343	......
Health and Family Services	2,117,546	......	2,117,546	......
Transportation	1,440,141	......	1,440,141	......
Nonmajor governmental funds	1,401,380	......	1,401,380	......
Debt service	286,787	......	286,787	74,034
Lottery	......	120,722	120,722	......
Prepaid College Program	......	591,401	591,401	......
Hurricane Catastrophe Fund	......	4,729,314	4,729,314	......
Unemployment Compensation	......	(1,058,871)	(1,058,871)	......
Other	173,331	279,983	453,314	4,105,496
Funds held for permanent endowment				
Expendable	......	......	......	1,902,976
Nonexpendable	......	......	......	3,132,338
Unrestricted	(15,117,243)	549,270	(14,567,973)	10,596,424
Total net assets	$ 50,461,755	$ 10,468,048	$ 60,929,803	$ 37,531,260

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	$ 6,830,398	$ 4,092,321	$ 1,036,322	$ 127	$ (1,701,628)
Education	20,423,515	152,217	5,231,404	353	(15,039,541)
Human services	29,040,946	1,491,338	20,358,330	6,396	(7,184,882)
Criminal justice and corrections	4,534,992	775,476	144,067	4,090	(3,611,359)
Natural resources and environment	2,339,268	382,261	1,057,810	49,446	(849,751)
Transportation	3,613,936	255,995	90,921	1,998,041	(1,268,979)
State courts	435,153	232,771	1,637	......	(200,745)
Indirect interest on long-term debt	6,751	......	......	......	(6,751)
Total governmental activities	67,224,959	7,382,379	27,920,491	2,058,453	(29,863,636)
Business-type activities:					
Transportation	385,564	699,675	73	270	314,454
Lottery	2,864,709	4,044,597	......	......	1,179,888
Hurricane Catastrophe Fund	236,475	1,358,918	......	......	1,122,443
Prepaid College Program	691,977	799,886	......	......	107,909
Unemployment Compensation	5,743,471	1,722,484	3,863,450	......	(157,537)
Nonmajor enterprise funds	268,936	362,184	210	......	93,458
Total business-type activities	10,191,132	8,987,744	3,863,733	270	2,660,615
Total primary government	$ 77,416,091	$ 16,370,123	$ 31,784,224	$ 2,058,723	$ (27,203,021)
Component units					
Florida Housing Finance Corporation	$ 596,621	$ 323,950	$	$	$ (272,671)
University of Florida	4,658,090	2,620,444	1,312,423	73,977	(651,246)
Citizens Property Insurance Corporation	1,325,071	1,971,714	......	......	646,643
Nonmajor component units	10,803,041	2,748,891	4,054,473	926,420	(3,073,257)
Total component units	$ 17,382,823	$ 7,664,999	$ 5,366,896	$ 1,000,397	$ (3,350,531)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Net (expense) revenue	$(29,863,636)	$ 2,660,615	$ (27,203,021)	$ (3,350,531)
General revenues:				
Taxes				
Sales and use tax	17,822,003	......	17,822,003	......
Fuel taxes	2,512,393	......	2,512,393	......
Corporate income tax	1,880,365	......	1,880,365	......
Documentary stamp tax	1,152,222	......	1,152,222	......
Intangible personal property tax	163,553	......	163,553	......
Communications service tax	1,427,851	......	1,427,851	......
Beverage and tobacco taxes	1,886,065	......	1,886,065	......
Insurance premium tax	876,744	......	876,744	......
Gross receipts utilities tax	647,558	......	647,558	......
Property taxes	......	......	......	790,649
Other taxes	1,022,728	......	1,022,728	......
Investment earning (loss)	369,459	4,353	373,812	1,090,720
Gain (loss) on sale of capital assets	(3,450)	(2,732)	(6,182)	(4,061)
Payments from the State of Florida	......	......	......	3,251,409
Emergency assessments	......	386,676	386,676	......
Miscellaneous	68	127	195	1,299,827
Transfers	1,318,180	(1,318,180)	......	......
Contributions to permanent funds	......	......	......	69,554
Total general revenues, transfers and contributions	31,075,739	(929,756)	30,145,983	6,498,098
Changes in net assets	1,212,103	1,730,859	2,942,962	3,147,567
Net assets - beginning	49,249,652	8,737,189	57,986,841	34,032,869
Adjustments to increase (decrease) beginning net assets	......	......	......	350,824
Net assets - ending	$ 50,461,755	$ 10,468,048	$ 60,929,803	$ 37,531,260

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 163.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/11
ASSETS							
Current assets							
Cash and cash equivalents	$ 78,032	$ 1,457	$	$ 23,494	$ 174,059	$ 45,373	$ 322,415
Pooled investments with State Treasury	3,396,760	1,318,694	967,390	1,856,011	1,405,783	1,529,487	10,474,125
Other Investments	997,468	......	......	38	......	331,971	1,329,477
Receivables, net	1,428,332	145,249	105,555	1,735,462	291,778	381,581	4,087,957
Due from other funds	146,311	14,684	88,112	84,866	108,854	62,077	504,904
Due from component units/primary	1,908	399	......	......	......	......	2,307
Inventories	11,772	937	......	35,153	9,884	1,781	59,527
Other	222	......	......	......	754	799	1,775
Total current assets	6,060,805	1,481,420	1,161,057	3,735,024	1,991,112	2,353,069	16,782,487
Noncurrent assets							
Long-term investments	......	......	......	......	......	252,081	252,081
Advances to other funds	2,603	......	......	3,479	276,262	......	282,344
Advances to other entities	48,962	79,604	761,336	6,255	......	25,752	921,909
Other loans and notes receivable, net	12,835	1,029,989	......	27,450	746,311	1,062,888	2,879,473
Other	......	......	......	......	5,192	......	5,192
Total noncurrent assets	64,400	1,109,593	761,336	37,184	1,027,765	1,340,721	4,340,999
Total assets	$ 6,125,205	$ 2,591,013	$ 1,922,393	$ 3,772,208	$ 3,018,877	$ 3,693,790	$ 21,123,486
LIABILITIES AND FUND BALANCES							
Current liabilities							
Accounts payable and accrued liabilities	$ 502,179	$ 33,197	$ 48,344	$ 234,330	$ 631,086	$ 218,392	$ 1,667,528
Due to other funds	152,760	29,569	770	21,211	44,950	99,377	348,637
Due to component units/primary	3,625	16,005	......	14,880	......	2,657	37,167
Compensated absences	13,531	972	73	1,542	5,957	1,934	24,009
Claims payable	371,237	......	......	838,222	......	8,439	1,217,898
Deposits	441	10,394	25	22,649	340,735	87,850	462,094
Deferred revenues	206,028	2,070	10,849	313,039	10,043	48,342	590,371
Obligations under security lending agreements	1,244,657	135,184	104,637	16,693	111,824	114,376	1,727,371
Total current liabilities	2,494,458	227,391	164,698	1,462,566	1,144,595	581,367	6,075,075
Noncurrent liabilities							
Advances from other funds	3,579	......	649,367	......	......	625	653,571
Deposits	......	......	......	33,548	17,222	25,752	76,522
Deferred revenues	......	512	......	30,929	416,918	17,675	466,034
Other	......	......	......	......	......	879	879
Total noncurrent liabilities	3,579	512	649,367	64,477	434,140	44,931	1,197,006
Total liabilities	2,498,037	227,903	814,065	1,527,043	1,578,735	626,298	7,272,081
Fund balances							
Nonspendable	76,554	937	......	35,153	9,884	13,993	136,521
Restricted	52,767	1,589,330	821,986	48,817	178,666	1,926,924	4,618,490
Committed	887,891	772,843	286,342	2,161,195	1,251,592	1,126,575	6,486,438
Unassigned	2,609,956	......	......	......	......	......	2,609,956
Total fund balances	3,627,168	2,363,110	1,108,328	2,245,165	1,440,142	3,067,492	13,851,405
Total liabilities and fund balances	$ 6,125,205	$ 2,591,013	$ 1,922,393	$ 3,772,208	$ 3,018,877	$ 3,693,790	$ 21,123,486

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

2011 STATE OF FLORIDA CAFR

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(in thousands)

Total fund balances for governmental funds		$ 13,851,405
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	16,928,733	
Nondepreciable infrastructure	34,964,891	
Buildings, equipment and other depreciable assets	6,065,639	
Accumulated depreciation	(3,451,688)	
Construction work in progress	5,759,497	
		60,267,072
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(780,842)	
Installment purchases/capital leases	(43,438)	
Claims payable	(2,570,825)	
Bonds payable	(21,440,203)	
Certificates of participation payable	(121,150)	
Other	(572,422)	
		(25,528,880)
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Assets.		(64,589)
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.		1,582,649
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.		354,098
Net assets of governmental activities		$ 50,461,755

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/11
REVENUES							
Taxes	$ 24,740,356	$ 289,792	$ 1,072,232	$ 833,736	$ 2,218,958	$ 200,706	$ 29,355,780
Licenses and permits	402,885	47,732	......	36,615	9,318	965,452	1,462,002
Fees and charges	1,777,793	141,337	43,339	1,310,171	340,012	931,078	4,543,730
Grants and donations	10,755	291,627	5,066,413	20,960,635	2,056,065	1,846,227	30,231,722
Investment earnings	281,800	48,161	62,174	1,470	29,535	72,445	495,585
Fines, forfeits, settlements and judgments	72,247	10,063	64,941	52,483	17,258	966,439	1,183,431
Other	2,738	1,417	4,468	11,778	6,255	92,534	119,190
Total revenues	27,288,574	830,129	6,313,567	23,206,888	4,677,401	5,074,881	67,391,440
EXPENDITURES							
Current:							
General government	3,754,777	16,191	......	196,451	202,732	2,580,060	6,750,211
Education	12,266,095	......	7,234,699	......	......	184,520	19,685,314
Human services	5,486,029	......	......	23,181,812	......	402,589	29,070,430
Criminal justice and corrections	3,425,844	......	......	......	......	1,010,474	4,436,318
Natural resources and environment	271,226	963,623	......	105,651	......	822,079	2,162,579
Transportation	17,372	......	......	......	3,486,682	......	3,504,054
State courts	48,648	......	......	......	......	377,911	426,559
Capital outlay	36,333	50,337	1,072	20,012	1,059,664	71,679	1,239,097
Debt service:							
Principal retirement	8,371	......	......	5,596	121	1,139,885	1,153,973
Interest and fiscal charges	5,533	......	......	1,179	3	1,047,321	1,054,036
Total expenditures	25,320,228	1,030,151	7,235,771	23,510,701	4,749,202	7,636,518	69,482,571
Excess (deficiency) of revenues over expenditures	1,968,346	(200,022)	(922,204)	(303,813)	(71,801)	(2,561,637)	(2,091,131)
OTHER FINANCING SOURCES (USES)							
Proceeds of bond issues	2,277	......	695,517	......	......	264,539	962,333
Proceeds of refunding bonds	......	......	......	......	......	1,540,777	1,540,777
Proceeds of financing agreements	......	......	......	......	724	......	724
Operating transfers in	640,747	727,243	1,448,153	1,828,663	959,814	3,808,515	9,413,135
Operating transfers out	(3,153,974)	(617,172)	(1,558,322)	(566,903)	(541,173)	(1,653,921)	(8,091,465)
Payments to refunded bond agent	......	......	......	......	......	(1,540,777)	(1,540,777)
Total other financing sources (uses)	(2,510,950)	110,071	585,348	1,261,760	419,365	2,419,133	2,284,727
Net change in fund balances	(542,604)	(89,951)	(336,856)	957,947	347,564	(142,504)	193,596
Fund balances - beginning	4,169,772	2,453,061	1,445,184	1,287,218	1,092,578	3,209,996	13,657,809
Fund balances - ending	$ 3,627,168	$ 2,363,110	$ 1,108,328	$ 2,245,165	$ 1,440,142	$ 3,067,492	$ 13,851,405

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, 2011
(in thousands)

Net change in fund balance - total governmental funds		$ 193,596
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.		152,625
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	1,316,721	
Depreciation expense	(301,797)	
		1,014,924
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.		(1,903)
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.		(289,659)
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	45,480	
Increase in accrued interest	(5,873)	
Increase in claims payable	(14,437)	
Decrease in arbitrage liability	207	
Increase in other liabilities	(138,427)	
		(113,050)
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	(962,333)	
Refunding bond proceeds	(1,540,777)	
Financing agreement proceeds	(663)	
Repayment of bonds	1,134,537	
Repayment of capital leases/installment purchase contracts	19,436	
Payment to refunded bond escrow agent	1,540,777	
Amortization of bond premium	132,430	
Amortization of deferred amount on refunding	(13,657)	
Accrued interest payable at refunding	(54,180)	
		255,570
Change in net assets of governmental activities		$ 1,212,103

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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 199.

Internal Service Funds

Internal service funds are presented on page 205.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/11	Internal Service Funds
ASSETS								
Current assets								
Cash and cash equivalents	$ 15,356	$ 21,613	$ 136	$ 52,985	$ 1,794	$ 1,669	$ 93,553	$ 34,498
Pooled investments with State Treasury	709,438	186,291	......	......	27,408	259,668	1,182,805	442,387
Other Investments	......	......	9,219,564	1,876,114	......	16,296	11,111,974	64,964
Receivables, net	7,262	22,184	120,814	421,619	604,897	10,324	1,187,100	18,542
Due from other funds	1,731	......	......	......	4,118	10,055	15,904	49,983
Due from component units/primary	......	......	......	......	1,835	4	1,839	957
Inventories	4,056	994	......	......	......	......	5,050	......
Other	547	2,632	......	......	......	57	3,236	......
Total current assets	738,390	233,714	9,340,514	2,350,718	640,052	298,073	13,601,461	611,331
Noncurrent assets								
Restricted cash and cash equivalents	17,164	......	......	......	......	......	17,164	......
Restricted pooled investments with State Treasury	22,987	18,559	......	......	......	......	41,546	......
Restricted investments	265,460	1,455,009	......	......	......	......	1,720,469	......
Long-term investments	......	......	1,501,326	8,191,828	......	56,582	9,749,736	......
Other loans and notes receivable, net	1,582	......	......	1,645,587	......	......	1,647,169	......
Capital assets								
Land and other nondepreciable assets	901,618	41	......	......	......	......	901,659	355
Nondepreciable infrastructure	6,428,094	......	......	......	......	......	6,428,094	......
Buildings, equipment, and other depreciable assets	443,972	13,164	82	53	......	30,785	488,056	1,344,624
Accumulated depreciation	(213,147)	(11,957)	(78)	(52)	......	(23,460)	(248,694)	(360,411)
Construction work in progress	610,178	......	......	......	......	......	610,178	105,286
Other	13,869	15,926	8,249	......	......	......	38,044	......
Total noncurrent assets	8,491,777	1,490,742	1,509,579	9,837,416	......	63,907	21,393,421	1,089,854
Total assets	9,230,167	1,724,456	10,850,093	12,188,134	640,052	361,980	34,994,882	1,701,185
LIABILITIES								
Current liabilities								
Accounts payable and accrued liabilities	113,967	12,136	702,463	316,393	78,864	6,412	1,230,235	82,994
Accrued prize liability	......	239,860	......	......	......	......	239,860	......
Due to other governments	......	......	......	......	742,210	......	742,210	......
Due to other funds	61,008	81,863	116	......	1,912	5,981	150,880	21,472
Due to component units/primary	......	......	......	......	......	116	116	2
Compensated absences	......	809	47	44	......	4,037	4,937	2,912
Installment purchases/capital leases	......	......	......	......	......	......	......	1,047
Bonds payable	......	......	282,660	......	......	......	282,660	20,425
Bonds payable from restricted assets	105,050	......	......	......	......	......	105,050	......
Deposits	2,261	......	......	......	3	......	2,264	91,134
Deferred revenues	......	......	......	......	......	38,378	38,378	......
Obligations under security lending agreements	79,194	754,090	......	1,388,132	......	22,572	2,243,988	46,039
Certificates of participation payable	......	......	......	......	......	......	......	33,805
Tuition and housing benefits payable	......	......	......	644,371	......	......	644,371	......
Total current liabilities	361,480	1,088,758	985,286	2,348,940	822,989	77,496	5,684,949	299,830
Noncurrent liabilities								
Advances from other funds	275,362	......	......	......	......	......	275,362	2,778
Accrued prize liability	......	509,513	......	......	......	......	509,513	......
Due to other governments	......	......	......	......	844,200	......	844,200	......
Bonds payable	2,768,269	......	5,135,362	......	......	......	7,903,631	358,883
Certificates of participation payable	......	......	......	......	......	......	......	651,858
Installment purchases/capital leases	......	......	......	......	......	......	......	8,265
Deposits	699	......	......	......	31,734	......	32,433	......
Compensated absences	......	2,743	127	123	......	12,569	15,562	11,620
Tuition and housing benefits payable	......	......	......	9,247,669	......	......	9,247,669	......
Other	4,018	1,472	......	......	......	8,025	13,515	13,853
Total noncurrent liabilities	3,048,348	513,728	5,135,489	9,247,792	875,934	20,594	18,841,885	1,047,257
Total liabilities	3,409,828	1,602,486	6,120,775	11,596,732	1,698,923	98,090	24,526,834	1,347,087
NET ASSETS								
Invested in capital assets, net of related debt	5,247,651	1,248	4	1	......	7,325	5,256,229	158,189
Restricted for unemployment compensation	......	......	......	......	(1,058,871)	......	(1,058,871)	......
Restricted for lottery	......	120,722	......	......	......	......	120,722	......
Restricted for Hurricane Catastrophe Fund	......	......	4,729,314	......	......	......	4,729,314	......
Restricted for Prepaid College Program	......	......	......	591,401	......	......	591,401	......
Restricted - other	279,983	......	......	......	......	......	279,983	......
Unrestricted	292,705	......	......	......	......	256,565	549,270	195,909
Total net assets	$ 5,820,339	$ 121,970	$ 4,729,318	$ 591,402	$ (1,058,871)	$ 263,890	$ 10,468,048	$ 354,098

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

2011 STATE OF FLORIDA CAFR

2011 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/11	Internal Service Funds
OPERATING REVENUES								
Sales - nonstate	$ 9,532	$ 4,014,507	$ 1,312,298	$ 443,814	$	$ 84,835	$ 5,864,986	$ 41,795
Fees	657,129	......	......	3,029	1,706,255	218,117	2,584,530	......
Sales - state	......	......	30	......	......	23,298	23,328	2,095,655
Rents and royalties - nonstate	8,382	244	......	......	......	4	8,630	171
Rents - state	......	......	......	......	......	90	90	158,527
Fines, forfeits, settlements and judgments	3,885	171	......	......	......	26,701	30,757	2
Other	......	......	......	......	......	2	2	26,480
Total operating revenues	678,928	4,014,922	1,312,328	446,843	1,706,255	353,047	8,512,323	2,322,630
OPERATING EXPENSES								
Benefit payments	......	......	......	......	5,743,471	......	5,743,471	......
Payment of lottery winnings	......	2,460,219	......	......	......	......	2,460,219	......
Commissions on lottery sales	......	223,390	......	......	......	......	223,390	......
Contractual services	226,895	99,655	114,252	683,816	......	55,741	1,180,359	1,142,853
Insurance claims expense	......	......	......	......	......	......	......	828,761
Personal services	20,912	27,110	1,142	879	......	169,502	219,545	105,704
Depreciation	20,053	310	3	1	......	1,999	22,366	24,442
Materials and supplies	2,282	1,026	17	26	......	5,834	9,185	16,160
Repairs and maintenance	......	1,305	1	1	......	1,514	2,821	8,842
Basic services	......	5,092	191	134	......	30,577	35,994	13,129
Interest and fiscal charges	......	......	37	35	......	2,112	2,184	397
Total operating expenses	270,142	2,818,107	115,643	684,892	5,743,471	267,279	9,899,534	2,140,288
Operating income (loss)	408,786	1,196,815	1,196,685	(238,049)	(4,037,216)	85,768	(1,387,211)	182,342
NONOPERATING REVENUES (EXPENSES)								
Grants and donations	343	......	......	......	3,863,450	210	3,864,003	......
Investment earnings	15,056	29,675	46,590	353,043	16,214	5,030	465,608	8,704
Interest and fiscal charges	(115,052)	(46,602)	(120,832)	(5,489)	......	(302)	(288,277)	(57,905)
Fines, Forfeits, Judgments and Settlements	......	......	......	126	......	......	126	......
Property disposition gain (loss)	(2,588)	(15)	......	......	......	(129)	(2,732)	(2,727)
Grant expense and client benefits	......	......	......	......	......	(1,248)	(1,248)	......
Emergency Assessment Funds Received	......	......	386,676	......	......	......	386,676	......
Other	5,642	......	......	......	......	(69)	5,573	7
Total nonoperating revenues (expenses)	(96,599)	(16,942)	312,434	347,680	3,879,664	3,492	4,429,729	(51,921)
Income (loss) before transfers and contributions	312,187	1,179,873	1,509,119	109,631	(157,552)	89,260	3,042,518	130,421
Operating transfers in	28,426	18	......	......	17,548	13,619	59,611	42,897
Operating transfers out	(23,020)	(1,192,029)	(10,000)	(1,596)	(15,279)	(129,346)	(1,371,270)	(22,522)
Capital contributions	......	......	......	......	......	......	......	1,829
Change in net assets	317,593	(12,138)	1,499,119	108,035	(155,283)	(26,467)	1,730,859	152,625
Total net assets - beginning	5,502,746	134,108	3,230,199	483,367	(903,588)	290,357	8,737,189	201,473
Total net assets - ending	$ 5,820,339	$ 121,970	$ 4,729,318	$ 591,402	$ (1,058,871)	$ 263,890	$ 10,468,048	$ 354,098

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

2011 STATE OF FLORIDA CAFR

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation	Nonmajor Enterprise Funds	Totals 6/30/11	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	$ 780,402	$ 4,010,141	$ 1,318,523	$ 499,070	$ 1,552,793	$ 357,782	$ 8,518,711	$ 2,224,167
Cash paid to vendors	(254,524)	(334,834)	(4,489)	(399,431)	......	(90,255)	(1,083,533)	(1,215,331)
Cash paid to employees	(21,525)	(26,753)	(1,146)	(918)	......	(157,652)	(207,994)	(99,544)
Lottery prizes	......	(2,472,222)	......	......	......	......	(2,472,222)	......
Cash paid for insurance claims	......	......	(239,401)	......	......	(123)	(239,524)	(828,761)
Unemployment benefits	......	......	......	......	(5,870,147)	(514)	(5,870,661)	......
Net cash provided (used) by operating activities	504,353	1,176,332	1,073,487	98,721	(4,317,354)	109,238	(1,355,223)	80,531
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in (out)	5,988	(1,169,255)	(10,000)	(1,596)	2,157	(121,248)	(1,293,954)	371
Advances from or repayment from other funds	4,217	......	......	......	......	(28)	4,189	2,664
Advances, grants or loans (to) from or repayment from others	3,723	......	......	......	3,972,698	(1,350)	3,975,071	......
Payment of bonds or loans (principal and interest)	......	......	(392,404)	......	......	......	(392,404)	......
Cash received from noncapital grants or donations	73	......	......	......	......	......	73	57
Emergency assessment funds received	......	......	361,198	......	......	210	361,408	......
Net cash provided (used) by noncapital financing activities	14,001	(1,169,255)	(41,206)	(1,596)	3,974,855	(122,416)	2,654,383	3,092
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Cash received from sale of capital assets	......	......	......	......	......	4	4	3,665
Cash received from capital grants and donations	270	......	......	......	......	......	270	......
Payment of bond principal	(100,525)	......	......	......	......	......	(100,525)	(52,803)
Payment of principal on installment purchase/capital lease	......	......	......	......	......	......	......	(3,821)
Payment of interest on bonds/installment purchase/capital lease	(140,174)	......	......	......	......	......	(140,174)	(50,946)
Purchase or construction of capital assets	(319,939)	(152)	(2)	(1)	......	(1,246)	(321,340)	(116,065)
Net cash provided (used) by capital and related financing activities	(560,368)	(152)	(2)	(1)	......	(1,242)	(561,765)	(219,970)
CASH FLOWS FROM INVESTING ACTIVITIES								
Security lending	1,309	(61,500)	......	(12,483)	......	1,713	(70,961)	(11,382)
Proceeds from the sale or maturity of investments	1,356,607	178,569	445,742,296	8,547,214	......	5,871,642	461,696,328	......
Cash paid to grand prize winners upon maturity of grand prize investments	......	(178,569)	......	......	......	......	(178,569)	......
Investment earnings	15,389	5,907	32,934	106,385	17,418	4,548	182,581	12,490
Purchase of investments	(1,339,475)	......	(446,807,416)	(8,718,520)	......	(5,865,562)	(462,730,973)	36
Net cash provided (used) by investing activities	33,830	(55,593)	(1,032,186)	(77,404)	17,418	12,341	(1,101,594)	1,144
Net increase (decrease) in cash and cash equivalents	(8,184)	(48,668)	93	19,720	(325,081)	(2,079)	(364,199)	(135,203)
Cash and cash equivalents - beginning	773,129	275,131	43	33,265	354,283	263,416	1,699,267	612,088
Cash and cash equivalents - ending	$ 764,945	$ 226,463	$ 136	$ 52,985	$ 29,202	$ 261,337	$ 1,335,068	$ 476,885

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, 2011
(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 6/30/11	Internal Service Funds
Operating income (loss)	$ 408,785	$ 1,196,815	$ 1,196,685	$ (238,049)	$ (4,037,215)	$ 85,765	$ (1,387,214)	$ 182,341
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	20,053	310	3	1	......	1,999	22,366	24,442
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(2,332)	(5,513)	(784)	(41,643)	(182,662)	1,640	(231,294)	576
(Increase) decrease in due from other funds	116,303	......	......	......	(753)	(1,068)	114,482	(13,168)
Increase (decrease) in allowance for uncollectibles	......	732	9,439	......	29,952	334	40,457	(36)
(Increase) decrease in inventories	1,653	5	......	......	......	(19)	1,639	162
(Increase) decrease in other non-current assets	303	(6,590)	......	......	......	......	(6,287)	......
Increase (decrease) in accounts payable	81,007	(4,370)	(131,859)	378,431	(125,408)	327	198,128	(29,564)
Increase (decrease) in compensated absences	......	(125)	3	(19)	......	(449)	(590)	(318)
Increase (decrease) in due to other funds	(115,491)	......	......	......	(1,268)	425	(116,334)	(4,695)
Increase (decrease) in other non-current liability	(706)	482	......	......	......	2,588	2,364	6,536
Increase (decrease) in deposits	274	......	......	......	......	......	274	......
Increase (decrease) in deferred revenue	(5,496)	......	......	......	......	17,696	12,200	(85,745)
Increase (decrease) in prize liability	......	(5,414)	......	......	......	......	(5,414)	......
Net cash provided (used) by operating activities	$ 504,353	$ 1,176,332	$ 1,073,487	$ 98,721	$ (4,317,354)	$ 109,238	$ (1,355,223)	$ 80,531
Noncash investing, capital, and financing activities								
Change in fair value of investments	......	(92,140)	2,170	(212,195)	......	190	(301,975)	......

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 213.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
Individual fund descriptions and financial statements begin on page 219.

INVESTMENT TRUST FUNDS
Individual fund descriptions and financial statements begin on page 225.

AGENCY FUNDS
Individual fund descriptions and financial statements begin on page 229.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(in thousands)

	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/11
ASSETS					
Cash and cash equivalents	$ 9,794	$ 314,702	$ 215	$ 31,430	$ 356,141
Pooled investments with State Treasury	541,874	94,295	1,748,119	1,409,086	3,793,374
Total cash and cash equivalents	551,668	408,997	1,748,334	1,440,516	4,149,515
Investments					
Certificates of deposit	620	460,535	2,361,229	......	2,822,384
U.S. government & federally guaranteed obligations	16,177	7,962,851	25,972	137,039	8,142,039
Federal agencies	31,889	10,143,278	......	19,707	10,194,874
Commercial paper	......	7,113,266	1,708,551	......	8,821,817
Repurchase agreements	......	1,000,000	1,270,260	......	2,270,260
Bonds and notes	42,665	10,210,980	228,174	......	10,481,819
International bonds and notes	3,860	3,207,167	38,886	......	3,249,913
Real estate contracts	......	7,285,791	......	......	7,285,791
Mutual fund investments	4,564	15,194,034	......	......	15,198,598
Money market and short-term investments	19,737	1,054,584	461,702	......	1,536,023
Domestic equity	138,358	35,131,308	......	......	35,269,666
Limited partnerships	......	9,041,609	......	......	9,041,609
Equity group trust	......	1,235	......	......	1,235
International equity	442	35,457,952	......	......	35,458,394
Deferred compensation annuities	......	41,036	......	......	41,036
Other investments	......	1,017	......	100	1,117
Total investments	258,312	143,306,643	6,094,774	156,846	149,816,575
Receivables					
Accounts receivable	24,654	8,937	......	485,184	518,775
State contributions receivable	......	82,431	......	......	82,431
Nonstate contributions receivable	113	348,184	......	......	348,297
Interest receivable	1,613	195,947	2,690	4,467	204,717
Dividends receivable	153	174,636	......	......	174,789
Pending investment sales	364	2,635,730	......	......	2,636,094
Forward contracts	......	190,593	......	......	190,593
Due from state funds	14	64	......	70,196	70,274
Due from other governments	24,070	......	......	......	24,070
Total receivables	50,981	3,636,522	2,690	559,847	4,250,040
Security lending collateral	28,897	4,453,438	......	......	4,482,335
Advances to other funds	649,367	......	......	......	649,367
Advances to other entities	1,137,164	......	......	......	1,137,164
Loans receivable	......	......	......	......	......
Capital assets	30,917	893	......	......	31,810
Accumulated depreciation	(843)	(515)	......	......	(1,358)
Other assets	3,568	8,144	17	......	11,729
Total assets	2,710,031	151,814,122	7,845,815	2,157,209	164,527,177
LIABILITIES					
Accounts payable and accrued liabilities	15,487	70,702	157	616,776	703,122
Due to other funds	6,658	19,399	30	93,990	120,077
DROP	......	2,543,636	......	......	2,543,636
Pending investment purchases	723	6,674,280	......	......	6,675,003
Short sell obligations	......	1,377,134	......	......	1,377,134
Forward contracts payable	......	190,879	......	......	190,879
Broker rebate fees	......	106	......	......	106
Due to other governments	7,467	......	215	520,807	528,489
Due to component units/primary	......	......	......	......	......
Obligations under security lending agreements	87,360	4,567,839	189,319	79,963	4,924,481
Claims payable	8,356	2,984	......	16,673	28,013
Deposits payable	3,427	7,975	......	829,000	840,402
Compensated absences	354	1,042	......	......	1,396
Other liabilities	23,734	5,729	......	......	29,463
Total liabilities	153,566	15,461,705	189,721	2,157,209	17,962,201
NET ASSETS					
Held in trust for pension benefits and other purposes	$ 2,556,465	$ 136,352,417	$ 7,656,094	$	$146,564,976

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, 2011
(in thousands)

	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Totals 6/30/11
ADDITIONS				
Contributions and other deposits				
Pension fund contributions - state	$	$ 988,646	$	$ 988,646
Pension fund contributions - nonstate	......	3,032,458	......	3,032,458
Employer/employee contributions	......	148,486	......	148,486
Purchase of time by employees	......	93,567	......	93,567
Fees	1,776	1,324	......	3,100
Grants and contributions	252,741	......	......	252,741
Flexible benefits contributions	......	250,740	......	250,740
Fines, forfeits, settlements and judgments	246	......	17,487	17,733
Unclaimed property remittances	346,604	......	......	346,604
Receivership assets acquired	60,416	......	......	60,416
Transfers in from state funds	1,771	1,216,712	67,268	1,285,751
Total contributions and other deposits	663,554	5,731,933	84,755	6,480,242
Investment income				
Interest income	15,119	1,186,359	57,860	1,259,338
Dividends	2,236	1,807,339	......	1,809,575
Other investment income	373	458,256	......	458,629
Net increase (decrease) in fair market value	28,280	22,346,098	31,541	22,405,919
Total investment income	46,008	25,798,052	89,401	25,933,461
Investment activity expense	(1,062)	(341,397)	(3,487)	(345,946)
Net income (loss) from investing activity	44,946	25,456,655	85,914	25,587,515
Security lending activity				
Security lending income	100	45,724	......	45,824
Security lending expense	(29)	(12,269)	......	(12,298)
Net income from security lending	71	33,455	......	33,526
Total net investment income	45,017	25,490,110	85,914	25,621,041
Other additions	9,186	2,871	......	12,057
Total additions	717,757	31,224,914	170,669	32,113,340
DEDUCTIONS				
Benefit payments	......	8,084,915	......	8,084,915
Insurance claims expense	43,264	56	......	43,320
Supplemental insurance payments	......	68,192	......	68,192
Flexible reimbursement payments	......	27,084	......	27,084
Life insurance premium payments	......	33,666	......	33,666
Remittances to annuity companies	......	219,499	......	219,499
Interest expense	1,412	3	......	1,415
Student loan default payments	225,748	......	......	225,748
Payments to unclaimed property claimants	190,240	......	......	190,240
Distribution to State School Fund	48,473	......	......	48,473
Administrative expense	23,796	45,706	57	69,559
Property disposition gain (loss)	3	1	......	4
Transfers out to state funds	4,083	1,244,786	67,268	1,316,137
Other deductions	37,305	224	......	37,529
Total deductions	574,324	9,724,132	67,325	10,365,781
Depositor activity				
Deposits	21,860	......	15,255,091	15,276,951
Withdrawals	(31,970)	......	(14,540,680)	(14,572,650)
Excess (deficiency) of deposits over withdrawals	(10,110)	......	714,411	704,301
Change in net assets	133,323	21,500,782	817,755	22,451,860
Net assets - beginning	2,423,142	114,851,635	6,838,339	124,113,116
Net assets - ending	$ 2,556,465	$ 136,352,417	$ 7,656,094	$ 146,564,976

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, non-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 235.

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011
(in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/11
ASSETS					
Cash and cash equivalents	$ 812,363	$ 200,355	$ 1,877,644	$ 1,248,964	$ 4,139,326
Pooled investments with State Treasury	302,905	983,471	......	1,580,879	2,867,255
Other investments	2,510,218	2,239,646	9,563,885	4,694,232	19,007,981
Receivables, net	129,035	465,955	340,769	1,015,777	1,951,536
Due from component units/primary	......	114,757	......	714,579	829,336
Inventories	......	28,325	......	39,056	67,381
Restricted cash and cash equivalents	......	2,075	13,651	492,149	507,875
Restricted pooled investments with State Treasury	......	103,333	......	484,028	587,361
Restricted investments	......	1,526	......	2,067,161	2,068,687
Other loans and notes receivable, net	2,983,183	37,314	567,640	79,062	3,667,199
Other assets	47,184	280,697	252,270	296,900	877,051
Capital assets, net	66	2,825,223	10,809	18,386,865	21,222,963
Total assets	6,784,954	7,282,677	12,626,668	31,099,652	57,793,951
LIABILITIES					
Accounts payable and accrued liabilities	117,558	372,455	1,001,456	1,646,032	3,137,501
Due to component units/primary	......	80,434	......	155,350	235,784
Deferred revenues	75,667	110,978	......	428,663	615,308
Long-term liabilities					
Due within one year	756,226	124,582	2,222,947	385,853	3,489,608
Due in more than one year	3,905,774	1,253,680	3,902,595	3,722,441	12,784,490
Total liabilities	4,855,225	1,942,129	7,126,998	6,338,339	20,262,691
NET ASSETS					
Invested in capital assets, net of related debt	66	2,004,378	10,809	15,704,739	17,719,992
Restricted for					
Debt service	......	4,863	......	69,171	74,034
Other	1,810,944	968,740	......	1,325,812	4,105,496
Funds held for permanent endowment					
Expendable	......	261,581	......	1,641,395	1,902,976
Nonexpendable	......	1,085,600	......	2,046,738	3,132,338
Unrestricted	118,719	1,015,386	5,488,861	3,973,458	10,596,424
Total net assets	$ 1,929,729	$ 5,340,548	$ 5,499,670	$ 24,761,313	$ 37,531,260

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, 2011
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Florida Housing Finance Corporation
Florida Housing Finance Corporation	$ 596,621	$ 323,950	$	$	$ (272,671)
University of Florida	4,658,090	2,620,444	1,312,423	73,977	......
Citizens Property Insurance Corporation	1,325,071	1,971,714	......	......	......
Nonmajor component units	10,803,041	2,748,891	4,054,473	926,420	......
Total component units	$ 17,382,823	$ 7,664,999	$ 5,366,896	$ 1,000,397	(272,671)
General revenues					
Property taxes					......
Investment earnings (loss)					......
Gain (loss) on sale of capital assets					......
Payments from the State of Florida					......
Miscellaneous					488,469
Contributions to permanent funds					......
Total general revenues and contributions					488,469
Change in net assets					215,798
Net assets - beginning					1,713,931
Adjustments to increase (decrease) beginning net assets					......
Net assets - ending					$ 1,929,729

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets: University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/11
Florida Housing Finance Corporation	$	$	$	$ (272,671)
University of Florida	(651,246)	......	......	(651,246)
Citizens Property Insurance Corporation	......	646,643	......	646,643
Nonmajor component units	......	......	(3,073,257)	(3,073,257)
Total component units	(651,246)	646,643	(3,073,257)	(3,350,531)
Property taxes	......	......	790,649	790,649
Investment earnings (loss)	338,441	116,644	635,635	1,090,720
Gain (loss) on sale of capital assets	3,915	......	(7,976)	(4,061)
Payments from the State of Florida	617,546	......	2,633,863	3,251,409
Miscellaneous	40,940	288,845	481,573	1,299,827
Contributions to permanent funds	45,472	......	24,082	69,554
Total general revenues and contributions	1,046,314	405,489	4,557,826	6,498,098
Change in net assets	395,068	1,052,132	1,484,569	3,147,567
Net assets - beginning	4,594,656	4,447,538	23,276,744	34,032,869
Adjustments to increase (decrease) beginning net assets	350,824	......	......	350,824
Net assets - ending	$ 5,340,548	$ 5,499,670	$ 24,761,313	$ 37,531,260

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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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
- Prescription Drug Monitoring Program Foundation*
- 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.

* The state's financial statements do not include amounts relating to this component unit. The assets of this component unit at June 30, 2011 are approximately $110,000.

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, 2011. 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. The Florida College System is governed by the State Board of Education. Each university and college is administered by a local board of trustees. All state universities and 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 College System Institutions

Nonmajor:

- Brevard Community College
- Broward College
- Chipola College
- College of Central Florida
- Daytona State College
- Edison State College
- Florida Gateway College
- Florida Keys Community College
- Florida State College at Jacksonville
- Gulf Coast State College
- Hillsborough Community College
- Indian River State College
- Lake-Sumter Community College
- 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
- Santa Fe College
- Seminole State College of Florida
- South Florida Community College
- St. Johns River State College
- St. Petersburg College
- State College of Florida, Manatee-Sarasota
- 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, Inc.*
- Florida Birth-Related Neurological Injury Compensation Plan
- Florida Black Business Investment Board, Inc.*
- Florida Board of Governors Foundation, Inc.*
- Florida Comprehensive Health Association
- Florida Development Finance Corporation*
- 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.
- Florida Veterans Foundation, Inc.*
- Florida Virtual School
- 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 $66 million and $118 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:

Major Governmental Funds

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

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

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

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

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

Major Business-type Funds

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

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

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

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

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

Fund Types

Additionally, the state reports the following fund types:

Internal Service Funds

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

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

Fiduciary Fund Types

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

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

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

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 reports investments in accordance with GASB Codification Section I50, *Investments.*

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.

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). 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 identified in fund balance as nonspendable. 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, capital leases and advances from Federal Government, 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, 2011, the government-wide statement of net assets report $13.1 billion of restricted net assets, of which $10.2 billion is restricted by enabling legislation.

Components of Fund Balance

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent. This includes activity that is not in a spendable form such as inventories, prepaid amounts, and, in the general fund, long-term portion of loans/notes receivable unless the proceeds are restricted, committed or assigned. Additionally, activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund, is considered to be nonspendable.

Restricted fund balances have constraints placed upon the use of the resources either by an external party, such as the federal government, or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the state's highest level of decision-making authority, the Legislature and the Governor, i.e. through legislation passed into law. Commitments may only be modified or rescinded by equivalent formal, highest-level action.

Unassigned fund balance is the residual amount of the General Fund not included in the three categories described above. Also, any remaining deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the state's general policy to use restricted resources first. When expenditures are incurred for which unrestricted (committed or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the state's general policy to spend committed resources first. However, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources.

Fund Balances Classifications and Special Revenue by Purpose – The Governmental Accounting Standards Board, in Statement No. 54, requires presentation of governmental fund balances and special revenue fund revenues by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The table presented below displays further detail of nonspendable fund balance and appropriation of resources existing at June 30, 2011 (in thousands).

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory and Prepaid Items	$ 11,994	$ 937	$	$ 35,153	$ 9,884	$ 1,921	$ 59,889
Long-term Receivables and Advances	64,560	......	......	......	......	......	64,560
Permanent Fund Principal	......	......	......	......	......	12,072	12,072
Total	76,554	937	......	35,153	9,884	13,993	136,521
Restricted:							
Grantors/Contributors	......	35,565	21,133	11,484	18,574	31,895	118,651
Enabling Legislation	15,104	39,156	......	654	160,092	232,764	447,770
Constitutional Provision	......	......	800,853	......	......	1,181	802,034
Creditors	9,418	......	......	5,950	......	1,549,372	1,564,740
Federal Government	28,245	1,514,609	......	30,729	......	111,712	1,685,295
Total	52,767	1,589,330	821,986	48,817	178,666	1,926,924	4,618,490
Committed:	887,891	772,843	286,342	2,161,195	1,251,592	1,126,575	6,486,438
Unassigned:	2,609,956	......	......	......	......	......	2,609,956
Total Fund Balances	$ 3,627,168	$ 2,363,110	$ 1,108,328	$ 2,245,165	$ 1,440,142	$ 3,067,492	$ 13,851,405

Section 215.32(2)(b)4.a, Florida Statutes, provides that the unappropriated cash balances from selected trust funds may be authorized by the Legislature for transfer to the State School Trust Fund, Budget Stablization Fund, and General Revenue Fund through the General Appropriation Act. The amounts indicated below were identified in the State's 2011-12 General Appropriations Act as being unappropriated June 30, 2011, cash balances that are to be transferred to and from the funds indicated during the 2011-12 fiscal year.

Transfer to (from) Fund	197,794	(57,600)	150,000	(58,000)	(150,000)	(82,194)	-
Transfer from Non-Governmental Funds	171,137	......	......	......	......	......	171,137
Totals	368,931	(57,600)	150,000	(58,000)	(150,000)	(82,194)	171,137

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 the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions should reduce uncertainty about which resources can or should be reported in the respective fund types. These new classifications include nonspendable, restricted, committed, and unassigned. The new fund balance classifications provided in Statement 54 are discussed in detail in Note 1, section E.

J. Prior Period Adjustments

Fund balances and net assets at July 1, 2010, have been increased as follows in relation to the activities of prior years (in thousands):

COMPONENT UNITS
Major Component Units
University of Florida

To increase beginning net assets due a change from FASB financial accounting and reporting to GASB financial accounting and reporting for Shands Hospitals	$350,824

K. Budget Stabilization Fund

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 purposes. 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, in accordance with Section 215.32, F.S.

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 $279.2 million in cash at June 30, 2011. 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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2011, the state's deposits in financial institutions totaled approximately $1.6 billion for primary government and $4.5 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, 2011, 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, 2011

	Bank Statement Balance (in U.S. $)	
Custodial Credit Risk	Primary Government	Component Units
(1)	$ 322,461	$ 243,458
(2)	72,286	857,053
(3)	......	68,308
Total deposits subject to custodial credit risk	$ 394,747	$ 1,168,819

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 Pension Trust Fund, no current investment policy exists that limits investments in foreign equity securities that are not denominated in U.S. dollars. 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 35% of the total fund. The FRS and LCEF investment plans were adopted June 8, 2010 (and reaffirmed June 16, 2011), 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, 2011, as illustrated in the following schedule (in thousands):

Foreign Currency Deposits Held
As of June 30, 2011

	Bank Statement Balance (in U.S. $)		
Currency	FRS Pension Trust Fund	LCEF	Total
Australian dollar	$ 3,610	$	$ 3,610
Brazilian real	7,548	3	7,551
British pound sterling	16,346	34	16,380
Canadian dollar	8,934	62	8,996
Czech koruna	2,006	122	2,128
Danish krone	863	......	863
Egyptian pound	619	......	619
Euro currency unit	20,345	207	20,552
Hong Kong dollar	19,041	38	19,079
Indian rupee	7,549	......	7,549
Indonesian rupiah	748	......	748
Israeli shekel	572	1	573
Japanese yen	38,296	177	38,473
Malaysian ringgit	2,034	96	2,130
Mexican new peso	694	......	694
Moroccan dirham	320	......	320
Norwegian krone	1,643	......	1,643
Singapore dollar	1,701	41	1,742
South African rand	2,028	47	2,075
South Korean won	1,813	......	1,813
Swedish krona	2,583	......	2,583
Swiss franc	10,490	2	10,492
Taiwan new dollar	26,487	8	26,495
Thailand baht	1,857	......	1,857
Turkish new lira	2,514	......	2,514
Other	1,662	9	1,671
Total deposits subject to foreign currency risk	$ 182,303	$ 847	$ 183,150

B. Investments

At June 30, 2011, the state's investments in governmental and business-type activities and fiduciary funds totaled $194.4 billion, consisting of pooled investments with the State Treasury in the amount of $15.9 billion and other investments in the amount of $178.5 billion. The State Treasury also had holdings at June 30, 2011, of $3.4 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 $20.5 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 the 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, 2011, was $14.1 billion or 73% 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, 2011

ASSETS	
Current and Other Assets	$ 20,773,049
Total Assets	20,773,049
LIABILITIES	
Other Liabilities	3,564,135
Total Liabilities	3,564,135
NET ASSETS	
Net assets held for Internal Pool Participants	15,650,114
Net assets held for External Pool Participants	1,558,800
	$ 17,208,914

Statement of Changes in Fiduciary Net Assets
June 30, 2011

ADDITIONS	
Net income (loss) from investing activity	$ 406,603
DEDUCTIONS	
Distributions paid and payable	(406,603)
Depositor activity	
Deposits	119,472,784
Withdrawals	(120,248,905)
Excess (deficiency) of deposits over withdrawals	(776,121)
Change in net assets	(776,121)
Net assets, beginning	17,985,035
Net assets, ending	$ 17,208,914

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
Certificates of Deposit	$ 183,190	$ 183,326	0.29%-0.83%	8/3/2011-6/11/2012
Commercial Paper	837,708	837,686	0.02%-0.12%	7/1/2011-7/15/2011
Repurchase Agreements	1,846,020	1,846,020	0.00%-0.04%	7/1/2011
U.S. Guaranteed Obligations	3,605,324	3,589,329	0.38%-31.70%	7/31/2011-3/20/2061
Federal Agencies	3,873,215	3,941,089	0.13%-18.00%	7/1/2011-4/1/2056
Domestic Bonds & Notes	4,899,687	2,887,410	0.00%-10.38%	3/23/2009-7/1/2111
International Bonds & Notes	450,285	471,685	0.25%-10.75%	7/15/2011-12/20/2054
Federal Agency discounted securities	4,563,275	4,560,041	0.00%-5.00%	7/1/2011-8/15/2035
U.S. Guaranteed Obligations discounted securities	1,652,725	1,631,509	0.00%-0.30%	7/7/2011-5/15/2030
Unemployment compensation funds pooled with U.S. Treasury	68,128	68,128	N/A	N/A
Totals	$ 21,979,557	$ 20,016,223		

* The coupon rate in effect at June 30, 2011, 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, 2011 (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, 2011

Investment type	Fair Value
Commercial paper	$ 837,686
Repurchase agreements	371,398
U.S. guaranteed obligations	5,220,838
Federal agencies	8,389,122
Domestic bonds & notes	2,587,252
International bonds & notes	381,778
Unemployment compensation funds pooled with U. S. Treasury	68,128
Total investments excluding security lending collateral	17,856,202
Lending collateral investments:	
Certificates of deposit	183,326
Repurchase agreements	1,474,622
Federal agencies	112,008
Domestic bonds & notes	300,158
International bonds & notes	89,907
Total lending collateral investments	2,160,021
Total investments	20,016,223
Cash on hand	300
Cash on deposit	756,526
Total State Treasury holdings	20,773,049
Adjustments:	
Outstanding warrants	(712,245)
SPIA Revolving Account*	(7,140)
Unsettled securities liability	(684,470)
Reconciled balance, June 30, 2011	$ 19,369,194

Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	$ 10,916,512
Business-type activities	1,182,805
Fiduciary funds	3,793,374
Component units	3,454,616
Component units timing difference	(19,659)
Total pooled investments with State Treasury	19,327,648
Restricted pooled investments with State Treasury (Business-type activities)	41,546
Total pooled investments with State Treasury	$ 19,369,194

* The SPIA Revolving Account is included as cash and cash equivalent by the agencies.

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 77.1% of total other investments at June 30, 2011. Investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 6.0% and 5.6%, 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, 2011, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Other Investments
As of June 30, 2011

	Fair value			
		Other funds		
Investment type	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
Certificates of deposit	$ 415,029	$ 3,934,975	$ 2,755	$ 4,352,759
Commercial paper	6,948,139	5,226,380	......	12,174,519
Money market funds	6,444	2,812,748	8,591	2,827,783
Repurchase agreements	1,000,000	3,170,000	......	4,170,000
U.S. guaranteed obligations	7,962,851	7,617,554	31,516	15,611,921
Federal agencies	10,133,810	4,642,864	8,427	14,785,101
Domestic bonds & notes	9,114,050	1,565,981	1,089,074	11,769,105
Domestic bonds & notes commingled funds	......	2,220,033	......	2,220,033
International bonds & notes	3,202,165	396,587	207	3,598,959
Domestic stocks	35,120,466	983,406	31,409	36,135,281
Domestic equity group trust	1,235	......	......	1,235
Domestic equity commingled funds	......	2,382,153	......	2,382,153
International stocks	35,455,575	109,926	3,614	35,569,115
International equity commingled funds	8,073,939	1,212,870	......	9,286,809
Limited partnerships	8,266,251	......	......	8,266,251
Limited partnerships - international	775,358	......	......	775,358
Option contracts	1,017		2,447	3,464
Swap contracts	1,696	......	......	1,696
Real estate investments	7,285,791	......	451	7,286,242
Mutual funds	......	......	1,428,792	1,428,792
Deferred compensation annuities	......	......	41,036	41,036
Total investments excluding lending collateral	133,763,816	36,275,477	2,648,319	172,687,612
Lending collateral investments:				
Certificates of deposit	......	732,370	......	732,370
Commercial paper	......	179,595	......	179,595
Short-term security lending collateral pool	......	4,581	......	4,581
Repurchase agreements	3,936,077	775,621	......	4,711,698
Federal agencies	......	54,990	......	54,990
Domestic bonds & notes	414,588	235,823	......	650,411
International bonds & notes	102,773	95,787	......	198,560
Total lending collateral investments	4,453,438	2,078,767	......	6,532,205
Total investments for all types - fair value	$ 138,217,254	$ 38,354,244	$ 2,648,319	$ 179,219,817
Total investments for all types - carrying value	$ 138,217,253	$ 38,332,562	$ 2,647,569	$ 179,197,384
% of total other investments	77%	21%	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	$ 1,394,441	$ 11,111,974	$	$ 567,805	$ 13,074,220
Restricted investments	......	1,720,469	......	......	1,720,469
Long-term investments	252,081	9,749,736	149,816,575	......	159,818,392
Security lending collateral	......	......	4,482,335	......	4,482,335
[2] Timing Difference	(71)	(31)	(5)	102,075	101,968
Total other investments	$ 1,646,451	$ 22,582,148	$ 154,298,905	$ 669,880	$ 179,197,384

[1]The column for Component Units presents 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.

[2]Differences between particpant balances posted and actual investments. Some Component Units have fiscal year ends other than June 30, 2011.

Certain investments included in the above schedule were pledged as collateral with the SBA's futures clearing broker. These investments are presented below (in thousands):

FRS Pension Trust Fund
Securities Pledged as Collateral for Futures Contracts
As of June 30, 2011

Investment Type	Fair Value
U.S. guaranteed obligations	$ 1,994
Federal agencies	36,711
Domestic stocks	203,450
Total	$ 242,155

The FRS Pension Trust Fund also held short positions in investments at June 30, 2011. 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, 2011 (in thousands):

FRS Pension Trust Fund
Short Investment Positions
As of June 30, 2011

Investment Type	Fair Value
Federal agencies	$ (562,711)
Domestic stocks	(587,496)
International stocks	(226,927)
Option contracts	(16)
Total	$ (1,377,150)

The SBA issued a separate report (financial statements and notes) pertaining to the Local Government Surplus Funds Trust Fund (an external investment pool) within the state's Investment Trust Fund for the period ended June 30, 2011. This report may be obtained from the Chief Operating & Financial Officer, 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, 2011, 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, 2011, are excluded.

Schedule of Other Investments
For Discretely Presented Component Units
As of June 30, 2011

Investment type	Fair value
Certificates of deposit	$ 104,290
Commercial paper	49,544
Repurchase agreements	83,503
Money market funds	501,867
U.S. guaranteed obligations	2,687,605
Federal agencies	4,332,644
Domestic bonds & notes	6,780,055
International bonds & notes	23,690
Domestic stocks	1,064,928
International stocks	311,209
Real estate investments	93,746
Mutual funds	1,933,327
Investment agreements	2,613,144
Total other investments for all types - fair value	$ 20,579,552
Total other investments for all types - carrying value	$ 20,508,781
Reconciliation of carrying value to the basic financial statements:	
Other investments	$ 19,007,981
Restricted investments	2,068,687
Less SBA Investments*	(567,805)
Total other investments for component units	$ 20,508,863

At June 30, 2011, 70.08% 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, 2011, 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, 2011

S&P rating**	Moody's rating**	Total*	Certificates of deposit	Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes
AAA		$ 766,879	$	$	$ 129,323	$ 626,147	$ 11,409
AA		618,716	68,108	......	......	377,452	173,156
A		1,624,858	115,218	......	140	1,356,221	153,279
A-1		837,686	......	837,686	......	......	......
BBB		495,688	......	......	......	394,030	101,658
BB		7,650	......	......	......	6,679	971
B		1,277	......	......	......	1,277	......
Below B		1,492	......	......	......	1,492	......
	AAA	87,199	......	......	322	86,877	......
	AA	2,369	......	......	......	1,561	808
	A	3,373	......	......	......	3,373	......
	B	645	......	......	......	645	
	Below B	9,820	......	......	......	9,416	404
Not rated		8,423,585	......	......	8,371,345	22,240	30,000
		12,881,237	$ 183,326	$ 837,686	$ 8,501,130	$ 2,887,410	$ 471,685
Not rated		5,220,838	U.S. guaranteed obligations				
Not rated		1,846,020	Repurchase agreements				
		$ 19,948,095					

* The remaining ($578,901) (in thousands) reported for Pooled Investments with the 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 the 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 and duration 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, 2011, more than five percent of the State Treasury's investment pool is invested in Federal National Mortgage Association (FNMA), Federal Home Loan Bank System (FHLB), Federal Farm Credit Banks (FFCB), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal Agricultural Mortgage Corporation (FARMERMAC). These investments are approximately 12 percent, 10 percent, 10 percent, 6 percent, and 5 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 portfolio – 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 NRSROs – 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 (excluding U.S. Treasuries and Agencies) should not represent more than 5% of portfolio amortized cost.

Mortgage Index Portfolio – 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.

Aggregate Less MBS Portfolio – 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-. This portfolio primarily contains U.S. Treasuries, Government Agencies, and Corporates.

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). 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.

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 were required to be rated investment grade by at least one NRSRO. The policies dictated no limitations on concentration of credit risk on investments for a single issuer. The Core Plus portfolios were terminated during the fiscal year ending June 30, 2011.

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 by two of the three NRSROs). 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 –Non-pension fund investment policy guidelines have short-term rating requirements that are similar to the short-term portfolio rating requirements. Repos should be fully collateralized. The new lending investment policy guidelines for the FRS Pension Trust Fund allow only investments in tri-party qualified repurchase transactions in which the subject securities thereunder will be repurchased by the seller thereof no later than one business day from the purchase date, and such repurchase obligations are collateralized by U.S. Government securities having a market value of at least 100% of the market value of securities subject to being repurchased. "U.S. Government Securities" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing, including without limitation notes, bonds and other debt securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). In addition to tri-party repurchase agreements, investments purchased prior to the effective date of the new investment policy guidelines contained short-term rating requirements that were similar to the current short-term portfolio rating requirements. Repos were required to be fully collateralized. The FRS Pension Trust Fund was allowed to 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 was allowed to be invested in the obligations of any single issuer, guarantor, or repo counterparty that matured on the next business day, that were redeemable upon demand, or that contained 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, 2011. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2011 (in thousands).

FRS Pension Trust Fund
Credit Quality Ratings
As of June 30, 2011

Credit Rating[1] S&P	Moody	Total[2]	Certificates of deposit	Commercial paper	Money market & short-term bond funds	Federal agencies	Domestic bonds & notes	International bonds & notes
AAA/AAAm		$ 3,744,475	$	$	$ 6,444	$ 1,594,750	$ 1,613,001	$ 530,280
AA		1,052,280	......	......	......	8,277	706,859	337,144
A		4,202,984	......	......	......	49,671	3,391,117	762,196
BBB		3,116,151	......	......	......	......	2,423,887	692,264
BB		231,339	......	......	......	......	227,005	4,334
B		112,059	......	......	......	......	105,012	7,047
CCC		70,272	......	......	......	......	70,272	......
CC		845	......	......	......	......	845	......
D		1,213	......	......	......	......	1,213	......
	Aaa	310,008	......	......	......	1,729	266,134	42,145
	Aa	208,769	49,997	......	......	......	6,586	152,186
	A	68,985	......	......	......	......	38,987	29,998
	Baa	56,121	......	......	......	......	22,566	33,555
A-1		6,948,138	......	6,948,138	......	......	......	......
Not rated	Not rated	10,213,358	365,032	......	......	8,479,383	655,154	713,789
		30,336,997	$ 415,029	$ 6,948,138	$ 6,444	$10,133,810	$ 9,528,638	$ 3,304,938
Not rated	Not rated	4,936,077	Repurchase agreements					
Not rated	Not rated	7,962,851	U.S. guaranteed obligations					
Not rated	Not rated	35,120,466	Domestic stocks					
Not rated	Not rated	1,235	Domestic equity group trust					
Not rated	Not rated	35,455,575	International stocks					
Not rated	Not rated	8,073,939	International equity commingled funds					
Not rated	Not rated	8,266,251	Limited partnerships					
Not rated	Not rated	775,358	Limited partnerships-international					
Not rated[3]	Not rated[3]	1,017	Option conracts purchased					
Not rated[3]	Not rated[3]	1,696	Swap contracts					
Not rated	Not rated	7,285,791	Real estate investments					
		$ 138,217,253	Total investments					

[1]S&P ratings were primarily used. If S&P did not rate a security, then Moody 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.

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

[3] 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, 2011, in the FRS Pension Trust Fund are listed below (in thousands).

FRS Pension Trust Fund
Option Counterparty Credit Ratings
As of June 30, 2011

Counterparty Credit Rating[1] S&P	Moody	Fitch	Fair Value
Exchange traded	Exchange traded	Exchange traded	$ 1,017
		Total options purchased	$ 1,017
Exchange traded	Exchange traded	Exchange traded	$ (16)
		Total options sold[2]	$ (16)

[1]If an option was "exchange traded", the counterparty credit risk is minimal because a third party exchange settles up with each counterparty individually instead of the two counterparties dealing directly with each other.

[2] Options sold are reported as liabilities in the Statement of Fiduciary Net Assets.

Counterparty credit ratings for swaps held in the FRS Pension Trust Fund at June 30, 2011, are listed below (in thousands)

FRS Pension Trust Fund
Swap Counterparty Credit Ratings
As of June 30, 2011

Counterparty Credit Rating (Long/Short)[1] S&P	Moody	Fitch	Fair Value
AA/A-1	Aa/P-1	NR/F1	$ 183
A/A-1	A/P-1	NR/F1	356
NR/NR	NR/P-1	NR/NR	1,157
		Total swaps	$ 1,696

[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, 2011, are listed below (in thousands).

FRS Pension Trust Fund
Forward Foreign Currency Exchange Contract Counterparty Credit Ratings
As of June 30, 2011

Counterparty Credit Rating (Long/Short)[1] S&P	Moody	Fitch	Receivable Fair Value	Payable Fair Value	Net Unrealized Gain/(Loss)
AA/A-1	Aaa/P-1	NR/F1	$ 74,706	$ (74,760)	$ (54)
AA/A-1	Aa/P-1	NR/F1	586	(583)	3
AA/A-1	Aa/P-1	NR/NR	3,697	(3,688)	9
AA/A-1	A/P-1	NR/F1	1,553	(1,555)	(2)
AA/A-1	NR/P-1	NR/F1	2,008	(1,995)	13
A/A-1	Aa/P-1	NR/F1	8,915	(8,913)	2
A/A-1	A/P-1	NR/F1	6,694	(6,699)	(5)
A/A-1	NR/P-1	NR/NR	23,642	(23,641)	1
NR/NR	NR/P-1	NR/NR	20,694	(21,018)	(324)
NR/NR	NR/NR	NR/F1	21,569	(21,575)	(6)
NR/NR	NR/NR	NR/NR	26,528	(26,452)	76
			$ 190,592	$ (190,879)	$ (287)

[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, 2011 (in thousands).

All SBA Managed Funds (except FRS Pension Trust Fund)
Credit Quality Ratings
As of June 30, 2011

Credit Rating[1] S&P	Credit Rating[1] Moody	Total[2]	Certificates of deposit	Commercial paper	Money market funds	Federal agencies	Domestic bonds & notes	Domestic bonds & notes commingled funds	International bonds & notes
AAA/AAAm		$ 4,606,977	$	$	$ 1,771,069	$ 2,492,718	$ 303,382	$	$ 39,808
AA		481,640	30,349	......	......	......	255,432	......	195,859
A		742,408	4,004	......	......	1	651,453	......	86,950
BBB		324,140	......	......	......	......	281,340	......	42,800
BB		3,998	......	......	......	......	3,998	......	......
B		4,742	......	......	......	......	4,742	......	......
CCC		23,250	......	......	......	......	23,250	......	......
	Aaa	84,227	......	......	......	34,203	50,024	......	......
	Aa	18,207	2,885	......	......	......	4,321	......	11,001
	A	4,977	......	......	......	......	4,977	......	......
	Baa	2,609	......	......	......	......	......	......	2,609
A-1		5,394,477	......	5,380,977	......	......	13,500		......
Not rated	Not rated	10,406,481	4,630,107	24,998	1,041,679	2,170,932	205,385	2,220,033	113,347
		22,098,133	$ 4,667,345	$ 5,405,975	$ 2,812,748	$ 4,697,854	$ 1,801,804	$ 2,220,033	$ 492,374
Not rated	Not rated	3,945,621	Repurchase agreements						
Not rated	Not rated	4,581	Security lending collateral pool						
Not rated	Not rated	7,617,554	U.S. guaranteed obligations						
Not rated	Not rated	983,406	Domestic stocks						
Not rated	Not rated	2,382,153	Domestic equity commingled funds						
Not rated	Not rated	109,926	International stocks						
Not rated	Not rated	1,212,870	International equity commingled funds						
		$ 38,354,244	Total investments						

[1]S&P ratings were primarily used. If S&P did not rate a security, then Moody 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.

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

The LGIP held investments with Bank of America (18.6%), BNP Paribas (5.2%), Credit Agricole Corp. (5.1%), Morgan Stanley (5.9%), and Societe Generale (5.2%) in excess of 5% of the LGIP's fair value.

The Florida Hurricane Catastrophe Fund held investments with Bank of America (9.3%), subsidiaries of Santander UK PLC (5.0%), Goldman Sachs Group Inc. (6.7%), Federal Farm Credit Bank (6.4%), Federal Home Loan Bank System (9.8%), and Federal Home Loan Mortgage Corporation (6.5%) in excess of 5% of the Florida Hurricane Catastrophe Fund'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, 2011

Component Unit	Commercial Paper	Federal agencies	Bonds & notes	Mutual funds	Money market funds	Total	S&P rating
Florida Housing Finance Corporation *	$ 849	$	$	$	$	$ 849	A-1+
FHFC (continued)	......	......	178,643	......	......	178,643	AAA-BB-
FHFC (continued)	......	15,230	23,689	......	......	38,919	AAA
FHFC (continued)	......	41,047	34,797	......	......	75,844	Not rated
FHFC (continued)	......	......	1,276	......	......	1,276	AAA-A-1
FHFC (continued)	......	......	8,252	......	......	8,252	AAA-CC
University of Florida (UF)	......	......	7,729	569	20,906	29,204	AAA
UF (continued)	......	39	4,977	52,680	1,054	58,750	AA
UF (continued)	......	444	3,458	29,417	264	33,583	A
UF (continued)	......	10	105	53,724	24,544	78,383	Not rated
	$ 849	$ 56,770	$ 262,926	$ 136,390	$ 46,768	$ 503,703	

Component Unit	Certificates of deposit	Federal agencies	Bonds & notes	Mutual funds	Other	Total	Moody's
Citizens Property Insurance Corporation (CPIC)	$ 51,874	$	$	$	$	$ 51,874	P-1
CPIC (continued)	......		......	......	......	-	Aaa
CPIC (continued)	......	3,642,314	5,627,155	......	......	9,269,469	Aaa/P-1
CPIC (continued)	......	......		......	200,424	200,424	Not rated
	$ 51,874	$ 3,642,314	$ 5,627,155	$	$ 200,424	$ 9,521,767	

* Florida Housing Finance Corporation (FHFC) reported total investments with a fair value in the amount of $840.41 million subject to concentration of credit risk. These investments and amounts were issued by Trinity Funding ($285 million) and FannieMae ($555 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, 2011. 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, 2011

	Fair value
Invested security lending collateral:	
Certificates of deposit	$ 183,326
Repurchase agreements	1,474,622
Federal agencies	112,008
Domestic bonds & notes	300,158
International bonds & notes	89,907
Total	$ 2,160,021

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, 2011. 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, 2011

	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	$	$ 732,371
Commercial paper	......	179,595
Repurchase agreements	2,059,570	775,621
Federal agencies	......	54,990
Domestic bonds & notes	365,216	235,823
International bonds & notes	58,899	95,787
Total	$ 2,483,685	$ 2,074,187

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, 2011

Component unit / Investment type	Fair value
University of Florida	
Bonds & notes	$ 16,026
Mutual funds	2,382
Total	$ 18,408

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, 2011

Investment type	Fair value	Effective weighted duration (in years)	Security Lending Fair Value	Weighted average maturity (in days)
Certificates of Deposit	-	N/A	183,326	46
Commercial paper	837,686	0.02		
Repurchase Agreements	371,398	N/A	1,474,622	1
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	3,129,217	4.19		
U.S. Treasury strips	21,178	11.39		
U.S. Treasury bills	1,604,340	0.41		
GNMA mortgage-backed pass-through	153,667	2.72		
GNMA TBA pass-thru	121,730	2.30		
GNMA collateralized mortgage obligations (CMO's)	14,562	2.56		
GNMA CMO's - interest only	4,174	(28.14)		
GNMA CMOs - principal only	-	N/A		
U.S. Government Guaranteed	153,603	1.33		
SBA Asset Backed	18,367	2.15		
Federal agencies:				
Agency bonds & notes	17,637	1.03	112,008	14
Discount notes	3,519,800	0.25		
Unsecured bonds & notes	3,022,607	1.13		
Mortgage-backed pass-through	1,159,371	3.47		
TBA Mortgage-backed pass-thru	525,702	3.07		
Mortgage-backed CMO's	134,731	2.40		
Mortgage-backed CMO's - principal only	755	0.15		
Mortgage-backed CMO's - interest only	8,519	7.31		
Domestic bonds & notes:				
Corporate	1,756,069	4.79	300,158	44
Corporate asset-backed	177,549	0.92		
Non-government backed CMO's & CMBS*	585,373	2.58		
Non-government backed CMO's & CMBS* - interest only	20,133	2.53		
Municipal/provincial	48,128	7.94		
International bonds & notes:				
Government & Agency	48,527	2.52		
Corporate	332,888	5.36	89,907	75
Non-government backed CMO's & CMBS*	363	0.02		
Total portfolio effective duration and weighted average maturity		2.16		15
Total debt investments	17,788,074		2,160,021	

* Commercial Mortgage-Backed Securities (CMBS)
**To-Be-Announced (TBA)
*** The remaining ($578,901) (in thousands) reported for Pooled Investments with the 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 the State Treasury.

Presented below is effective weighted duration for derivative investments in the State Treasury at June 30, 2011.

Derivative Investments
As of June 30, 2011

Investment type	Fair value	Effective weighted duration (in years)
Futures	$	11.14
Total derivative investments	$ -	

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 portfolio – 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. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. 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.

Mortgage Index portfolio – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus .25 years of index duration. The index is the Barclays Capital U.S. MBS Index component of the Barclays Capital U.S. Aggregate Bond Index.

Aggregate Less MBS Index portfolio – 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 – 1.50 years 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. The Core Plus portfolios were terminated during the fiscal year ended June 30, 2011.

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 – The new investment policy guidelines in effect for the FRS Pension Trust Fund for the fiscal year ended June 30, 2011, allow investment only in overnight repurchase agreements that are fully collateralized by U.S. government and/or agency securities. Investments that were purchased prior to the latest investment policy guidelines are still held in the lending programs, but are slowly paying down. Previous guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM. For non-pension lending programs, investment policy guidelines require a maximum WAM for a portfolio of 90 days (for separately managed investments), or that cash collateral be invested in one or more collective investment vehicles maintained and utilized by the lending agent for the investment of securities lending cash collateral.

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 the security lending collateral portfolios are presented using weighted average maturity.

FRS Pension Trust Fund
Debt Investments
As of June 30, 2011

Investment type	Fair value (duration)	Effective weighted duration *(in years)*	Fair value (WAM)	Weighted average maturity *(in days)*
Certificates of deposit	$	NA	$ 415,029	77
Commercial paper	......	NA	6,948,138	24
Money market funds	......	NA	6,444	1
Repurchase agreements	......	NA	4,936,077	1
U.S. guaranteed obligations:				
U.S. Treasury bonds & notes	5,766,575	5.29	......	NA
Index linked government bonds	251,773	5.53	......	NA
U.S. government guaranteed	182,483	2.95	......	NA
GNMA mortgage-backed	723,973	3.03	......	NA
GNMA commitments to purchase (TBAs)	1,022,916	2.72	......	NA
GNMA collateralized mortgage obligations (CMO's)	13,929	7.44	......	NA
GNMA interest-only inverse floating CMO's	1,202	11.70	......	NA
Federal agencies:				
Discount notes	510,825	0.20	......	NA
Unsecured bonds & notes	1,659,952	3.51	......	NA
Agency strips	2,659	5.83	......	NA
Mortgage-backed (FNMA, FHLMC)	4,439,993	3.66	......	NA
FNMA, FHLMC commitments to purchase (TBAs)	3,475,248	3.34		
Mortgage-backed CMO's	17,556	2.51	......	NA
Interest-only CMO's	7,286	-7.86	......	NA
Interest-only inverse floating CMO's	16,275	13.49	......	NA
Inverse floating CMO's	3,322	7.72	......	NA
Principal-only CMO's	694	3.80	......	NA
Domestic bonds & notes:				
Corporate	6,206,252	5.61	......	NA
Non-government asset-backed & mortgage-backed	939,614	3.52	182,921	28
Non-government backed CMO's & CMBS	1,815,001	2.94	192,595	18
Municipal/provincial	174,516	10.89	......	NA
Real estate mortgage loans	17,739	6.16	......	NA
International bonds & notes:				
Government & regional	602,684	5.20	......	NA
Government agency	301,320	4.18	......	NA
Corporate	2,272,669	3.46	......	NA
Non-government backed CMO's & CMBS	25,492	2.00	102,773	42
Futures contracts - long*	......	4.79	......	NA
Futures contracts - short*	......	2.73	......	NA
Option contracts purchased	1,017	-294.70	......	NA
Swap contracts[1]	1,696	0.80	......	NA
Total debt investments	$ 30,454,661		$ 12,783,977	

*The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values.

Interest rate risk information for debt investments sold short is presented below (in thousands).

FRS Pension Trust Fund
Sold Short Debt Investment Positions
As of June 30, 2011

Investment type	Fair value (Duration)	Effective weighted duration (in years)
FNMA, FHLMC commitments to sell (TBAs)	$ (562,711)	4.65
Options sold	(16)	-128.08
Total short positions in debt investments[1]	$ (562,727)	

[1] Investments sold short are reported as liabilities on the Statement of Fiduciary Net Assets.

[2]The futures contracts effective weighted duration was calculated using notional values rather than fair values.

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, 2011 (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, 2011

		Investment maturities (in years)						
Investment type	Total fair value	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	$ 409,506	$ 409,506	$	$	$	$	$	$ ......
U.S. Treasury bonds, notes, & SLGS*	238,116	142,057	50,394	44,780	885	......	......	......
U.S. Treasury strips	817,725	193,078	275,844	143,501	98,299	58,102	41,074	7,827
Federal agencies:								
Unsecured bonds & notes	85,716	21,601	42,653	21,462	......	......	......	......
Agency strips	40,705	14,896	25,809	......	......	......	......	......
Inverse floating rate CMO's	223	......	......	......	......	223	......	......
Total debt investments	$ 1,591,991	$ 781,138	$ 394,700	$ 209,743	$ 99,184	$ 58,325	$ 41,074	$ 7,827

* 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, 2011

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	$ 4,990	0.80	$ 4,662,355	49
Commercial paper	......	NA	5,405,975	39
Money market funds	1,041,048	0.05	1,771,700	1
Security lending collateral pools	......	NA	4,581	104
Repurchase agreements	......	NA	3,945,621	1
U.S. guaranteed obligations:				
U.S. Treasury bills	141,035	0.18	......	NA
U.S. Treasury bonds & notes	173,665	8.97	585,551	42
U.S. Treasury strips	4,995,310	10.12	......	NA
Index linked government bonds	111,655	4.62	......	NA
U.S. government guaranteed	36,718	8.15	......	NA
GNMA mortgage-backed	71,055	4.01	......	NA
GNMA commitments to purchase (TBAs)	36,249	3.84		
GNMA collateralized mortgage obligations (CMOs)	969	1.65	......	NA
Federal agencies:				
Discount notes	44,155	0.03	880,342	57
Unsecured bonds & notes	113,811	8.10	2,314,029	173
Agency strips	426,540	9.76	......	NA
Mortgage-backed (FNMA, FHLMC)	493,807	3.57	......	NA
FNMA, FHLMC commitments to purchase (TBAs)	232,404	4.34		
Mortgage-backed CMO's	66,122	-0.16	......	NA
Domestic bonds & notes:				
Corporate	692,330	6.16	348,199	241
Non-government asset-backed & mortgage-backed	323,112	7.56	126,733	22
Non-government backed CMO's & CMBS	284,168	3.19	8,256	15
Municipal/provincial	6,306	14.56	12,700	7
Domestic bonds & notes commingled funds	2,220,033	4.85	......	NA
International bonds & notes:				
Government & regional	687	4.74	......	NA
Corporate	170,805	4.99	286,429	33
Non-government asset-backed & mortgage-backed	......	NA	11,953	16
Non-government backed CMO's & CMBS	......	NA	22,500	21
Total debt investments	$ 11,686,974		$ 20,386,924	

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, 2011

		Investment maturities (in years)			
Component unit / Investment type	Total fair value	Less than or equal to 1	> 1 to 5	> 6 to 10	> 10
University of Florida					
U.S. guaranteed obligations	$ 19,126	$ 4,121	$ 12,160	$ 2,799	$ 46
Bonds & notes	16,269	1,540	10,501	1,395	2,833
Mutual funds	131,536	10,069	24,945	96,522	......
Total debt investments	$ 166,931	$ 15,730	$ 47,606	$ 100,716	$ 2,879

Major Component Units
Debt Investments
That Use Duration or Weighted Average Maturity Method
As of June 30, 2011

Component unit / Investment type	Fair value (duration)	Modified duration (in years)	Fair value (WAM)	Weighted Average maturity (in years)
Florida Housing Finance Corporation				
U.S. guaranteed obligations	$ 42,991	2.82	$	NA
Federal agencies	54,111	1.06	......	NA
Bonds & notes	247,507	1.40	......	NA
Citizens Property Insurance Corporation				
U.S. guaranteed obligations	......	NA	367,754	0.95
Federal agencies	......	NA	3,274,560	1.00
Bonds & notes	......	NA	5,879,454	7.11
Total debt investments	$ 344,609		$ 9,521,768	

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, 2011. These funds are managed primarily by the use of "asset classes."

The FRS Pension Trust Fund does not currently have an investment policy limiting its investment in foreign equities or other investments denominated in foreign currency. 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, 2011, 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, 2011

	FRS Pension Trust Fund Investment Type				LCEF Investment type
Currency	Equity	Limited Partnerships[1]	Short-Sells Equity[2]	Total	Equity
Australian dollar	$ 1,677,792	$	$ (2,933)	$ 1,674,859	$ 4,119
Brazilian real	574,736	......	......	574,736	1,792
British pound sterling	5,473,401	......	(14,679)	5,458,722	7,118
Canadian dollar	1,987,141	......	(25,114)	1,962,027	3,505
Danish krone	259,932	......	(5,807)	254,125	767
Egyptian pound	23,340	......	......	23,340	......
Euro currency unit	7,479,542	330,088	(70,815)	7,738,815	23,649
Hong Kong dollar	2,379,018	......	......	2,379,018	6,212
Hungarian forint	26,295	......	......	26,295	......
Indian rupee	450,725	......	......	450,725	......
Indonesian rupiah	163,278	......	......	163,278	320
Israeli shekel	120,120	......	......	120,120	......
Japanese yen	4,867,649	......	(38,481)	4,829,168	17,033
Malaysian ringgit	122,475	......	......	122,475	5,050
Mexican new peso	198,944	......	......	198,944	1,298
New Zealand dollar	29,229	......	......	29,229	53
Nigerian naira	34,968	......	......	34,968	......
Norwegian krone	180,230	......	(1,046)	179,184	1,856
Philippines peso	47,264	......	......	47,264	336
Polish zloty	114,768	......	......	114,768	3,070
Qatari riyal	27,891	......	......	27,891	......
Singapore dollar	602,582	......	(1,773)	600,809	4,284
South African rand	470,851	......	......	470,851	655
South Korean won	814,327	......	......	814,327	7,677
Swedish krona	690,350	......	(2,921)	687,429	2,310
Swiss franc	2,277,264	......	(9,845)	2,267,419	1,716
Taiwan new dollar	625,572	......	......	625,572	2,888
Thailand baht	247,253	......	......	247,253	2,345
Turkish lira	242,921	......	......	242,921	148
Other	137,833	......	......	137,833	359
Equity linked notes (various currencies)[3]	8,013	......	......	8,013	......
International equity commingled funds[1]	8,073,939	......	......	8,073,939	......
International private equity limited partnerships[1]	......	445,270	......	445,270	......
Total investments subject to foreign currency risk	$ 40,429,643	$ 775,358	$ (173,414)	$ 41,031,587	$ 98,560

[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 above 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, 2011, that have exposure to foreign currency risk are presented below (in thousands).

Futures Positions Exposed to Foreign Currency Risk
As of June 30, 2011

			In Local Currency			
	Currency	Number of Contracts[1]	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)[2]	Unrealized Gain/(Loss) (in U.S. $)
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	217	$ 12,497	$ 12,808	$ 311	$ 500
Canada S&P/TSE 60 Index	Canadian dollar	77	11,430	11,738	308	319
DJ Euro STOXX 50	Euro currency unit	567	15,594	16,148	554	804
TOPIX Index Future	Japanese yen	139	1,129,723	1,180,805	51,082	633

[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 a position in an interest rate swap agreement that is subject to foreign currency risk. The FRS Pension Trust Fund receives a fixed interest rate and pays a variable six-month EURIBOR (Euro Interbank Offered Rate) in Euro currency units. Information on the interest rate swap with currency exposure is presented below (in thousands).

FRS Pension Trust Fund
Interest Rate Swaps with Foreign Currency Exposure
As of June 30, 2011

Currency	Notional Amount (Local Currency)	Receive	Pay[1]	Maturity Date	Fair Value in Local Currency	Fair Value in U.S. Dollars
Euro currency unit	113,000	2.737%	EURIBOR 6-month	4/29/2013	1,210	$ 1,754
					1,210	$ 1,754

[1]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 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, 2011, is presented below, by currency (in thousands).

FRS Pension Trust Fund
Forward Foreign Currency Exchange Contracts
As of June 30, 2011

Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (in U.S. $)	Payable Fair Value (In U.S. $)	Net Unrealized Gain/(Loss) (In U.S. $)
Australian dollar	2,758	U.S. dollar	(2,919)	$2,952	($2,919)	$33
Brazilian real	884	U.S. dollar	(564)	566	(564)	2
British pound sterling	70	Euro currency unit	(78)	112	(113)	(1)
British pound sterling	3,267	Swedish krona	(33,096)	5,246	(5,245)	1
British pound sterling	6,242	U.S. dollar	(9,995)	10,022	(9,995)	27
Canadian dollar	515	Japanese yen	(43,007)	534	(533)	1
Canadian dollar	3,491	U.S. dollar	(3,617)	3,617	(3,617)	......
Danish krone	3,125	U.S. dollar	(604)	607	(604)	3
Euro currency unit	1,245	Japanese yen	(145,623)	1,805	(1,803)	2
Euro currency unit	18,340	U.S. dollar	(26,441)	26,590	(26,441)	149
Euro currency unit	20	U.S. dollar	settled	29	settled	29
Hong Kong dollar	530	Japanese yen	(5,492)	68	(68)	......
Hong Kong dollar	17,795	U.S. dollar	(2,287)	2,287	(2,287)	......
Indian rupee	79,389	U.S. dollar	(1,782)	1,776	(1,782)	(6)
Indonesian rupiah	26,922,599	U.S. dollar	(3,144)	3,139	(3,143)	(4)
Israeli shekel	693	U.S. dollar	(204)	204	(204)	......
Japanese yen	1,341,876	U.S. dollar	(16,618)	16,616	(16,618)	(2)
Kenyan shilling	6,027	U.S. dollar	(68)	67	(68)	(1)
New Zealand dollar	settled	U.S. dollar	(277)	settled	(277)	(277)
Nigerian naira	1,213	U.S. dollar	(8)	8	(8)	......
Philippines peso	5,259	U.S. dollar	(121)	121	(121)	......
Qatari riyal	872	U.S. dollar	(240)	239	(240)	(1)
S. African rand	4,750	Hong Kong dollar	(5,465)	700	(702)	(2)
S. African rand	12,276	U.S. dollar	(1,800)	1,811	(1,800)	11
Singapore dollar	4,009	U.S. dollar	(3,254)	3,266	(3,254)	12
South Korean won	3,501,946	U.S. dollar	(3,286)	3,280	(3,286)	(6)
Swedish krona	2,233	U.S. dollar	(350)	354	(350)	4
Swiss franc	10,815	U.S. dollar	(12,954)	12,844	(12,954)	(110)
Thailand baht	4,004	U.S. dollar	(130)	130	(130)	......
U.S. dollar	15,402	Australian dollar	(14,488)	15,402	(15,464)	(62)
U.S. dollar	2,038	Brazil real	(3,209)	2,038	(2,054)	(16)
U.S. dollar	4,501	British pound sterling	(2,802)	4,501	(4,498)	3
U.S. dollar	3,623	Canadian dollar	(3,504)	3,623	(3,631)	(8)
U.S. dollar	89	Egyptian pound	(529)	89	(89)	......
U.S. dollar	13,442	Euro currency unit	(9,305)	13,442	(13,491)	(49)
U.S. dollar	1,271	Hong Kong dollar	(9,889)	1,270	(1,270)	......
U.S. dollar	333	Hungarian forint	(61,284)	333	(335)	(2)
U.S. dollar	4,909	Indian rupee	(219,166)	4,909	(4,903)	6
U.S. dollar	1,036	Indonesian rupiah	(8,909,500)	1,036	(1,038)	(2)
U.S. dollar	172	Israeli shekel	(609)	172	(179)	(7)
U.S. dollar	27,742	Japanese yen	(2,239,939)	27,742	(27,742)	......
U.S. dollar	165	Kenyan shilling	(14,917)	165	(167)	(2)
U.S. dollar	1,428	Mexican new peso	(16,805)	1,428	(1,433)	(5)
U.S. dollar	83	Nigerian naira	(12,623)	83	(83)	......
U.S. dollar	313	Norwegian krone	(1,684)	313	(314)	(1)
U.S. dollar	425	Pakistan rupee	(36,605)	425	(426)	(1)
U.S. dollar	61	Philippines peso	(2,679)	61	(62)	(1)
U.S. dollar	395	Polish zloty	(1,105)	395	(402)	(7)
U.S. dollar	1,061	Qatari riyal	(3,865)	1,061	(1,061)	......
U.S. dollar	712	Singapore dollar	(876)	712	(714)	(2)
U.S. dollar	3,567	South Korean won	(3,822,788)	3,567	(3,581)	(14)
U.S. dollar	424	Swedish krona	(2,680)	424	(425)	(1)
U.S. dollar	6,109	Swiss franc	(5,121)	6,109	(6,082)	27
U.S. dollar	1,334	Taiwan new dollar	(38,565)	1,334	(1,343)	(9)
U.S. dollar	496	Thailand baht	(15,170)	496	(494)	2
U.S. dollar	472	Turkish new lira	(767)	472	(472)	......
Total				$190,592	($190,879)	($287)

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, 2011. 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 $2,160,279,521 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 $2,115,646,305. 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, 2011, are as follows (fair value equals carrying value of investment on loan): Domestic bonds and notes of $141,654,653, Federal agencies of $157,044,490, International bonds and notes of $26,222,097 and U.S. guaranteed obligations of $1,790,725,065.

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 range from 100% to 105%, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested $6,781,597,384 in cash and $46,556,184 in U.S. government securities as collateral for the lending programs as of June 30, 2011. At June 30, 2011, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest), except for loans with two brokers in the Lawton Chiles Endowment Fund totaling $4,536. 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 5% to 46% 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. Two agent lender programs were transitioned to the FRS custodian, leaving one third party agent.. At June 30, 2011, approximately 94% of the lending program was intrinsic.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2011 (in thousands):

Schedule of Other Investments on Loan Under Security Lending Agreements
As of June 30, 2011

	Fair value of Securities on Loan[1]		
Securities on Loan for Cash Collateral, by Security type	FRS Pension Trust Fund	Other funds Managed by SBA	Total
U.S. guaranteed obligations	$ 1,011,744	$ 1,864,650	$ 2,876,394
Federal agencies	298,149	8,887	307,036
Domestic bonds & notes	227,208	154,114	381,322
International bonds & notes	24,851	......	24,851
Domestic stocks	1,123,437	128,897	1,252,334
International stocks	1,666,055	4,484	1,670,539
Total securities on loan for cash collateral	$ 4,351,444	$ 2,161,032	$ 6,512,476
Securities on Loan for Non-Cash Collateral, by Security type			
Domestic stocks	$ 1,007	$	$ 1,007
International stocks	4,024	......	4,024
Total securities on loan for non-cash collateral	5,031	......	5,031
Total securities on loan	$ 4,356,475	$ 2,161,032	$ 6,517,507

[1]The fair value equals the carrying value of investments on loan. Fair value includes accrued interest on debt securities.

6. Derivatives

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. These 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.

Derivative instruments consisted of futures, options, forward currency contracts, and swaps.

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 are permitted under the State Treasury's investment guidelines interest rate futures were the only type of derivative held as of June 30, 2011. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2011. As of June 30, 2011, all of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2011.

A summary of investment derivatives traded in the State Treasury is presented below (in thousands).

	Changes in Fair Value		Fair Value at June 30, 2011		Notional
	Classification	Amount	Classification	Amount	(in US $)
State Treasury					
Investment derivative instruments:					
Futures	Investment Income	$ (1,243)	Receivable/Payable	$ 822	$ (22,300)
Options*	Investment Income	(127)			

This schedule includes both long and short positions.

*Options contracts expired prior to fiscal year end.

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

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. Future contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Assets. Losses may arise from future changes in the value of the underlying instrument.

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, 2011, all of the SBA investment derivatives were reported at fair value.

	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount (in US $)	Classification	Amount (in US $)	Notional (in US $)
Governmental activities (Lawton Chiles Endowment Fund)					
Investment derivative instruments:					
Futures[1]	Investment Income	$ 249	Receivable/ Payable[1]	$ 22	$ 838
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures[1]	Investment Income	$ 109,977	Receivable/ Payable[1]	$ 5,594	$ 4,852,959
Options[2]	Investment Income	236	Investment/Liability[2]	1,001	468,800
Forward currency exchange contracts[3]	Investment Income	14,536	Receivable/ Payable[3]	(287)	(287)
Interest rate swaps	Investment Income	6,706	Investment	1,593	357,833
Credit default swaps	Investment Income	2,598	Investment	103	110,434
Total return swaps[4]	Investment Income	6,896	Not applicable[4]	......	......

[1] The total unrealized gain for open futures contracts at June 30, 2011, was $5,593,791 in the FRS Pension Trust Fund and $21,775 for the Lawton Chiles Endowment Fund. However, the majority of this gain has been settled with cash received from the future clearing broker on or before June 30, 2011. Outstanding remaining net futures trade equity at June 30, 2011, totaled $1,459,444 for FRS, and $6,790 for Lawton Chiles, which is reported gross on the Statement of (Fiduciary) Net Assets as "Futures trade equity receivable" and "Futures trade equity payable". The total notional values on long and short futures positions in FRS were $5,689,458,648 and ($836,500,000), respectively. The total notional value on long futures positions held in Lawton Chiles was $837,940.

[2] Purchased options are reported as investments. Sold options are reported as liabilities.

[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 $190,592,545 and ($190,879,194) as of June 30, 2011. These amounts are reported as "Forward contracts" receivable and "Forward contracts payable" on the Statement of Fiduciary Net Assets.

[4] The total return swaps in the FRS Pension Trust Fund were closed prior to the end of the fiscal year.

7. Commitments

At June 30, 2011, 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, 2011

Asset Class	Unfunded Commitments (in U.S. $)
Private Equity[1]	$ 4,439,542
Strategic Investments	1,906,335
Real Estate	208,498
Total	$ 6,554,375

[1] Includes $3,999,116,635 in U.S. dollars and 303,773,085 in Euro currency units with a June 30, 2011 U.S. dollar value of $440,425,408.

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	$ 178,205	$ 14,779	$ 43	$ 370,042	$ 4,533
Due from Federal government	158	20,581	45,545	1,389,889	36,439
Due from other governmental units	109	759	......	4,222	62,312
Interest & dividends receivable	5,772	2,296	2,089	275	5,368
Loans & notes receivable	20,458	97,160	573	......	516
Fees Receivable	106,407	12	2	......	......
Taxes receivable	2,475,250	20,147	57,682	......	183,278
Allowance for uncollectibles	(1,358,027)	(10,485)	(379)	(28,966)	(668)
Receivables, net	**$ 1,428,332**	**$ 145,249**	**$ 105,555**	**$ 1,735,462**	**$ 291,778**
Loans & notes receivable from other governments	$	$ 1,029,989	$	$	$ 754,458
Long-term interest receivable	......	......	......	......	519
Other loans & notes receivable	12,995	......	......	271,607	1,215
Allowance for uncollectibles	(160)	......	......	(244,157)	(9,881)
Other loans & notes receivable, net	**$ 12,835**	**$ 1,029,989**	**$ ......**	**$ 27,450**	**$ 746,311**

(Continued below)

	Nonmajor Governmental Funds	**Total Governmental Funds**	Internal Service Funds	Government-wide Reconciling Balances	**Total Governmental Activities**
Accounts receivable	$ 309,454	**$ 877,056**	$ 14,458	$ 640,928	**$ 1,532,442**
Due from Federal government	90,653	**1,583,265**	......	......	**1,583,265**
Due from other governmental units	47,262	**114,664**	3,218	......	**117,882**
Interest & dividends receivable	4,755	**20,555**	877	......	**21,432**
Loans & notes receivable	122,592	**241,299**	......	......	**241,299**
Fees Receivable	319	**106,740**	......	......	**106,740**
Taxes receivable	1,772	**2,738,129**	......	......	**2,738,129**
Allowance for uncollectibles	(195,226)	(1,593,751)	(11)	......	(1,593,762)
Receivables, net	**$ 381,581**	**$ 4,087,957**	**$ 18,542**	**$ 640,928**	**$ 4,747,427**
Loans & notes receivable from other governments	$ 876,504	**$ 2,660,951**	$	$	**$ 2,660,951**
Long-term interest receivable	......	**519**	......	......	**519**
Other loans & notes receivable	219,606	**505,423**	......	......	**505,423**
Allowance for uncollectibles	(33,222)	(287,420)	......	......	(287,420)
Other loans & notes receivable, net	**$ 1,062,888**	**$ 2,879,473**	**$ ......**	**$ ......**	**$ 2,879,473**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation
Accounts receivable	$ 3,114	$ 23,618	$ 127,186	$ 60,567	$ 272,216
Due from Federal government	......	......	......	......	57,137
Due from other governmental units	88	......	......	......	2,746
Interest & dividends receivable	1,678	930	3,069	20,373	85,361
Loans & notes receivable	......	......	......	340,683	......
Fees Receivable	2,382	......	......	......	2,024
Taxes receivable	......	......	......	......	431,927
Allowance for uncollectibles	......	(2,364)	(9,441)	(4)	(246,514)
Receivables, net	**$ 7,262**	**$ 22,184**	**$ 120,814**	**$ 421,619**	**$ 604,897**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts receivable	$ 11,917	**$ 498,618**	$ 5,393	**$ 504,011**
Due from Federal government	......	**57,137**	......	**57,137**
Due from other governmental units	2	**2,836**	......	**2,836**
Interest & dividends receivable	471	**111,882**	......	**111,882**
Loans & notes receivable	......	**340,683**	......	**340,683**
Fees Receivable	80	**4,486**	......	**4,486**
Taxes receivable	......	**431,927**	......	**431,927**
Allowance for uncollectibles	(2,146)	**(260,469)**	......	**(260,469)**
Receivables, net	**$ 10,324**	**$ 1,187,100**	**$ 5,393**	**$ 1,192,493**

COMPONENT UNITS

Accounts receivable	$ 1,540,727
Contracts & grants receivable	199,457
Due from Federal government	4,053
Due from other governmental units	420,294
Interest & dividends receivable	119,516
Loans & notes receivable	112,063
Allowance for uncollectibles	(444,574)
Receivables, net	**$ 1,951,536**
Other loans & notes receivable	$ 3,932,748
Allowance for uncollectibles	(265,549)
Other loans & notes receivable, net	**$ 3,667,199**

"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):

GOVERNMENTAL ACTIVITIES

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Accounts payable	$ 280,504	$ 20,576	$ 46,818	$ 181,863	$ 192,318
Accrued salaries & wages	53,726	930	42	23,920	8,907
Claims payable	......	......	......	......	......
Construction contracts	......	......	......	......	418,412
Current accrued interest	......	......	......	......	......
Deposits payable	200	361	1,484	10	4,428
Due to Federal government	......	......	......	23,055	......
Due to other governmental units	158,898	11,330	......	5,482	7,021
Other payables	......	......	......	......	......
Vouchers payable	8,851	......	......	......	......
Accounts payable and accrued liabilities	**$ 502,179**	**$ 33,197**	**$ 48,344**	**$ 234,330**	**$ 631,086**

(Continued below)

	Nonmajor Governmental Funds	**Total Governmental Funds**	Internal Service Funds	Government-wide Reconciling Balances	**Total Governmental Activities**
Accounts payable	$ 180,387	**$ 902,466**	$ 14,882	$ 783,531	**$ 1,700,879**
Accrued salaries & wages	6,800	**94,325**	1,755	......	**96,080**
Claims payable	......	**......**	60,433	......	**60,433**
Construction contracts	539	**418,951**	......	......	**418,951**
Current accrued interest	......	**......**	5,924	......	**5,924**
Deposits payable	649	**7,132**	......	......	**7,132**
Due to Federal government	1,543	**24,598**	......	......	**24,598**
Due to other governmental units	22,267	**204,998**	......	......	**204,998**
Other payables	5,591	**5,591**	......	......	**5,591**
Vouchers payable	616	**9,467**	......	......	**9,467**
Accounts payable and accrued liabilities	**$ 218,392**	**$ 1,667,528**	**$ 82,994**	**$ 783,531**	**$ 2,534,053**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Unemployment Compensation
Accounts payable	$ 391	$ 9,520	$ 654,706	$ 316,393	$ 78,864
Accrued interest payable	......	......	......	......	......
Accrued salaries & wages	......	49	47,757	......	......
Construction contracts	113,376	......	......	......	......
Deposits payable	200	2,567	......	......	......
Accounts payable and accrued liabilities	**$ 113,967**	**$ 12,136**	**$ 702,463**	**$ 316,393**	**$ 78,864**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts payable	$ 4,685	**$ 1,064,559**	$ 699	**$ 1,065,258**
Accrued interest payable	......	......	......	......
Accrued salaries & wages	1,666	**49,472**	......	**49,472**
Construction contracts	......	**113,376**	......	**113,376**
Deposits payable	61	**2,828**	......	**2,828**
Accounts payable and accrued liabilities	**$ 6,412**	**$ 1,230,235**	**$ 699**	**$ 1,230,934**

COMPONENT UNITS

Accounts payable	$ 943,540
Accrued interest payable	103,604
Accrued salaries & wages	161,264
Claims payable	1,748,268
Construction contracts	80,009
Deposits payable	85,451
Due to Federal government	4,317
Due to other governmental units	3,490
Other payables	7,558
Accounts payable and accrued liabilities	**$ 3,137,501**

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	$ 17,786,300	$	$	$	$	$	$ 17,786,300
Fuel taxes:							
Motor fuel tax	......	......	......	......	2,158,775	......	2,158,775
Pollutant tax	......	234,538	......	......	......	......	234,538
Aviation fuel tax	......	......	......	......	60,183	......	60,183
Solid minerals severance tax	......	48,362	......	......	......	......	48,362
Oil and gas production tax	10,535	......	......	......	......	......	10,535
Total fuel taxes	10,535	282,900	......	......	2,218,958	......	2,512,393
Corporate income tax	1,880,365	......	......	......	......	......	1,880,365
Documentary stamp tax	1,152,222	......	......	......	......	......	1,152,222
Intangible personal property tax	163,553	......	......	......	......	......	163,553
Communications service tax	996,285	......	431,566	......	......	......	1,427,851
Estate tax	954	......	......	......	......	......	954
Gross receipts utilities tax	......	6,892	640,666	......	......	......	647,558
Beverage and tobacco taxes:							
Alcoholic beverage tax	548,968	......	......	......	......	11,183	560,151
Cigarette tax	1,298,648	......	......	......	......	......	1,298,648
Smokeless tobacco tax	27,266	......	......	......	......	......	27,266
Total beverage and tobacco taxes	1,874,882	......	......	......	......	11,183	1,886,065
Other taxes:							
Insurance premium tax	869,083	......	......	......	......	7,661	876,744
Hospital public assistance tax	......	......	......	833,736	......	......	833,736
Citrus excise tax	......	......	......	......	......	42,093	42,093
Pari-mutuel wagering tax	6,177	......	......	......	......	139,769	145,946
Total other taxes	875,260	......	......	833,736	......	189,523	1,898,519
Total	$ 24,740,356	$ 289,792	$ 1,072,232	$ 833,736	$ 2,218,958	$ 200,706	$ 29,355,780

A reconciliation of balances in governmental fund statements to government-wide financial statements follows (in thousands):

	Sales and Use Tax
Governmental fund statements	$ 17,786,300
Government-wide accruals	35,703
Government-wide statements	$ 17,822,003

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, 2011, is as follows (in thousands):

General Government	$ 66,881
Education	6,826
Human Services	51,515
Criminal Justice & Correction	92,400
Natural Resources & Environment	61,023
Transportation	43,722
State Courts	3,872
Total depreciation expense (governmental activities)	**$ 326,239**

Primary government capital asset activities for the fiscal year ended June 30, 2011, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Capital assets, not being depreciated:				
Land and other nondepreciable assets	$ 16,701,408	$ 262,022	$ 34,342	$ 16,929,088
Infrastructure and infrastructure improvements - nondepreciable	33,225,425	1,739,466	......	34,964,891
Construction work in progress	7,105,008	1,157,414	2,397,640	5,864,782
Total capital assets, not being depreciated	**57,031,841**	**3,158,902**	**2,431,982**	**57,758,761**
Capital assets, being depreciated:				
Buildings and building improvements	4,187,182	565,004	49,003	4,703,183
Infrastructure and infrastructure improvements	563,192	84,190	4,725	642,657
Leasehold improvements	614	......	108	506
Property under capital lease	181,865	162	5,070	176,957
Furniture and equipment	1,779,410	133,403	130,684	1,782,129
Works of art and historical treasures	1,457	461	45	1,873
Library resources	30,460	930	45	31,345
Other	66,632	24,302	19,321	71,613
Total capital assets, being depreciated	**6,810,812**	**808,452**	**209,001**	**7,410,263**
Less accumulated depreciation for:				
Buildings and building improvements	1,956,003	144,777	15,197	2,085,583
Infrastructure and infrastructure improvements	277,782	25,853	1,444	302,191
Leasehold improvements	160	42	......	202
Property under capital lease	38,174	10,953	2,261	46,866
Furniture and equipment	1,290,206	138,637	106,893	1,321,950
Works of art and historical treasures	621	95	27	689
Library resources	13,278	1,224	23	14,479
Other	44,225	4,658	8,744	40,139
Total accumulated depreciation	**3,620,449**	**326,239**	**134,589**	**3,812,099**
Total capital assets, being depreciated, net	**3,190,363**	**482,213**	**74,412**	**3,598,164**
Governmental activities capital assets, net	**$ 60,222,204**	**$ 3,641,115**	**$ 2,506,394**	**$ 61,356,925**

BUSINESS-TYPE ACTIVITIES

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Capital assets, not being depreciated:				
Land and other nondepreciable assets	$ 912,544	$ 4,101	$ 14,986	$ 901,659
Infrastructure and infrastructure improvements - nondepreciable	6,110,964	384,682	67,552	6,428,094
Construction work in progress	624,161	410,021	424,004	610,178
Total capital assets, not being depreciated	**7,647,669**	**798,804**	**506,542**	**7,939,931**
Capital assets, being depreciated:				
Buildings and building improvements	272,840	14,545	6,375	281,010
Infrastructure and infrastructure improvements	651	436	......	1,087
Leasehold improvements	......	30	......	30
Furniture and equipment	171,224	20,519	12,003	179,740
Other	9,586	16,604	1	26,189
Total capital assets, being depreciated	**454,301**	**52,134**	**18,379**	**488,056**
Less accumulated depreciation for:				
Buildings and building improvements	115,712	9,238	4,078	120,872
Infrastructure and infrastructure improvements	54	53	......	107
Leasehold improvements	......	30	......	30
Furniture and equipment	117,084	10,824	11,082	116,826
Other	8,576	2,283	......	10,859
Total accumulated depreciation	**241,426**	**22,428**	**15,160**	**248,694**
Total capital assets, being depreciated, net	**212,875**	**29,706**	**3,219**	**239,362**
Business-type activities capital assets, net	**$ 7,860,544**	**$ 828,510**	**$ 509,761**	**$ 8,179,293**

Component units' capital asset activities for the fiscal year ended June 30, 2011, are as follows (in thousands):

COMPONENT UNITS

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Capital assets, not being depreciated:				
Land and other non-depreciable assets	$ 5,761,623	$ 231,715	$ 62,726	$ 5,930,612
Construction work in progress	1,592,871	979,411	749,190	1,823,092
Total capital assets, not being depreciated	**7,354,494**	**1,211,126**	**811,916**	**7,753,704**
Capital assets, being depreciated:				
Buildings and building improvements	13,967,952	1,002,257	13,108	14,957,101
Infrastructure and infrastructure improvements	2,062,703	99,579	4,294	2,157,988
Leasehold improvements	280,146	15,029	852	294,323
Property under capital lease	120,646	17,456	18,421	119,681
Furniture and equipment	3,514,037	304,466	198,312	3,620,191
Works of art and historical treasures	2,939	463	238	3,164
Library resources	840,866	48,313	8,369	880,810
Other	215,052	70,073	3,456	281,669
Total capital assets, being depreciated	**21,004,341**	**1,557,636**	**247,050**	**22,314,927**
Less accumulated depreciation for:				
Buildings and building improvements	4,213,584	402,037	3,409	4,612,212
Infrastructure and infrastructure improvements	686,955	69,255	692	755,518
Leasehold improvements	71,183	11,570	789	81,964
Property under capital lease	56,341	6,933	6,719	56,555
Furniture and equipment	2,372,450	276,961	162,856	2,486,555
Works of art and historical treasures	1,009	309	59	1,259
Library resources	613,478	42,673	3,770	652,381
Other	168,282	33,488	2,546	199,224
Total accumulated depreciation	**8,183,282**	**843,226**	**180,840**	**8,845,668**
Total capital assets, being depreciated, net	**12,821,059**	**714,410**	**66,210**	**13,469,259**
Component units capital assets, net	**$ 20,175,553**	**$ 1,925,536**	**$ 878,126**	**$ 21,222,963**

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 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, 2011, the FRS Trust Fund projected $2,543,635,828 in accumulated benefits and interest for 36,890 current and prior participants in the DROP, which does not include 8,202 members whose DROP applications were acknowledged but not worked as of June 30, 2011.

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 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 0.03% 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 and employee 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. 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, 2011, was $126,648,231,085. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The 2011 Florida Legislature enacted the following changes effective July 1, 2011:

- A 3% pre-tax employee contribution is required of FRS members and participants in the SMSOAP, SUSORP, SCCORP. Deferred Retirement Option Program participants and reemployed retirees without renewed membership do not make required employee contributions.
- Service credit earned on or after July 1, 2011, is not included in the calculation of an individual's portion of a 3% cost-of-living adjustment (COLA). Members initially enrolled on or after July 1, 2011, will not receive a COLA during retirement.
- The accounts of retirees entering DROP participation beginning on or after July 1, 2011, will earn 1.3% per year instead of 6.5%.
- FRS Pension Plan members initially enrolled on or after July 1, 2011, will:
  - Vest after completing eight years of service,
  - Have their average final compensation calculated using their highest eight years of salary,
  - Reach normal retirement for the Special Risk Class after completing 30 years of service or after reaching age 60 and vested. All other classes reach normal retirement after completing 33 years of service or after reaching age 65 and vested.

FRS Retirement Contribution Rates:

Membership Class	Uniform Normal Cost Rates Recommended by Actuarial Valuation as of 7/1/2009 for Fiscal Year 2010-2011*	7/1/2010 Statutory Rates (Ch. 121, F.S.)
Regular	9.76%	9.63%
Senior Management Service	11.70%	13.43%
Special Risk	22.15%	22.11%
Special Risk Administrative Support	11.24%	12.10%
Elected Officers - Judges	19.39%	20.65%
Elected Officers - Legislators/Attorneys/Cabinet	14.38%	15.20%
Elected Officers - County	16.62%	17.50%
Deferred Retirement Option Program - applicable to members from all of the above classes or plans	14.23%	11.14%

* 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 0.03% contribution for the FRS Investment Plan administration and educational program fee. These rates also reflect the impact to the FRS of HB 479 which was passed during the 2009 Legislative Session.

FRS Participating Employers:

State Agencies	55
County Agencies	396
District School Boards	67
Community Colleges	28
Cities	185 *
Special Districts	243 *
Hospitals	6 *
Other	12
Total Participating Employers	992

* 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	141,814	1,444	20,897	1	437	164,593
Vested	419,378	6,154	51,778	62	1,781	479,153
DROP Participants	39,771	785	4,222	9	305	45,092
Current Retirees and Beneficiaries	287,055	2,611	26,851	170	2,194	318,881
Vested Terminated	83,566	983	5,364	16	342	90,271
Total Members	971,584	11,977	109,112	258	5,059	1,097,990

The above counts for "Current Retirees and Beneficiaries" do not reflect the FRS Investment Plan members who retired. The above counts for "DROP Participants" include 8,202 members whose DROP accounts were acknowledged but were not finalized as of June 30, 2011.

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, 2011, the state's total covered payroll for its 136,223 active members and 9,544 DROP participants is $5,891,229,072 with contributions totaling $765,450,834 or 12.99% of payroll. Contributions for the fiscal years ending June 30, 2009, and June 30, 2010, were $678,565,996 and $686,993,414, 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 21.97% 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, 2011, 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, 2011, 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):

	2009	2010	2011
Recipients	256,452	269,999	283,479
Contributions	$341,569	$332,023	$334,449
Benefits paid	$321,742	$338,892	$356,150
Trust Fund net assets	$294,547	$291,459	$271,348

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, 2010	$ 120,929,666	$ 139,652,377	$ 18,722,711	86.59%	25,765,362 (1)	72.67%
HIS	July 1, 2010	$ 291,459	$ 8,464,530	$ 8,173,071	3.44%	31,717,281 (2)	25.77%

Additional information as of the latest actuarial valuation follows:

	FRS	HIS
Valuation date	July 1, 2010	July 1, 2010
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)	4.00% (4)
Projected salary increases	5.85% (4, 5)	5.85% (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, 2010, 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 2010 through June 2011. 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 2010-11. 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	16,999	
Payroll	$ 1,496,459,364	
Contributions:		
Employee	$ 66,531,361	4.45% of payroll
Employer	$ 153,183,774	10.24% 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 2010 through June 2011. 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 2010-11. 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	39	
Payroll	$ 4,307,527	
Contributions:		
Employee	$ 11,500	0.27% of payroll
Employer	$ 566,937	13.16% of payroll

B. Other Postemployment Benefits (OPEB)

The following is based on the July 1, 2010 update to the July 1, 2009 actuarial valuation 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 177,109 contracts including 35,823 retirees and 141,286 employees and COBRA participants for fiscal year 2010-11. 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 June 2011 coverage, for active employees and retirees under the age of 65 for the standard plan were $549.80 and $1,243.34 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2011 coverage, for the standard Preferred Provider Organization Plan were $305.82 for a single contract, $611.64 for two Medicare eligible members, and $881.80 when only one member is Medicare eligible. The following schedules regarding OPEB cost, net OPEB obligation and OPEB funded status disclose only the State of Florida's share of the OPEB. Refer to Other Required Supplementary Information for information on the OPEB plan as a whole.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2011 (dollars in thousands):

Annual required contribution (ARC)	$ 237,028
Interest on the net OPEB obligation	12,790
Adjustments to the ARC	(10,658)
Annual OPEB Cost	239,160
Employer contribution	(81,580)
Increase/Decrease in net OPEB obligation	157,580
Net OPEB obligation - July 1, 2010	319,750
Net OPEB obligation - June 30, 2011	$ 477,330
Percent of annual OPEB cost contributed	34.11%

Funded Status

The funded status of the plan as of June 30, 2011, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2010
Actuarial accrued liability (AAL)	$ 3,510,526
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 3,510,526
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	$ 4,606,592
UAAL as a percentage of covered payroll	76.21%

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. Initial healthcare cost trend rates used for the Preferred Provider Organization (PPO) Plans are 9.02%, 9.47%, and 9.62% for the first three years followed by 6.60% in the fourth year grading to 5.10% over the course of 70 years. For the Health Maintenance Organization (HMO) Plans, initial healthcare cost trend rates of 7.11%, 10.50% and 10.50% for the first three years followed by 6.60% in the fourth year and 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, 2011, the Department had available approximately $6.1 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, 2011, totaled $396 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled $4.1 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 $463,117,970 for the fiscal year ended June 30, 2011. The table below represents the Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2011. The bonds noted below were issued in May 2011 with proceeds used to defease the Commission's Series 1996 and Series 1999 bonds:

Series	Amount
2011A	$ 10,650,000
2011B	141,670,000
2011A (Intermodal)	66,300,000
2011B (Intermodal)	49,325,000
Total	$ 267,945,000

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 $130 million, $9.4 million, and $50.5 million, respectively, for the year ended June 30, 2011. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2011 (in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
2012	$ 144,736	$ 9,427	$ 61,205
2013	127,468	8,981	43,987
2014	117,992	8,125	30,332
2015	110,128	7,835	20,646
2016	101,209	7,224	14,519
2017-2021	245,007	24,217	41,123
2022-2026	20,942	11,765	18,201
2027-2031	1,605	11,765	9,985
2032-2036	836	11,765	2,387
2037-2041	843	11,765	1,798
2042-2046			1,798
2047-2051			1,501
2052-2056			668
Total	$ 870,766	$ 112,869	$ 248,150

D. Encumbrances

As of June 30, 2011, encumbrances for major and nonmajor governmental funds were (in thousands):

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Encumbrances:	68,686	2,156	79,889	57,244	32,558	304,048	544,581

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

A. Bonds Payable

1. Outstanding Bonds

Bonds payable at June 30, 2011, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	$ 2,300,275	$ 1,965,605	3.375%-6.375%	2039
SBE Capital Outlay Bonds	874,445	621,235	3.000%-5.375%	2030
Lottery Education Bonds	3,389,170	2,903,893	3.000%-6.584%	2029
Public Education Bonds	15,109,217	11,479,785	2.000%-9.125%	2040
State University System Bonds	318,870	214,515	3.700%-6.500%	2033
University Auxiliary Bonds	976,575	761,336	2.000%-7.500%	2040
Inland Protection Bonds	96,730	90,105	4.260%-5.400%	2024
Save Our Coast Bonds	74,575	4,785	3.250%-3.250%	2012
Preservation 2000 Bonds	587,855	135,650	5.500%-6.000%	2013
Florida Forever Bonds	2,751,505	1,917,055	2.500%-7.045%	2029
Water Pollution Control Bonds	614,775	527,280	2.200%-5.500%	2031
Florida Facilities Pool Bonds	479,060	374,450	3.500%-5.750%	2039
State Infrastructure Bank Bonds	123,615	91,775	4.250%-5.000%	2027
Everglades Restoration Bonds	242,105	214,590	0.120%-6.450%	2029
	27,938,772	21,302,059		
Unamortized premiums (discounts) on bonds payable	......	662,281		
Less amount deferred on refunding	......	(144,829)		
Total Bonds Payable	$ 27,938,772	$ 21,819,511		
Business-type Activities:				
Toll Facilities Bonds	$ 3,521,135	$ 2,849,225	3.000%-6.800%	2040
Florida Hurricane Catastrophe Fund Bonds	6,150,945	5,380,375	0.96705%-5.250%	2017
	9,672,080	8,229,600		
Unamortized premiums (discounts) on bonds payable	......	96,158		
Less amount deferred on refunding	......	(34,417)		
Total Bonds Payable	$ 9,672,080	$ 8,291,341		

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, serial and term, 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, serial and term, 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, serial and term, 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, serial and term, are secured by university pledges of certain housing system revenues, parking system revenues, and student fee assessments.

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, serial and term, 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 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):

The table below contains information regarding revenues pledged to repay debt obligations. For each Bond Type, the table discloses Gross Revenue, Operating Expenses, Net Revenue Available for Debt Service, Principal, Interest, Coverage Ratio, Final Maturity, Remaining Debt Service, and Revenue Ratio. The Bond Types with Operating Expenses are considered self-supporting debt and are paid from the associated facilities being financed. If Operating Expenses are not shown, the bond type is considered to be Net Tax Supported debt and serviced by dedicated tax or fee revenues.

Bond Type	Revenue[3]	Less Operating Expenses	Net Available for Debt Service	Principal	Interest[6]	Total Debt Service	Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio[5]
Florida Turnpike (Toll Facility)	611,946	180,060	431,886	99,000	144,061	243,061	1.78	2039/2040	4,602,379	70.58%
Save Our Coast[1]	83,150	......	83,150	5,985	455	6,440	12.91	2011/2012	4,941	100.00%
Florida Forever/P2000/Everglades[1]	669,440	......	669,440	308,085	125,948	434,033	1.54	2028/2029	3,066,494	100.00%
Lottery Education[1,2]	1,184,000	......	1,184,000	168,607	146,329	314,936	3.76	2028/2029	4,015,491	100.00%
Alligator Alley (Toll Facility)	19,737	7,059	12,678	1,525	1,923	3,448	3.68	2026/2027	55,190	64.23%
State Infrastructure Bank	56,698	......	56,698	8,265	4,962	13,227	4.29	2026/2027	116,090	100.00%
Florida Hurricane Catastrophe	1,714,728	15,644	1,699,084	269,485	122,919	392,404	4.33	2015/2016	5,718,346	99.09%
State University System Bonds	37,798	......	37,798	16,240	11,306	27,546	1.37	2032/2033	320,319	100.00%
University Auxiliary Bonds[7]										
Parking System Revenue Bonds										
Florida International University	10,009	3,212	6,797	2,230	2,165	4,395	1.55	2038/2039	98,650	67.91%
University of South Florida	12,544	7,277	5,267	1,990	1,570	3,560	1.48	2025/2026	48,430	41.99%
Florida Agricultural & Mechanical University	2,628	1,338	1,290	155	77	232	5.62	2017/2018	1,625	49.10%
University of Florida	12,276	7,388	4,888	1,905	1,225	3,130	1.56	2027/2028	37,706	39.82%
Florida Atlantic University	5,708	2,233	3,475	750	508	1,258	2.76	2022/2023	15,186	60.88%
University of Central Florida	16,181	3,379	12,801	2,335	1,567	3,902	3.28	2028/2029	59,958	79.12%
Florida State University	9,857	2,145	7,712	2,605	1,901	4,506	1.71	2025/2026	56,981	78.24%
Housing System Revenue Bonds										
Florida International University	23,518	12,418	11,099	3,430	3,694	7,124	1.56	2033/2034	113,376	47.20%
University of Florida	44,885	27,209	17,676	2,235	2,625	4,860	3.64	2029/2030	78,067	39.38%
Florida Atlantic University	14,802	6,119	8,683	2,405	3,357	5,762	1.51	2035/2036	119,197	58.66%
University of Central Florida	22,872	11,509	11,363	2,740	3,766	6,506	1.75	2030/2031	116,773	49.68%
Florida State University	32,671	16,925	15,745	3,215	5,628	8,843	1.78	2034/2035	193,748	48.19%
Student Health and Wellness Center Revenue Bonds										
University of Central Florida	10,856	......	10,856	320	299	619	17.55	2023/2024	8,646	100.00%
Florida State University[4]	8,734	......	8,734	......	......	......	3.67	2029/2030	47,515	100.00%
Bookstore Revenue Bonds										
University of Central Florida	1,978	434	1,543	195	95	290	5.31	2016/2017	2,052	78.03%
Student Services Center Revenue Bonds										
Florida Agricultural & Mechanical University	2,603	1,396	1,207	365	159	524	2.29	2016/2017	3,680	46.37%
Water Pollution Control Bonds	96,063	......	96,063	21,285	19,019	40,304	2.38	2030/2031	758,792	100.00%
Inland Protection Bonds	211,533	......	211,533	5,080	4,695	9,775	21.64	2023/2024	123,818	100.00%

[1] Operating Expenses are not listed for the Lottery Program and the Environmental Programs e.g. Save Our Coast and Florida Forever/Preservation 2000/Everglades Restoration 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] Source Department of Lottery, Audited Financial Statements.

[3] Refer to Note 8A.2. for information on the sources of pledged revenues.

[4] Coverage shown based on maximum annual debt service of $2,382,950 for illustrative purposes.

[5] Revenue Ratio is calculated as Net Available for Debt Service divided by Revenue.

[6] Debt service interest is shown net of interest subsidy payments received from the Federal Government for Build America Bonds.

[7] Financial information is based upon fiscal year 2009-2010 data.

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 the fiscal year 2010-11, the ratio exceeded 7%, primarily because of the reduction in tax revenues. Chapter 2010-153, Section 61, Laws of Florida, provided the legislature's determination that the authorization and issuance of debt for the 2010-11 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, 2011, are as follows (in thousands):

Year Ending June 30	Primary Government					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	$ 1,182,499	$ 1,042,024	$ 2,224,523	$ 387,710	$ 261,126	$ 648,836
2013	1,284,021	984,388	2,268,409	3,906,900	217,058	4,123,958
2014	1,048,291	920,232	1,968,523	415,455	186,911	602,366
2015	1,070,379	868,930	1,939,309	443,985	166,356	610,341
2016	1,110,404	816,281	1,926,685	467,465	144,268	611,733
2017-2021	5,709,411	3,259,386	8,968,797	1,020,845	508,172	1,529,017
2022-2026	4,888,299	1,909,440	6,797,739	602,495	339,764	942,259
2027-2031	2,765,805	941,497	3,707,302	456,660	204,842	661,502
2032-2036	1,732,600	371,986	2,104,586	404,920	95,111	500,031
2037-2041	510,350	49,152	559,502	123,165	15,164	138,329
Bonds Payable and Interest	21,302,059	11,163,316	32,465,375	8,229,600	2,138,772	10,368,372
Unamortized premiums (discounts)	662,281	......	662,281	96,158	......	96,158
Less amount deferred or refunded	(144,829)	......	(144,829)	(34,417)	......	(34,417)
Total bonds payable and interest	$21,819,511	$11,163,316	$32,982,827	$8,291,341	$2,138,772	$ 10,430,113

Year Ending June 30	Component Units		
	Principal	Interest	Total
2012	$ 1,655,134	$ 395,646	$ 2,050,780
2013	387,986	374,709	762,695
2014	841,191	355,069	1,196,260
2015	549,732	330,978	880,710
2016	710,234	300,543	1,010,777
2017-2021	1,661,202	1,058,910	2,720,112
2022-2026	1,923,297	717,583	2,640,880
2027-2031	1,071,578	495,448	1,567,026
2032-2036	1,139,332	263,410	1,402,742
2037-2041	697,450	78,401	775,851
2042-2046	153,079	10,008	163,087
2047-2051	29,776	566	30,342
Bonds payable and interest	10,819,991	4,381,271	15,201,262
Unamortized premiums (discounts)	136,837	......	136,837
Less amount deferred or refunded	(909)	......	(909)
Total bonds payable and interest	$10,955,919	$ 4,381,271	$15,337,190

Annual debt service requirements for university capital improvement debt payable at June 30, 2011, are as follows (in thousands):

Year Ending June 30	Universities		
	Principal	Interest	Total
2012	35,631	35,096	70,727
2013	37,445	33,964	71,409
2014	39,000	32,393	71,393
2015	39,109	30,726	69,835
2016	40,807	29,011	69,818
2017-2021	197,130	118,240	315,370
2022-2026	177,515	73,061	250,576
2027-2031	133,184	33,856	167,040
2032-2036	47,506	9,721	57,227
2037-2041	9,661	1,233	10,894
Total capital improvement debt payable and interest	$ 756,988	$ 397,301	$ 1,154,289

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2011, 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 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.

Advance Refundings

Governmental Activities

State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010E in the amount of $223,425,000 along with additional funds of $3,223,300 were used to advance refund $115,805,000 of the State of Florida State Board of Education Lottery Revenue Bonds, Series 2001A maturing in the years 2012 through 2020 and $129,040,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2001B maturing in the years 2012 through 2020. The refunding resulted in debt savings of $34,582,878, an economic gain of $30,719,277, and a deferred loss on refunding of $1,684,556.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series A in the amount of $179,870,000 were used to advance refund $133,700,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 1999 Series E maturing in the years 2012 through 2030 and $61,480,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2001 Series C maturing in the years 2012 through 2031. The refunding resulted in debt savings of $34,033,735, an economic gain of $24,570,111, and a deferred loss on refunding of $2,643,930.

State of Florida, Board of Governors Florida State University Parking Facility Revenue Bonds, Series 2011A in the amount of $22,145,000, in part, along with additional funds of $28,088 were used to advance refund $6,775,000 of the State of Florida, Board of Governors Florida State University Parking Facility Revenue Bonds, Series 2001 maturing in the years 2012 through 2022. The refunding resulted in debt savings of $535,937, an economic gain of $452,013, and a deferred loss on refunding of $67,750.

Current Refundings

Governmental Activities

State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2010 Series A in the amount of $53,405,000, in part, along with additional funds of $101,404 were used to refund $8,285,000 of the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2001 Series A maturing in the years 2012 through 2021. The refunding resulted in debt savings of $1,254,959, an economic gain of $1,105,450, and a deferred loss on refunding of $82,850.

State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010D in the amount of $109,750,000 along with additional funds of $3,245,554 were used to refund $126,080,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 1998C maturing in the years 2011 through 2018. The refunding resulted in debt savings of $16,925,986, an economic gain of $15,555,578, and a gain on refunding of $6. This gain was expensed in the current fiscal year.

State of Florida, Board of Governors, State University System Improvement Revenue Refunding Bonds, Series 2011A in the amount of $38,930,000 were used to refund $23,775,000 of the State of Florida Board of Regents, University System Improvement revenue Refunding Bonds, Series 1997A maturing in the years 2012 through 2016 and $18,805,000 of State of

Florida, Board of Regents, University System Improvement Revenue Bonds, Series 1998 maturing in the years 2012 through 2019. The refunding resulted in debt savings of $4,567,802, an economic gain of $4,191,773, and a loss on refunding of $94. This loss was expensed in the current fiscal year.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series A in the amount of $336,750,000 along with additional funds of $4,664,922 were used to refund $137,400,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2001 Series A maturing in the years 2012 through 2021 and $223,085,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2001 Series B. The refunding resulted in debt savings of $40,302,471, an economic gain of $33,548,551, and a deferred loss on refunding of $3,604,850.

Business-type Activities

There were no refundings for business-type activities.

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 6/30/2011
Governmental Activities	
University Auxilliary Bonds	$ 1,839
Public Education Capital Outlay Bonds	7,515
Total	$ 9,354
Business-type Activities	
Toll Facilities	$ 77,900

8. Arbitrage Regulations

The state 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	$ 26,839
Lottery Education Bonds	135,264
Public Education Bonds	527,855
State University System Bonds	11,167
University Auxiliary Bonds	35,258
Total Education	736,383
Natural Resources and Environment:	
Inland Protection Bonds	3,560
Conservation and Recreation Lands Bonds	305
Everglades Restoration Bonds	6,180
Water Pollution Control Bonds	19,433
Save Our Coast Bonds	536
Florida Forever Bonds	88,064
Preservation 2000 Bonds	11,458
Total Natural Resources and Environment	129,536
Transportation:	
Road and Bridge Bonds (Right of Way)	86,969
State Infrastructure Bonds	4,218
Total Transportation	91,187
Total Direct Interest	$ 957,106

10. Governmental Activities – Unrestricted Net Asset Deficit

Governmental activities reflect a negative unrestricted net asset balance of $15.1 billion at June 30, 2011. This deficit is primarily the result of education-related bonds in which the state is responsible for the debt, but the state colleges, state universities, or the 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, 2011, of $15.0 billion. The state has an additional $1.6 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 $1.2 billion.

B. Certificates of Participation (Primary Government Only)

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 2.000% - 6.825% and the last maturity is during the fiscal year ending August 1, 2029. The following is a schedule of future minimum principal and interest payments for certificates of participation for governmental activities at June 30, 2011 (in thousands):

Year Ending June 30	Principal	Interest	Total
2012	$ 39,575	$ 40,944	$ 80,519
2013	41,395	39,116	80,511
2014	43,450	37,039	80,489
2015	44,585	34,892	79,477
2016	44,005	32,732	76,737
2017-2021	201,905	133,081	334,986
2022-2026	233,600	78,221	311,821
2027-2031	146,335	17,718	164,053
Total	794,850	413,743	1,208,593
Unamortized premiums (discounts)	11,255	......	11,255
Amount deferred upon refunding	708	......	708
Total certificates of participation payable	$ 806,813	$ 413,743	$ 1,220,556

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, 2040. The following is a schedule of future minimum principal and interest payments for certificates of participation for component units at June 30, 2011 (in thousands):

Year Ending June 30	Principal	Interest	Total
2012	$ 23,935	$ 52,918	$ 76,853
2013	24,860	51,914	76,774
2014	26,340	50,862	77,202
2015	27,500	49,732	77,232
2016	28,710	48,484	77,194
2017-2021	164,675	221,202	385,877
2022-2026	203,475	178,832	382,307
2027-2031	253,430	126,261	379,691
2032-2036	314,925	59,712	374,637
2037-2041	89,060	4,688	93,748
Total	1,156,910	844,605	2,001,515
Unamortized premiums (discounts)	25,720	......	25,720
Amount deferred upon refunding	......	......	......
Total certificates of participation payable	$ 1,182,630	$ 844,605	$ 2,027,235

NOTE 9 - INSTALLMENT PURCHASES, CAPITAL LEASES AND ADVANCES FROM FEDERAL GOVERNMENT

A. Installment Purchases

The state has a number of installment purchase contracts providing for the acquisition of buildings, furniture, and equipment. At June 30, 2011, 81% of the state's installment purchase contracts for governmental activities were for furniture and equipment, and the remaining 19% for buildings. Installment purchase contracts for component units consisted of 100% of 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, 2011 (in thousands):

Year Ending June 30	Primary Government Government Activities	Component Units
2012	$ 4,186	$ 2,767
2013	2,642	1,045
2014	1,697	582
2015	1,300	242
2016	1,183	160
2017-2021	4,606	101
2022-2026	1,091	......
Total	16,705	4,897
Less: Interest	(2,447)	(194)
Present value of future minimum payments	$ 14,258	$ 4,703

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, 2011, 63% of the state's capital leases for governmental activities were for buildings, and the remaining 37% for furniture and equipment. Capital leases for component units consisted of 51% for furniture and equipment, 40% for building, and the remaining 9% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2011 (in thousands):

Year Ending June 30	Primary Government Governmental Activities	Component Units
2012	$ 8,913	$ 11,002
2013	8,591	7,633
2014	8,067	4,741
2015	5,981	5,046
2016	7,879	2,612
2017-2021	3,580	9,584
2022-2026	2,580	6,775
2027-2031	207	3,740
Total	45,798	51,133
Less: Interest	(7,306)	(11,705)
Present value of future minimum payments	$ 38,492	$ 39,428

C. Advances from Federal Government

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 2012-13. As of June 30, 2011 there is a $1.574 billion advance balance 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 (in thousands):

Federal Advance Balances at 6/30
2011 $1,574,100
2012 $ 844,200 (Estimate)
2013 $ 0 (Estimate)

Interest Payable on 9/30
2011 $ 57,700
2012 $ 63,100 (Estimate)
2013 $ 19,800 (Estimate)

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2011, are as follows (in thousands):

		Balance 7/1/2010		Additions		Deletions		Balance 6/30/2011		One Year (Current)
Governmental Activities										
Road and Bridge Bonds	$	1,909,440	$	114,500	$	58,335	$	1,965,605	$	73,470
SBE Capital Outlay Bonds		642,660		53,405		74,830		621,235		69,920
Lottery Education Bonds		2,940,420		503,005		539,532		2,903,893		176,845
Public Education Bonds		11,230,384		1,211,665		962,264		11,479,785		419,935
State University System Bonds		234,435		38,930		58,850		214,515		16,495
University Auxiliary Bonds		682,382		117,848		38,894		761,336		36,059
Inland Protection Bonds		95,185		......		5,080		90,105		5,335
Conservation and Recreation Lands Bonds		5,670		......		5,670		......		......
Save Our Coast Bonds		10,770		......		5,985		4,785		4,785
Preservation 2000 Bonds		197,875		......		62,225		135,650		65,765
Florida Forever Bonds		2,153,210		......		236,155		1,917,055		246,775
Water Pollution Control Bonds		323,565		225,000		21,285		527,280		25,405
State Infrastructure Bank Bonds		100,040		......		8,265		91,775		11,200
Everglades Restoration Bonds		224,295		......		9,705		214,590		10,085
Florida Facilities Pool Bonds		394,000		......		19,550		374,450		20,425
		21,144,331		2,264,353		2,106,625		21,302,059		1,182,499
Unamortized bond premiums (discounts)		557,278		238,685		133,682		662,281		......
Amounts deferred on refunding		(151,060)		(8,084)		(14,315)		(144,829)		......
Total bonds payable		21,550,549		2,494,954		2,225,992		21,819,511		1,182,499
Certificates of participation payable		845,519		......		38,706		806,813		39,575
Deposits		657,189		816,214		843,653		629,750		553,228
Compensated absences		861,176		248,627		290,420		819,383		220,542
Claims payable		2,582,393		1,495,770		289,440		3,788,723		1,787,149
Installment purchases/capital leases		70,087		3,222		20,559		52,750		10,821
Due to other governments:										
Federal arbitrage liability		207		......		207		......		......
Other liabilities		441,016		154,974		8,836		587,154		......
Total Governmental Activities	**$**	**27,008,136**	**$**	**5,213,761**	**$**	**3,717,813**	**$**	**28,504,084**	**$**	**3,793,814**

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, Health and Family Services 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 $449 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, 2011, are as follows (in thousands):

		Balance 7/1/2010		Additions		Deletions		Balance 6/30/2011		Due Within One Year (Current)
Business-type Activities										
Bonds payable:										
Toll Facility Bonds	$	2,949,750	$	......	$	100,525	$	2,849,225	$	105,050
Florida Hurricane Catastrophe Fund Bonds		5,649,860		......		269,485		5,380,375		282,660
		8,599,610		......		370,010		8,229,600		387,710
Unamortized bond premiums (discounts)		126,729		......		30,571		96,158		......
Amounts deferred on refunding		(41,101)		......		(6,684)		(34,417)		......
Total bonds payable		8,685,238		......		393,897		8,291,341		387,710
Accrued prize liability		863,190		2,139,511		2,253,328		749,373		239,860
Deposits		40,189		1,387		6,879		34,697		2,264
Compensated absences		21,460		9,804		10,765		20,499		4,937
Tuition and housing benefits payable		9,516,425		766,528		390,913		9,892,040		644,371
Advances from Federal Government		1,612,500		819,100		857,500		1,574,100		729,900
Other liabilities		11,177		3,375		1,037		13,515		......
Total Business-type Activities	**$**	**20,750,179**	**$**	**3,739,705**	**$**	**3,914,319**	**$**	**20,575,565**	**$**	**2,009,042**
Component Units										
Bonds payable	$	8,291,770	$	4,078,378	$	1,414,229	$	10,955,919	$	1,655,134
Deposits		15,993		1,502,307		1,198		1,517,102		1,356,007
Compensated absences		638,834		235,739		201,285		673,288		78,524
Installment purchases/capital leases		66,254		1,959		24,082		44,131		11,980
Claims payable		133,766		36,965		39,167		131,564		21,331
Certificates of participation payable		1,204,096		27,908		49,374		1,182,630		23,935
Due to other governments/primary		699,976		117,641		58,629		758,988		35,631
Other liabilities		1,374,268		235,195		598,987		1,010,476		307,066
Total Component Units	**$**	**12,424,957**	**$**	**6,236,092**	**$**	**2,386,951**	**$**	**16,274,098**	**$**	**3,489,608**

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2011, 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, 2011, 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	$	......	$	5,063	$	82	$	73,830	$	7,508
Environment, Recreation and Conservation		9,890		......		......		1,360		12,396
Public Education		99		......		......		......		......
Health and Family Services		5,997		......		......		......		3,464
Transportation		5,339		2,049		......		90		......
Nonmajor		34,223		7,557		422		5,647		20,505
Internal Service Funds		769		......		......		389		......
Business-type Activities										
Transportation		172		......		......		......		60,138
Lottery		21		......		81,818		......		......
Hurricane Catastrophe Fund		......		......		......		......		......
Prepaid College Program		......		......		......		......		......
Unemployment Compensation		507		......		......		......		......
Nonmajor		3,973		......		......		50		......
Fiduciary Funds										
Private-purpose Trust Funds		28		......		4,698		......		1,539
Pension and Other Employee Benefits Trust Funds		7		......		......		5		......
Agency Funds		85,286		15		1,092		3,495		3,304
Investment Trust Funds		......		......		......		......		......
Total	**$**	**146,311**	**$**	**14,684**	**$**	**88,112**	**$**	**84,866**	**$**	**108,854**

(Continued Below)

	Due from Other Funds (in thousands)			
	Governmental Activities			
Due to Other Funds (in thousands)		Nonmajor		Internal Service Funds
Governmental Activities				
General Fund	$	17,577	$	5,085
Environment, Recreation and Conservation		5,725		80
Public Education		531		102
Health and Family Services		3,003		7,883
Transportation		20,759		2,204
Nonmajor		10,974		19,416
Internal Service Funds		......		232
Business-type Activities				
Transportation		......		......
Lottery		8		5
Hurricane Catastrophe Fund		......		......
Prepaid College Program		......		......
Unemployment Compensation		1,404		......
Nonmajor		1,700		157
Fiduciary Funds				
Private-purpose Trust Funds		390		......
Pension and Other Employee Benefits Trust Funds		......		14,819
Agency Funds		6		......
Investment Trust Funds		......		......
Total	**$**	**62,077**	**$**	**49,983**

(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	$	500	$	2,407	$	5,218
Environment, Recreation and Conservation		......		118		......
Public Education		......		24		......
Health and Family Services		......		780		47
Transportation		453		67		......
Nonmajor		......		575		58
Internal Service Funds		......		36		......
Business-type Activities						
Transportation		......		......		......
Lottery		......		7		4
Hurricane Catastrophe Fund		......		......		116
Prepaid College Program		......		......		......
Unemployment Compensation		......		......		......
Nonmajor		......		101		......
Fiduciary Funds						
Private-purpose Trust Funds		......		3		......
Pension and Other Employee Benefits Trust Funds		......		......		4,568
Agency Funds		778		......		14
Investment Trust Funds		......		......		30
Total	**$**	**1,731**	**$**	**4,118**	**$**	**10,055**

(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	$	......	$	2	$	35,488	**$**	**152,760**
Environment, Recreation and Conservation		......		......		......		**29,569**
Public Education		14		......		......		**770**
Health and Family Services		......		......		37		**21,211**
Transportation		......		62		13,927		**44,950**
Nonmajor		......		......		......		**99,377**
Internal Service Funds		......		......		20,045		**21,471**
Business-type Activities								
Transportation		......		......		698		**61,008**
Lottery		......		......		......		**81,863**
Hurricane Catastrophe Fund		......		......		......		**116**
Prepaid College Program		......		......		......		**......**
Unemployment Compensation		......		......		1		**1,912**
Nonmajor		......		......		......		**5,981**
Fiduciary Funds								
Private-purpose Trust Funds		......		......		......		**6,658**
Pension and Other Employee Benefits Trust Funds		......		......		......		**19,399**
Agency Funds		......		......		......		**93,990**
Investment Trust Funds		......		......		......		**30**
Total	**$**	**14**	**$**	**64**	**$**	**70,196**	**$**	**641,065**

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) — Governmental Activities: General Fund	Governmental Activities: Transportation	Governmental Activities: Health & Family Services	Business-type Activities: Transportation
Governmental Activities				
General Fund	$	$ 100	$ 3,479	$ ......
Public Education	......	......	......	......
Nonmajor	625	......	......	......
Internal Service Funds	1,978	800	......	......
Business-type Activities				
Transportation	......	275,362	......	......
Total	**$ 2,603**	**$ 276,262**	**$ 3,479**	**$ ......**

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) — Fiduciary Funds: Private-purpose Trust Funds	**Total**
Governmental Activities		
General Fund	$	**$ 3,579**
Public Education	649,367	**649,367**
Nonmajor	......	**625**
Internal Service Funds	......	**2,778**
Business-type Activities		
Transportation	......	**275,362**
Total	**$ 649,367**	**$ 931,711**

During the course of operations, there are numerous transactions between funds within the State. Interfund transfers during the year are as follows (in thousands):

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) — Governmental Activities: General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	$	$ 636,380	$ 838	$ 1,755,528	$ 116,608
Environment, Recreation and Conservation	131,768	......	......	5,105	......
Public Education	1,122	......	......	215	......
Health and Family Services	70,697	......	930	......	40,121
Transportation	51,369	26,710	......	783	......
Nonmajor	265,161	63,433	253,647	60,306	778,760
Internal Service Funds	9,117	720	44	580	1,305
Business-type Activities					
Transportation	......	......	......	......	23,020
Lottery	2	......	1,191,818	......	......
Hurricane Catastrophe Fund	......	......	......	......	......
Prepaid College Program	......	......	......	......	......
Unemployment Compensation	......	......	......	......	......
Nonmajor	108,771	......	......	5,589	......
Fiduciary Funds					
Private-purpose Trust Funds	67	......	876	557	......
Pension and Other Employee Benefits Trust Funds	2,673	......	......	......	......
Investment Trust Funds	......	......	......	......	......
Total	**$ 640,747**	**$ 727,243**	**$ 1,448,153**	**$ 1,828,663**	**$ 959,814**

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) — Governmental Activities: Nonmajor	Internal Service Funds
Governmental Activities		
General Fund	$ 633,657	$ ......
Environment, Recreation and Conservation	479,383	......
Public Education	1,556,729	......
Health and Family Services	449,954	......
Transportation	433,935	......
Nonmajor	201,513	25,632
Internal Service Funds	10,532	11
Business-type Activities		
Transportation	......	......
Lottery	156	......
Hurricane Catastrophe Fund	10,000	......
Prepaid College Program	......	......
Unemployment Compensation	15,279	......
Nonmajor	14,707	......
Fiduciary Funds		
Private-purpose Trust Funds	2,577	......
Pension and Other Employee Benefits Trust Funds	93	17,254
Investment Trust Funds	......	......
Total	**$ 3,808,515**	**$ 42,897**

(Continued next page)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) — Business-type Activities: Transportation	Lottery	Unemployment Compensation	Nonmajor
Governmental Activities				
General Fund	$	$	$ 9,526	$ 1,381
Environment, Recreation and Conservation	396	......	520	......
Public Education	......	......	81	......
Health and Family Services	......	......	3,196	2,005
Transportation	28,030	......	346	......
Nonmajor	......	......	3,381	2,088
Internal Service Funds	......	18	151	44
Business-type Activities				
Transportation				
Lottery	......	......	53	......
Hurricane Catastrophe Fund	......	......	......	......
Prepaid College Program	......	......	......	......
Unemployment Compensation	......	......	......	......
Nonmajor	......	......	279	......
Fiduciary Funds				
Private-purpose Trust Funds	......	......	6	......
Pension and Other Employee Benefits Trust Funds	......	......	9	8,101
Investment Trust Funds	......	......	......	......
Total	**$ 28,426**	**$ 18**	**$ 17,548**	**$ 13,619**

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) — Fiduciary Funds: Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	**Total**
Governmental Activities				
General Fund	$	$ 56	$	**$ 3,153,974**
Environment, Recreation and Conservation	......	......	......	**617,172**
Public Education	175	......	......	**1,558,322**
Health and Family Services	......	......	......	**566,903**
Transportation	......	......	......	**541,173**
Nonmajor	......	......	......	**1,653,921**
Internal Service Funds	......	......	......	**22,522**
Business-type Activities				
Transportation	......	......	......	**23,020**
Lottery	......	......	......	**1,192,029**
Hurricane Catastrophe Fund	......	......	......	**10,000**
Prepaid College Program	1,596	......	......	**1,596**
Unemployment Compensation	......	......	......	**15,279**
Nonmajor	......	......	......	**129,346**
Fiduciary Funds				
Private-purpose Trust Funds	......	......	......	**4,083**
Pension and Other Employee Benefits Trust Funds	......	1,216,656	......	**1,244,786**
Investment Trust Funds	......	......	67,268	**67,268**
Total	**$ 1,771**	**$ 1,216,712**	**$ 67,268**	**$ 10,801,394**

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 and flood losses through February 14, 2011, and $61 million beginning February 15, 2011, and $200 million per occurrence for all other perils.

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, 2010, and June 30, 2011, 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, 2010	$ 649	$ 85	$ (477)	$ 257
June 30, 2011	$ 257	$ 122	$ (190)	$ 189

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, 2011, was $1,219.6 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 of $330.6 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted carrying amount is $465.8 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2010, and June 30, 2011, 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, 2010	$ 1,046,864	$ 183,860	$ (145,985)	$ 1,084,739
June 30, 2011	$ 1,084,739	$ 262,675	$ (127,833)	$ 1,219,581

Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2011, increased by $78.8 million.

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, 2010, and June 30, 2011, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2010	$ 62,633	$ 856,242	$ (840,060)	$ 78,815
June 30, 2011	$ 78,815	$ 828,506	$ (830,215)	$ 77,106

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, 2011, 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, 2011, is as follows:

Actuarial present value of future contract benefits and expenses payable	$ 9,892,039,279
Net assets available	$ 10,481,447,935
Net assets as a percentage of future contract benefits and expenses obligation	105.9%

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, 2011, the industry wide retention was $7.142 billion per hurricane for the first two hurricanes and $2.381 billion for each subsequent hurricane in the contract year. The aggregate coverage capacity for the contract year (in excess of retention) was $17.0 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, 2011, was $8 billion.

The maximum reimbursable claims for the optional coverages (no TEACO option was selected) and mandatory layers (in the contract year ending May 31, 2011) was $26.290 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, 2011, the FHCF had net assets of $4.73 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, 2011, the FHCF is levying assessments of 1.3%. 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 2010 season. There were no hurricane losses incurred for the year ended June 30, 2011. 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.

Coastal Account History (formerly High-Risk Account) – 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.

In 2011, the Legislature directed that the name of the High Risk Account be renamed to Coastal Account. This change was effective May 17, 2011.

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 hold a certificate of authority to 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) to pay covered claims of insurers rendered insolvent by the effects of a hurricane. 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 June 30, 2011, 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, 2011, approximately $2.8 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 2010-2011 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. The amounts of any foreseeable disallowances were not subject to reasonable estimation.

Component units - The United States Department of Health and Human Services, Office of Inspector General is auditing, reviewing, and investigating the University of Florida's practices relating to Federal awards finances and accounting; at this 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. After a trial was conducted on February 28, 2011, Florida Department of Highway Safety and Motor Vehicles prevailed and a Final Order was entered on March 3, 2011. At present, no appeal has been reported.

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 October 1, 2008. 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 $60 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. A hearing on Cross Summary Judgment motions was held on December 15, 2011. On January 18, 2012, Summary Judgment was entered for Plaintiff General Motors. The Department has not yet filed a notice of appeal.

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. 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. The *Deluccio* case has likewise concluded after the Plaintiffs failed to prevail at the trial court and every available appellate court up to and including the U.S. Supreme Court which denied certiorari on the matter on December 6, 2010. This case is also closed.

F. 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 petitioned the First District Court of Appeal for a writ of prohibition, asserting that the case presents a political question that should not be entertained by the courts. Oral Argument in this case was heard on July 30, 2011. On January 6, 2012, the First District Court of Appeal denied Petitioner's motion for rehearing and clarification. The Department has not decided whether to proceed with this case by requesting the Florida Supreme Court to review the case.

G. Florida Gas Transmission Company v. Florida Department of Transportation, Case No. CACE07001922 (17th Cir.); 4D11-2567 (Fla. 4th DCA).

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 (FDOT) 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 FDOT. The FDOT filed post trial motions and Plaintiff filed a motion for pre-judgment interest, all of which were set for hearing on March 18, 2011. On May 2, 2011, the Court entered a Final Judgment in favor of the Plaintiff in the principle sum of $82,697,567 plus pre-judgment interest. On May 12, 2011, FDOT filed a motion to alter or amend the Final Judgment. On July 1, 2011, the Court entered an Amended Final Judgment not impacting the previously mentioned dollar amount. Both parties appealed. The matter is now pending in the Fourth District Court of Appeal.

H. AMEC Civil LLC v. Florida Department of Transportation, Case No. 16-2008-CA-001722-XXXX-MA (4th Cir.); SC10-1699.

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 sought discretionary review by the Florida Supreme Court which denied jurisdiction on May 10, 2011, and the case was closed.

I. In re Citrus Canker Litigation, Case No. 00-18394 (17th Cir. Broward County); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717 (15th Cir. Palm Beach County); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120 (9th Cir. Orange County); In re Citrus Canker Litigation, Case No. 03-8255 (11th Cir. Miami-Dade County); Martinez v. Florida Department of Agriculture and Consumer Services, Case No. 03-30110 (11th Cir. Miami-Dade County); and Dellaselva v. Florida Department of Agriculture and Consumer Services, Case No. 03-1947 (20th Cir. Lee County).

In re Citrus Canker Litigation, Case No. 00-18394, concerns a class of Broward County homeowners who sued for compensation for their citrus trees that had been exposed to citrus canker and removed by the Department after January 1, 2000. After a non-jury trial on liability, and a jury trial on compensation, the class was awarded damages. Final judgment including prejudgment interest, totaling $8,043,450, was entered on October 6, 2008. Post-judgment interest is running on the judgment. Plaintiffs will also be awarded costs and attorneys' fees. The Fourth District Court of Appeal affirmed the judgment, the Florida Supreme Court declined to review the decision, and the United States Supreme Court declined to issue a writ of certiorari to review the decision.

In related cases, similar classes have been certified and the certifications affirmed, in Palm Beach County, Lee County, and Orange County. In the Palm Beach County case, the circuit judge found the Department liable for removal of the class' canker-exposed citrus, and a jury awarded the class the amount of $12,211,704. A final judgment, including prejudgment interest, totaling $19,222,491, was entered on August 3, 2011. Post-judgment interest is running on the judgment. Plaintiffs also seek costs and attorneys' fees. The Department has appealed the final judgment to the Fourth District Court of Appeal. A liability trial is scheduled in the Orange County case for March 2012, and in the Lee County case for summer 2012. In a related Miami-Dade County class action, *In re Citrus Canker Litigation*, Case No. 03-8255, the trial court certified a class, and the Department appealed the certification to the Third District Court of Appeal. No liability or damages trial is scheduled in this case. In another Miami-Dade County case, *Martinez*, Case No. 03-30110, the trial court denied certification of a class of citrus owners, and the appellate court affirmed the denial. The trial court is presently allowing the Plaintiffs a final opportunity to recertify a class consisting of residential homeowners in that action.

J. Angelfish Swim School, et. al. v. Browning, Case No. 2003-13413-CA-01 (11th Cir.); 3D08-1827 (Fla. 3rd DCA).

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. On April 6, 2011, the 3rd DCA issued an opinion reversing the trial court's class certification. Plaintiffs have moved for clarification, rehearing, rehearing en banc, and certification as a question of great public importance. The 3rd DCA has not yet ruled on these motions.

K. Christine R. Dunham, et. al. v. State of Florida, Agency for Health Care Administration, et. al., Case No. 09-612CA01 (1st 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). Ahlborn held that Medicaid liens may be recovered only from the portion of a settlement that applied to reimbursement of medical expenses. Plaintiffs sought injunctive relief alleging violation of federal law and relief under the *Ahlborn* decision.

After preliminary litigation in the matter, the Plaintiffs voluntarily agreed to dismiss the case on May 23, 2011. The matter is reported as closed.

L. George Williams, et.al., v. Rick Scott, et.al., Case No. 2011 CA 1584 (2nd Cir.).

On June 20, 2011, various plaintiffs filed a complaint in the Circuit Court for Leon County against John P. Miles, in his capacity as the Secretary of the Department of Management Services, as well as Governor Rick Scott, Chief Financial Officer Jeff Atwater, and Attorney General Pam Bondi, in their collective capacities as the trustees of the State Board of Administration. The complaint challenges the constitutionality of certain changes to the Florida Retirement System (FRS) contained in Chapter 2011-68, Laws of Florida. Specifically, the plaintiffs allege that the requirement that, effective July 1, 2011, FRS members must contribute three percent of their gross compensation to FRS, and the elimination of a cost-of-living adjustment for work performed on and after July 1, 2011, both violate the Florida Constitution. The court heard cross-motions for summary judgment in this matter on October 26, 2011, but has yet to issue a ruling. The financial impact of a ruling that the compulsory three percent contribution is unconstitutional would be in excess of $861,000,000

NOTE 17 – DEFICIT FUND EQUITY

A. Governmental Funds

The *State Courts Revenue Trust Fund* has a deficit fund balance of approximately $6.1 million. The deficit is predominantly a result of a reduction in revenue streams from foreclosure filings which make up 83% of the receipts in this fund. The State Courts System expects an increase in revenues during the next fiscal year and will also exercise other available options to stabilize the fund.

The *State School Trust Fund* has a deficit fund balance of approximately $518.2 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 *Brain and Spinal Cord Injury Rehab Trust Fund* has a deficit fund balance of approximately $2.2 million. The deficit is primarily the result of a reduction in revenues in recent years. These revenues are used to pay the State's share of expenditures for the Traumatic Brain Injury and Spinal Cord Injury Home and Community-Based Medicaid Waiver Program. The Department of Health expects an increase in revenues during the next fiscal year and also the receipt of specific appropriations to stabilize the fund.

B. Proprietary Funds

The *Correction Work Program Trust Fund* has a net asset deficit of approximately $1.6 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 $28 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 *Legal Service Trust Fund* has a net asset deficit of approximately $2.5 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 $1.1 billion. 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, 2011 total approximately $1.574 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 September 23, 2011 were $1.611 billion. Refer to Note 9 C for additional information regarding advances from the federal government.

C. Fiduciary Funds

The *Life and Other Benefits Fund* has a net asset deficit of approximately $1.7 million. 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

The following bonds for governmental and business-type activities of the primary government were issued subsequent to June 30, 2011:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds	2008F	$ 74,200,000	06/01/2012-06/01/2041	3.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2008G	$ 70,300,000	6/1/2024	5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2011C	$ 220,885,000	06/01/2013-06/01/2029	3.000% - 5.000%
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds	2011A	$ 127,920,000	07/01/2012-07/01/2021	3.000% - 5.000%
State Board of Education, Lottery Revenue Refunding Bonds	2011A	$ 242,240,000	07/01/2014-07/01/2023	4.000% - 5.000%
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds	2011B	$ 164,010,000	07/01/2013-07/01/2022	4.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2011D	$ 241,825,000	06/01/2022-06/01/2025	5.000%
Board of Governors, University of Florida Dormitory Revenue Refunding Bonds	2011A	$ 16,350,000	07/01/2012-07/01/2028	2.000% - 4.000%
Board of Governors, Florida State University Dormitory Revenue Refunding Bonds	2011A	$ 27,745,000	05/01/2013-05/01/2031	2.000% - 4.125%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2011E	$ 164,450,000	06/01/2022-06/01/2032	4.000% - 5.000%
Board of Governors, Florida International University Dormitory Revenue Refunding Bonds	2011A	$ 22,210,000	07/01/2013-07/01/2025	3.000% - 5.000%
Board of Governors, University of Central Florida Parking Facility Revenue Refunding Bonds	2011A	$ 11,005,000	07/01/2013-07/01/2022	3.000% -5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2011F	$ 164,035,000	06/01/2013-06/01/2032	2.000% - 5.000%
Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds	2011A	$ 53,785,000	01/01/2013-01/01/2023	3.000% - 5.000%
Business Type Activities:				
Department of Transportation, Turnpike Revenue Bonds	2011A	$ 150,165,000	07/01/2012-07/01/2041	3.250% - 5.250%

OTHER REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(in thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2010	$ 1,951,316	$ 1,951,316	$ 1,951,316	$ ......
Reversions	294,359	294,359	294,359	......
Fund Balances, July 1, 2010, restated	2,245,675	2,245,675	2,245,675	......
REVENUES				
Fees and charges	1,095,813	1,053,913	1,575,199	521,286
Licenses	1,128,576	1,137,676	417,456	(720,220)
Taxes	24,751,765	24,458,165	24,651,810	193,645
Miscellaneous	4,640	4,640	5,559	919
Interest	118,162	138,862	130,082	(8,780)
Grants	14,246	14,246	11,703	(2,543)
Refunds	9,646	9,646	274,401	264,755
Transfers and distributions	2,067,762	1,993,262	2,126,603	133,341
Other	353,186	359,686	326,599	(33,087)
Total Revenues	29,543,796	29,170,096	29,519,412	349,316
Total Available Resources	31,789,471	31,415,771	31,765,087	349,316
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,562,345	3,709,854	3,672,298	37,556
Other personal services	68,124	71,462	67,383	4,079
Expenses	368,851	408,764	393,686	15,078
Grants and aids	12,052,177	12,062,437	12,043,761	18,676
Operating capital outlay	14,929	16,391	13,293	3,098
Food products	63,793	61,948	61,668	280
Fixed capital outlay	35,694	35,694	35,694	......
Lump sum	403,472	1,501	1,501	......
Special categories	7,629,206	7,927,133	7,743,352	183,781
Financial assistance payments	242,919	242,057	241,942	115
Continuing Appropriations	......	88,992	88,992	......
Grants/aids to local governments	41,029	41,029	41,029	......
Data processing services	42,485	41,517	39,268	2,249
Pensions and benefits	16,743	16,743	14,832	1,911
Claim bills and relief acts	......	1,755	1,755	......
Total Operating Expenditures	24,541,767	24,727,277	24,460,454	266,823
Nonoperating expenditures:				
Transfers	3,915,222	3,915,222	3,915,222	......
Qualified expenditures	......	......	......	......
Refunds	725,827	328,433	328,433	......
Other	1,683,779	1,683,779	1,683,779	......
Total Nonoperating Expenditures	6,324,828	5,927,434	5,927,434	......
Total Expenditures	30,866,595	30,654,711	30,387,888	266,823
Fund Balances, June 30, 2011	$ 922,876	$ 761,060	$ 1,377,199	$ 616,139

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, 2011
(in thousands)

	Environment, Recreation and Conservation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2010	$ 1,300,865	$ 1,300,865	$ 1,300,865	$ ......
Reversions	1,500	1,500	1,500	......
Fund Balances, July 1, 2010, restated	1,302,365	1,302,365	1,302,365	......
REVENUES				
Fees and charges	114,533	134,766	137,631	2,865
Licenses	34,830	23,928	47,683	23,755
Taxes	56,402	289,580	291,765	2,185
Miscellaneous	3,717	1,009	981	(28)
Interest	53,674	72,078	28,182	(43,896)
Grants	237,529	274,686	290,717	16,031
Refunds	670	1,841	2,815	974
Transfers and distributions	1,069,305	1,175,906	1,179,535	3,629
Other	74,068	12,642	126,042	113,400
Total Revenues	1,644,728	1,986,436	2,105,351	118,915
Total Available Resources	2,947,093	3,288,801	3,407,716	118,915
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	242,773	241,861	231,048	10,813
Other personal services	24,570	24,507	21,612	2,895
Expenses	49,730	48,967	43,852	5,115
Grants and aids	5,995	5,995	5,953	42
Operating capital outlay	1,893	2,254	1,735	519
Fixed capital outlay	665,832	665,832	665,832	......
Lump sum	2,114	......	......	......
Special categories	276,195	301,841	252,037	49,804
Grants/aids to local governments	443,977	443,977	443,977	......
Data processing services	121	121	119	2
Total Operating Expenditures	1,713,200	1,735,355	1,666,165	69,190
Nonoperating expenditures:				
Transfers	235,250	227,171	227,171	......
Refunds	50,329	22,957	22,957	......
Other	437,968	333,344	333,344	......
Total Nonoperating Expenditures	723,547	583,472	583,472	......
Total Expenditures	2,436,747	2,318,827	2,249,637	69,190
Fund Balances, June 30, 2011	$ 510,346	$ 969,974	$ 1,158,079	$ 188,105

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, 2011
(in thousands)

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2010	$ 1,008,336	$ 1,008,336	$ 1,008,336	$ ......
Reversions	85,434	85,434	85,434	......
Fund Balances, July 1, 2010, restated	1,093,770	1,093,770	1,093,770	......
REVENUES				
Fees and charges	1,280,275	1,403,933	43,745	(1,360,188)
Licenses	3,345	......	......	......
Taxes	670,770	692,800	639,484	(53,316)
Miscellaneous	85,361	27,648	......	(27,648)
Interest	61,230	70,919	31,694	(39,225)
Grants	5,065,133	3,590,107	5,042,328	1,452,221
Refunds	3,095	3,086	4,467	1,381
Bond proceeds	707,809	589,827	589,836	9
Transfers and distributions	2,166,871	2,273,574	2,181,163	(92,411)
Other	154,059	148,884	247,940	99,056
Total Revenues	10,197,948	8,800,778	8,780,657	(20,121)
Total Available Resources	11,291,718	9,894,548	9,874,427	(20,121)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	42,621	42,552	38,773	3,779
Other personal services	1,833	1,836	350	1,486
Expenses	16,643	16,348	6,086	10,262
Grants and aids	6,541,674	5,237,857	4,794,222	443,635
Operating capital outlay	1,563	1,777	83	1,694
Fixed capital outlay	2,437,234	2,437,234	2,437,234	......
Special categories	741,380	1,449,341	1,277,801	171,540
Financial assistance payments	58,141	58,141	51,702	6,439
Grants/aids to local governments	82,750	82,750	82,750	......
Payments to U.S. Treasury	2,000	466	466	......
Data processing services	5,032	5,172	4,453	719
Total Operating Expenditures	9,930,871	9,333,474	8,693,920	639,554
Nonoperating expenditures:				
Transfers	309,741	373,696	373,696	......
Refunds	3,543	273	273	......
Other	155,905	40,483	40,483	......
Total Nonoperating Expenditures	469,189	414,452	414,452	......
Total Expenditures	10,400,060	9,747,926	9,108,372	639,554
Fund Balances, June 30, 2011	$ 891,658	$ 146,622	$ 766,055	$ 619,433

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, 2011
(in thousands)

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2010	$ 960,463	$ 960,463	$ 960,463	$ ......
Reversions	561,715	561,715	561,715	......
Fund Balances, July 1, 2010, restated	1,522,178	1,522,178	1,522,178	......
REVENUES				
Fees and charges	1,992,984	2,345,674	1,394,801	(950,873)
Licenses	25,126	29,400	24,346	(5,054)
Taxes	692,389	1,095,834	1,074,298	(21,536)
Miscellaneous	396	5	5	......
Interest	5,670	16,901	6,556	(10,345)
Grants	16,454,841	15,875,346	16,436,070	560,724
Refunds	941,193	10,013	999,521	989,508
Transfers and distributions	1,867,896	2,899,893	2,068,184	(831,709)
Other	33,122	141,181	53,403	(87,778)
Total Revenues	22,013,617	22,414,247	22,057,184	(357,063)
Total Available Resources	23,535,795	23,936,425	23,579,362	(357,063)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,375,213	1,352,567	1,294,677	57,890
Other personal services	101,927	118,788	103,973	14,815
Expenses	272,238	282,244	259,765	22,479
Grants and aids	52,273	52,273	35,799	16,474
Operating capital outlay	16,526	17,729	14,662	3,067
Food products	1,484	1,505	1,502	3
Fixed capital outlay	8,150	8,150	8,150	......
Special categories	19,607,351	20,676,147	18,932,819	1,743,328
Financial assistance payments	91,677	91,647	54,194	37,453
Grants/aids to local governments	11,288	11,288	11,288	......
Data processing services	39,734	39,835	33,952	5,883
Claim bills and relief acts	3,410	3,410	3,410	......
Total Operating Expenditures	21,581,271	22,655,583	20,754,191	1,901,392
Nonoperating expenditures:				
Continuing Appropriations	......	40,554	40,554	......
Transfers	1,035,884	866,309	866,309	......
Qualified expenditures	4,412	......	......	......
Refunds	13,801	10,508	10,508	......
Other	12,693	75,322	75,322	......
Special expenses	100	......	......	......
Total Nonoperating Expenditures	1,066,890	992,693	992,693	......
Total Expenditures	22,648,161	23,648,276	21,746,884	1,901,392
Fund Balances, June 30, 2011	$ 887,634	$ 288,149	$ 1,832,478	$ 1,544,329

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, 2011
(in thousands)

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over / (Under)
Fund Balances, July 1, 2010	$ 209,409	$ 209,409	$ 209,409	$ ......
Reversions	1,242	1,242	1,242	......
Fund Balances, July 1, 2010, restated	210,651	210,651	210,651	......
REVENUES				
Fees and charges	125,332	137,700	125,332	(12,368)
Taxes	2,273,622	2,196,080	2,273,622	77,542
Interest	842	2,112	1,101	(1,011)
Refunds	11,328	......	11,328	11,328
Transfers and distributions	104,562	291,073	106,495	(184,578)
Other	34,106	31,860	29,506	(2,354)
Total Revenues	2,549,792	2,658,825	2,547,384	(111,441)
Total Available Resources	2,760,443	2,869,476	2,758,035	(111,441)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	7,575	4,100	3,722	378
Other personal services	51	55	50	5
Expenses	940	936	652	284
Operating capital outlay	40	40	2	38
Special categories	104,264	104,296	101,958	2,338
Total Operating Expenditures	112,870	109,427	106,384	3,043
Nonoperating expenditures:				
Transfers	......	17,484	17,484	......
Refunds	79,700	63,359	63,359	......
Other	2,562,145	2,342,319	2,342,319	......
Total Nonoperating Expenditures	2,641,845	2,423,162	2,423,162	......
Total Expenditures	2,754,715	2,532,589	2,529,546	3,043
Fund Balances, June 30, 2011	$ 5,728	$ 336,887	$ 228,489	$ (108,398)

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, 2011
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	$ 1,377,199	$ 1,158,079	$ 766,055	$ 1,832,478	$ 228,489
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	1,179,018	135,184	104,637	16,693	111,824
Fair value adjustments to investments within the State Treasury	61,870	10,978	8,498	1,356	9,081
Special investments within the State Treasury	27,505	......	......	9,249	......
Non-State Treasury cash and investments	1,075,500	1,457	......	23,532	174,059
Other GAAP basis fund balances not included in budgetary basis fund balances	(141,441)	(4,349)	(158,295)	(1,009,250)	913,833
Adjusted budgetary basis fund balances	3,579,651	1,301,349	720,895	874,058	1,437,286
Adjustments (basis differences):					
Net receivables (payables) not carried forward	(33,163)	1,058,668	307,544	1,278,710	(45,531)
Inventories, prepaid items and deferred charges	11,994	937	......	35,153	15,829
Encumbrances	68,686	2,156	79,889	57,244	32,558
GAAP basis fund balances	$ 3,627,168	$ 2,363,110	$ 1,108,328	$ 2,245,165	$ 1,440,142

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. For 2011, 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 by September 15 due to the schedule annual legislative session commencing on January 10, 2012. 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 percent 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 percent 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, 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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(in thousands)

Year Ended 6/30	Annual Required Contributions	Percent Contributed
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%
2010	2,447,374	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%
July 1, 2010	291,459	8,464,530	8,173,071	3.44%	31,717,281	25.77%

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%
2009	395,256	86%
2010	409,546	81%

(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%
July 1, 2010 [(2)]	......	4,545,845	4,545,845	0.00%	7,574,317	60.02%

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%
2011	313,415	32.87%

* 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 76%.

(2) Update of the July 1, 2009 actuarial valuation. A new valuation was not performed.

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 12,082 centerline miles of roads and 6,647 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

2011	2010	2009
89%	88%	86%

Percentage of bridges meeting FDOT standards

2011	2010	2009
95%	95%	95%

Maintenance Rating

2011	2010	2009
87	86	87

Comparison of Needed-to-Actual Maintenance/Preservation (in millions)

Resurfacing Program

	2011	2010	2009	2008	2007
Needed	$751.5	$727.2	$871.5	$718.0	$898.1
Actual	543.9	422.0	575.3	584.5	851.1

Bridge Repair/Replacement Program

	2011	2010	2009	2008	2007
Needed	$315.7	$231.0	$230.4	$250.3	$273.4
Actual	328.8	134.8	207.3	250.3	121.7

Routine Maintenance Program

	2011	2010	2009	2008	2007
Needed	$580.5	$572.4	$508.2	$492.6	$463.7
Actual	676.1	655.8	571.5	507.1	479.2

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.

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APPENDIX D

DEFINITIONS

"2012A Bonds" shall mean the $310,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2012A, authorized by resolutions adopted by the Governing Board on March 20, 2012.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.01 of the Resolution on a parity with the Series 1989 Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of law.

"Administrative Expenses" shall mean, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges or both of the Board of Administration and the Division; and (ii) such other fees or charges or both as may be approved by the Board of Administration or the Division, including but not limited to those related to tax law compliance, disclosure of information, and paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

"Authorized Officer" of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

"Board of Administration" shall mean the State Board of Administration of Florida.

"Bond Amortization Account" shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Bond Counsel" shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Proceeds Account" shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 of the Resolution.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to the Resolution.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Cost" or **"Costs"**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost paid by the Department before the date of adoption of the Resolution. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Fund" shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 of the Resolution.

"Department" shall mean the State of Florida Department of Transportation.

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

"Fiscal Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

"Governing Board" shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida.

"Holder" or **"Bondholder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

"Initial Project" shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of the Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

"Interest Account" shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Interest Date" or **"interest payment date"** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Investment Earnings" shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms of the Resolution.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

"Outstanding", when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 of the Resolution, (3) Bonds deemed to have been paid pursuant to Section 8.01 of the Resolution, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Outstanding Bonds" shall mean the outstanding Series 2002 Bonds, Series 2002A Bonds, Series 2003A Bonds, Series 2004A Bonds, Series 2005A Bonds, Series 2005B Bonds, Series 2006A Bonds, Series 2008A Bonds, Series 2009A Bonds, Series 2009B Bonds, Series 2011A Bonds and Series 2011B Bonds.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to the Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Gas Taxes" shall mean motor fuel taxes and diesel fuel taxes (formerly special fuel taxes) which are transferred from the Fuel Tax Collection Trust Fund into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

"Principal Account" shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Project" shall mean the Initial Project and any Additional Project.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to the Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

"Resolution" shall mean the Authorizing Resolution adopted by the Governing Board on February 28, 1989 and as subsequently supplemented and amended from time to time.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 of the Resolution or a Supplemental Resolution authorizing the issuance of such bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"State" shall mean the State of Florida.

"STTF" or **"State Transportation Trust Fund"** shall mean the State Transportation Trust Fund created in Section 206.46, Florida Statutes.

"Supplemental Resolution" shall mean any resolution of the Division amending or supplementing the Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 of the Resolution.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by a resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

"Trust Fund" shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

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APPENDIX E

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I
GENERAL

SECTION 1.01. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.01 hereof on a parity with the Series 1989 Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(5)(a) or (f) and 339.15(7)(a).

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal

Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are permitted by law:

(1) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America;

(2) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(3) investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest full rating categories by a Rating Agency;

(4) State and Local Government Obligations;

(5) certificates of deposit issued by or time deposits with any bank or trust company organized under the laws of any state of the United States of America or any national banking association, or a branch of a foreign bank duly licensed under the laws of the United States of America or any state or territory thereof, whose senior debt is rated within the two highest long-term or short-term, rating categories of a Rating Agency;

(6) bills of exchange or time drafts drawn on and accepted by a commercial bank under the laws of any state of the United States of America or any state or territory thereof or any national banking association, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(7) repurchase agreements or investment contracts with any bank or trust company or savings and loan association, or with any broker or dealer registered with the Securities and Exchange Commission and subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, in any case having short term debt rated in either of the two highest categories by a Rating Agency provided that, (A) to the extent not insured, the repurchase or investment agreements are secured by Authorized Investments of the kind specified in subsections (1) and (2) above having at all times a fair market value or at least 100% of the value (principal plus accrued interest) of such agreement or contract, (B) the State has a perfected first security interest in such Authorized Investments, and (C) the Authorized Investments are owned by the pledgor free and clear of any kind of liens or security interests other than that of the State; the security for any repurchase agreements and investment contracts shall be (i) in the case of obligations of the United States of America which can be pledged by a book entry notation under regulations of the United States Department of Treasury, appropriately entered on the records of a Federal Reserve Bank, or (ii) in the case of other investments, either (a) deposited with the State, with a Federal Reserve Bank or with a bank or trust company which is acting solely as agent for the State and has a combined net capital and surplus of at least $25,000,000.

(8) shares or other interests in any mutual fund, trust, investment company or similar entity or portfolio which invests solely in Authorized Investments of the types described in subparagraphs (1), (2), (4), (5) or (6) above or any combination thereof;

(9) commercial paper rated in either of the two highest rating categories by a Rating Agency or commercial paper backed by letter of credit or line of credit rated in either of the two highest rating categories by a Rating Agency; and

(10) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Authorized Officer" of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

"Balloon Maturity Bonds" shall mean such principal portion of a Series of Bonds which (l) shall mature in a single Fiscal Year on the same date, (2) shall not be required to be amortized by payment or redemption by the terms of the Supplemental Resolution authorizing such Bonds, and (3) shall constitute at least twenty-five percent (25%) of the principal amount of such Series.

"Board of Administration" shall mean the State Board of Administration of Florida.

"Bond Amortization Account" shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Bond Counsel" shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bond Issuance Costs" shall mean all fees, costs and expenses of the Department and the Division (including the Governing Board of the Division) incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees, premiums for a Bond Insurance Policy, fiscal or escrow agent fees, financial advisory fees, Rating Agency fees, and the fees and expenses of any Paying Agent, Registrar, Insurer, Credit Bank or depository.

"Bond Proceeds Account" shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 hereof.

"Bondholder" or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to this Resolution.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the State of Florida are authorized by law to remain closed.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution of the Governing Board of the Division, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Cost" or **"Costs"**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost heretofore paid by the Department. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Fund" shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 hereof.

"Department" shall mean the State of Florida Department of Transportation.

"Division" shall mean the Division of Bond Finance of the State of Florida Department of General Services.

"Fiscal Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

"Governing Board" shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State of Florida Department of General Services.

"Initial Project" shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

"Interest Account" shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Interest Date" or **"interest payment date"** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Investment Earnings" shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms hereof.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Governing Board of the Division delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Moody's Investors Service" shall mean Moody's Investors Service, and any assigns or successors thereto.

"Outstanding", when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other

Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to this Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Gas Taxes" shall mean motor fuel and special fuel taxes which are transferred from the Gas Tax Collection Trust Fund (as defined in Section 206.45, Florida Statutes) into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which comply with the requirements of paragraph (3) of the definition of "Authorized Investments."

"Principal Account" shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Project" shall mean the Initial Project and any Additional Project.

"Rating Agency" shall mean Moody's Investors Service or Standard & Poor's Corporation.

"Rebate Account" shall mean the Rebate Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunding Securities" shall mean the United States Obligations and the Prerefunded Obligations.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to this Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Reserve Account" shall mean the Reserve Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

"Reserve Account Letter of Credit" shall mean an unconditional and irrevocable letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

"Resolution" shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1989 Bonds" shall mean the Bonds authorized pursuant to Section 2.02 hereof.

"Standard & Poor's Corporation" shall mean Standard & Poor's Corporation, and any assigns and successors thereto.

"State" shall mean the State of Florida.

"State and Local Government Obligations" shall mean (1) obligations of states or political subdivisions thereof or United States territories, whether or not the interest thereon is excluded from gross income for federal income tax purposes, which obligations may or may not subject the holders thereof to the alternative minimum tax pursuant to the Code, and which are rated in any of the two highest full rating categories by a Rating Agency; or (2) stock of a qualified regulated investment company within the meaning of paragraph (a) (2) of Internal Revenue Service Advance Notice 87-22, released February 24, 1987, or any related or updated notice, release or regulation, which company invests solely in obligations described in (1) above, and which stock is rated in any of the two highest full rating categories by a Rating Agency.

"Supplemental Resolution" shall mean any resolution of the Division amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 hereof.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

"Trust Fund" shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

"United States Obligations" shall mean obligations described in paragraph (1) of the definition of "Authorized Investments".

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) During the 1988 Legislative Session, the Florida Legislature passed and submitted to the electors of the State for approval or rejection at the general election held on November 8, 1988, Senate Joint Resolution 391, which created Section 17 of Article VII of the State Constitution, providing for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The majority of the electors of the State approved the creation of Section 17 of Article VII of the State Constitution at the general election held on November 8, 1988.

(C) The Florida Legislature also enacted Chapter 88-247, Laws of Florida, which implements the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(D) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(E) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(F) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(G) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner and are available for pledge and application in the manner provided herein.

(H) The estimated Pledged Gas Taxes will be sufficient to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(I) The $300,000,000 aggregate principal amount of Bonds authorized by this Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(J) The Initial Project has been authorized by the Florida Legislature, as required by Section 215.605, Florida Statutes, and will be funded from proceeds of the Series 1989 Bonds.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Division to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1989 BONDS. (A) A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of not exceeding $300,000,000 for the principal purposes of acquiring and constructing the Initial Project, funding the appropriate subaccount of the Reserve Account and paying certain costs of issuance incurred with respect to the Series 1989 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989"; provided the Division may change such designation in the event that the total amount of Series 1989 Bonds authorized herein are not issued in a simultaneous transaction.

(B) Prior to issuance of the Series 1989 Bonds, the Board of Administration shall determine that in no State Fiscal Year will the Annual Debt Service exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(C) The Series 1989 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Division; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, Balloon Maturity Bonds and Capital Appreciation Bonds; maturing in such amounts and in such years not exceeding forty (40) (or such longer or shorter period as may be permitted by law at the time of issuance) years from their date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Division shall provide hereafter by Supplemental Resolution.

(D) The principal of or Redemption Price, if applicable, on the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1989 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(E) The Series 1989 Bonds shall be secured by a subaccount of the Reserve Account.

SECTION 2.03. APPLICATION OF SERIES 1989 BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Series 1989 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the Series 1989 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the Series 1989 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1989 Bonds.

(2) The balance of the Series 1989 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account.

SECTION 2.04. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Division on behalf of the Department with the manual or facsimile signature of the Governor, as Chairman of the Division and the corporate seal of the Division shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division as may be designated by resolution. In accordance with the laws of the State in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Registrar, required to be placed on the Bonds shall be a manual signature. In the event that the laws of the State relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of any Series of Bonds, then the signatures which are actually imprinted, reproduced or manually subscribed on the Bonds shall be in compliance with the new laws. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Division before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Division by such person who at the actual time of the execution of such Bond shall hold the proper office of the Division, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Division may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Division for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

SECTION 2.06. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Division may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Division by subsequent resolution, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Division, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Division and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division or the Registrar may prescribe and paying such expenses as the Division and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Division may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Department whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Gas Taxes to the same extent as all other Bonds issued hereunder.

SECTION 2.08. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code -- Investment Securities Law of the State, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Division shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

The transfer of any Bond shall be registrable only upon the books of the Division, at the office of the Registrar, under such reasonable regulations as the Department may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the registration of transfer of any such Bond, the Division shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Division, the Registrar and any Paying Agent or fiduciary of the Division may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Division as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Division nor the Registrar nor any Paying Agent or other fiduciary of the Division shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or the transfer of Bonds shall be registered, the Division shall execute and deliver Bonds and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Governor, as Chairman of the Division and by the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division, for purposes of exchanging, replacing or registering the transfer of Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or registrations of transfer shall be held by the Registrar in safekeeping until directed by the Division to be cancelled by the Registrar. For every such exchange or registration of transfer, the Division or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Division and the Registrar shall not be obligated to make any such exchange or registration of transfer of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Upon the occurrence of an Event of Default which would require an Insurer to pay a claim under its bond insurance policy, said Insurer and its designated agent shall be provided with access to the registration books for the particular Series of insured Bonds.

The Division may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

SECTION 2.09. COUPON BONDS. The Division, at its discretion, may by Supplemental Resolution authorize the issuance of coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such coupon Bonds will not adversely affect the exclusion of interest earned on such Bonds (other than Taxable Bonds) from gross income for purposes of federal income taxation.

SECTION 2.10. FORM OF BONDS. The text of the Bonds, except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Division, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and desirable and authorized by this Resolution or any Supplemental Resolution adopted prior to the issuance thereof, or as may be necessary to comply with applicable laws, rules, and regulations of the State and the United States of America in effect upon the issuance thereof:

[Form of Bond intentionally omitted]

ARTICLE III
REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof. The Board of Administration shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Division and, by lot within a maturity, in principal amounts of $5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Division and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Division, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least thirty (30) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar, and (C) shall be mailed, registered or certified, postage prepaid, or by telecopy or facsimile transmission at least thirty-five (35) days prior to the redemption date to the registered securities depositaries and two or more nationally recognized municipal bond information services. Failure to mail notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings of redemption of such Bonds as to which no such failure or defect has occurred. Notice of any redemption of Bonds at the option of the Division shall be given only upon the prior deposit into the Bond Payment Account of sufficient amounts to effect such redemption.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed; (2) the original issue date of such Bonds; (3) the maturity date and rate of interest borne by each Bond being redeemed; (4) the redemption date; (5) the Redemption Price; (6) the date on which such notice is mailed; (7) if less than all Outstanding Bonds are to be redeemed the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed; (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable; (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the redemption price at the principal office of the Registrar at an address specified; and (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption.

SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Division shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Division shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be cancelled by the Registrar and shall not be reissued.

ARTICLE IV
SECURITY, SPECIAL FUNDS AND
APPLICATION THEREOF

SECTION 4.01. SECURITY FOR THE BONDS. The Bonds shall be payable primarily from the Pledged Gas Taxes and are additionally secured by a pledge of the full faith and credit of the State of Florida as provided in Section 4.02 hereof.

SECTION 4.02. PLEDGE OF FULL FAITH AND CREDIT OF THE STATE OF FLORIDA. The payments of the principal of and interest on the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida, and the State is unconditionally and irrevocably obligated to make all payments required for the payments of such principal of and interest on the Bonds, as the same mature and become due, to the full extent that the moneys derived from the Pledged Gas Taxes are insufficient for the full payment of all such principal of and interest on the Bonds as the same mature and become due. It shall be the mandatory duty of the Board of Administration, to the extent necessary, on each principal and interest maturity date to immediately certify to the proper officials of the State of Florida any deficiencies in the amounts of moneys needed for the payment of the principal of and interest on the Bonds on such principal and interest maturity dates. It shall further be the mandatory duty of the appropriate officials of the State of Florida to pay to the Board of Administration the amounts of such remaining deficiencies in the manner provided herein and in the Act.

To the extent any funds of the State are required to be paid to honor the pledge of the full faith and credit of the State, the General Revenue Fund shall be repaid from the Pledged Gas Taxes in the manner provided by this Resolution.

SECTION 4.03. FISCAL AGENT FOR BONDS. Pursuant to Section 215.69, Florida Statutes, and other applicable provisions of law, from and after the date of issuance of the Bonds, the Board of Administration shall administer the Debt Service Fund as provided herein and in the Act.

Upon receipt by the Division of the proceeds of any Series of Bonds, and after the Division has reserved an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the Division shall cause the remainder of the proceeds thereof to be deposited into the Trust Fund. Upon the transfer of Bond proceeds by the Division, the Board of Administration shall succeed to the power, authority, duty and discretion of the Division with regard to said Bonds and shall receive, manage and disburse all moneys on deposit in the Debt Service Fund.

SECTION 4.04. BOND PROCEEDS ACCOUNT. There is hereby established in the Trust Fund a separate account to be known as the "Bond Proceeds Account," which shall be used only for payment of the Costs of the Projects. Moneys in the Bond Proceeds Account, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust and shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders. There shall be paid into the Bond Proceeds Account the amounts required to be so paid by the provisions of this Resolution.

A separate subaccount for the Initial Project and each Additional Project shall be established within the Bond Proceeds Account. If the Bonds are issued in Series, separate subaccounts shall be established within the Bond Proceeds Account from the proceeds of each Series of Bonds.

The Department covenants that the acquisition, construction and installation of each Project will be completed without undue delay and in accordance with sound engineering practices.

Requests for withdrawal of moneys from the Bond Proceeds Account shall be made by the Department. Withdrawals from the Bond Proceeds Account shall be made upon warrants signed by the State Comptroller, countersigned by the Governor of the State of Florida, and drawn upon the State Treasury, or any other method approved by law. The warrant request shall be accompanied by a certificate of an Authorized Officer of the Department to the effect that: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the subaccount of the Bond Proceeds Account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made and has not been the basis of any previous disbursement or payment, or (B) each obligation, item of cost or expense mentioned therein has been paid by the Department, is a reimbursement of a part of the Cost of a Project, is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made, has not been theretofore reimbursed to the Department or otherwise been the basis of any previous disbursement or payment and the Department is entitled to reimbursement thereof. In the event the withdrawal is for reimbursement to the Department for payment of a cost of the Project the liability for which was incurred prior to the effective date of Article VII, Section 17 of the Florida Constitution, the Department shall have received prior to such disbursement an opinion of Bond Counsel that such payment will not adversely affect the exemption from Federal and State income taxation of interest on any of the Bonds. After performance of all audit review functions required by law and of all other actions required by law with respect to such warrant request, the State Comptroller will issue its warrant for each payment so requested.

Notwithstanding any of the other provisions of this Section 4.04, to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Account shall be applied to the payment of principal and interest on Bonds when due.

If any unencumbered balance of funds shall remain in the Bond Proceeds Account after completion of the Project for which a Series of Bonds was issued, the balance of moneys remaining in the corresponding subaccount of the Bond Proceeds Account shall be deposited in the following order of priority into (1) another subaccount of the Bond Proceeds Account for which the Authorized Officer of the Department has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, and (3) such other fund or account established hereunder as shall be determined by the Board of Administration, provided the Board of Administration has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

SECTION 4.05. FUNDS AND ACCOUNTS. There is hereby established a separate fund to be held by the Board of Administration and known as the "Right-of-Way Acquisition and Bridge Construction Debt Service Fund." The Debt Service Fund shall include five accounts: the "Principal Account," the "Interest Account," the "Bond Amortization Account," the "Reserve Account," and the Rebate Account." Moneys in the aforementioned accounts, other than the Rebate Account, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

SECTION 4.06. FLOW OF FUNDS.

(A) The Department shall cause moneys in the Trust Fund (other than the Bond Proceeds Account) to be deposited or credited on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(1) Interest Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Interest Account the sum which, together with the balance on deposit in said Account, shall equal the interest on all Outstanding Bonds (other than Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be used to pay interest on all Outstanding Bonds, on a pro-rata basis, as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Department shall adjust the amount of the transfer to the State Board of Administration for deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date.

(2) Principal Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Principal Account, the sum which, together with the balance on deposit in said Account, shall equal the principal amounts on all Outstanding Bonds due and unpaid and that portion of the principal next due which would have accrued on said Bonds during the then current calendar month if such principal amounts were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months of thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be used to pay the principal of all Outstanding Bonds, on a pro-rata basis, as and when the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the Fiscal Year in which such Bonds mature and monthly deposits or credits into the Principal Account shall commence in the month which is one year prior to the date on which such Bonds mature. The Department shall adjust the amount of transfer to the Board of Administration for deposit into the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date.

(3) Bond Amortization Account. Commencing in the month which is one year prior to any Amortization Installment due date, the Department shall transfer to the Board of Administration for deposit or credit to the Bond Amortization Account the sum which, together with the balance on deposit in such Account, shall equal the Amortization

Installments on all Bonds Outstanding due and unpaid and that portion of the Amortization Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Amortization Installments were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Amortization Installment due date, or, if there be no such preceding Amortization Installment due date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Bond Amortization Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Department shall adjust the amount of transfer to the Board of Administration for deposit or credit to the Bond Amortization Account not later than the month immediately preceding any date for payment of an Amortization Installment so as to provide sufficient moneys in the Bond Amortization Account to pay the Amortization Installments on the Bonds coming due on such date. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Board of Administration, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Board of Administration shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Board of Administration shall pay out of the Bond Amortization Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Department from the Trust Fund.

(4) Reserve Account. The Division, in its sole discretion, shall establish herein or by Supplemental Resolution prior to issuance of each Series of Bonds, whether or not such Series is to be secured by a subaccount of the Reserve Account. If a Series of Bonds is to be secured by a subaccount of the Reserve Account, a separate subaccount for such Series shall be established within the Reserve Account on the date of their delivery, except as otherwise provided by Section 7.01(H) hereof. The moneys on deposit in each such subaccount shall be applied in the manner provided herein solely for the payment of maturing principal of, Redemption Price, if applicable, or interest or Amortization Installments on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

The Department shall transfer to the Board of Administration for deposit or credit to each subaccount of the Reserve Account such sum, if any, as will be necessary to immediately restore any funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement applicable thereto including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein; provided, in no event shall the amount deposited in the subaccounts of the applicable Reserve Account be less than one twelfth (1/12) of the amount which would enable the Board of Administration to restore the funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement in one (1) year from the date of such shortfall. The full faith and credit of the State of Florida is not pledged to secure the Department's obligation to reimburse shortfalls in any subaccount of the Reserve Account. To the extent there are insufficient moneys in the Trust Fund to make the required monthly deposit into each subaccount of the Reserve Account, such deposits shall be made to each subaccount on a pro rata basis in relation to the amount of the deficiency existing in each subaccount. On or prior to each principal and interest payment date for the Bonds, moneys in each subaccount of the Reserve Account shall be applied by the Board of Administration to the payment of the principal of, or Redemption Price, if applicable, and interest on related Series of Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account are insufficient therefor. Whenever there shall be surplus moneys in any subaccount of the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be first, deposited by the Board of Administration on a pro rata basis into other subaccounts, if any, of the Reserve Account containing less than the Reserve Account Requirement applicable thereto, and second, transferred to the Department for deposit into the Interest Account.

Upon the issuance of any Series of Bonds to be secured by a subaccount of the Reserve Account under the terms, limitations and conditions as herein provided, the Division shall, on the date of delivery of such Series of Bonds, transfer to the Board of Administration for deposit to the corresponding subaccount of the Reserve Account established for such Series (or such other subaccount as may be authorized pursuant to Section 7.01(H) hereof) an amount at least equal to the Reserve Account Requirement applicable to such Series of Bonds. As an alternative to depositing the full Reserve Account Requirement applicable to any Series of Bonds into the appropriate subaccount on the date of their delivery, the Division may elect to accumulate all or any portion of such Reserve Account Requirement by deposit of equal monthly amounts to such subaccount of the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed sixty (60) months, as determined herein or by Supplemental Resolution. If all or any portion of the Reserve Account Requirement applicable to any Series of Bonds is to be accumulated as aforesaid, the Department shall transfer to the Board of Administration for deposit or credit to the appropriate subaccount of the Reserve Account all amounts necessary to comply with the foregoing sentence.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Division may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Account. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (1) (a) an insurance company whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors or (b) who holds the highest policyholder rating accorded insurers by A. M. Best & Company, or any comparable service or (2) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this subsection, the Department shall be obligated to, solely from the Pledged Gas Taxes, reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement from moneys available hereunder in accordance with the provisions of the first paragraph of this subsection, by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof. After such Reserve Account Insurance Policy or Reserve Account Letter of Credit has been reinstated in full, remaining Pledged Gas Taxes shall be used to pay interest due on any disbursement to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater than the maximum rate of interest permitted by law, and to pay the issuer of the Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such issuer in connection with the Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

The Department may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (a) shall not be secured by the full faith and credit or taxing power of the State, and (b) shall be payable solely from the Pledged Gas Taxes in the manner provided herein.

To the extent the Division causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit which terminates prior to the final maturity of the Bonds, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Division and the Department with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account

Insurance Policy and/or the Reserve Account Letter of Credit notifies the Division and the Department pursuant to clause (b) of the immediately preceding sentence or if the Division or the Department terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Department shall deposit from the Pledged Gas Taxes into the Reserve Account, on or prior to the fifteenth (15th) day of the first full calendar month following the date on which such notice is received by the Division and the Department, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the Reserve Account Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Department, under the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Account during the previous twelve (12) month period) until amounts on deposit in the Reserve Account, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement applicable thereto.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Department agrees that it shall fund, solely from the Pledged Gas Taxes, the portion of the Reserve Account provided by such instrument over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit therein at the end of such period shall equal the Reserve Account Requirement; provided, the Division may, with the prior written consent of the Insurer, if any, for the corresponding Series of Bonds obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

If the credit rating of any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy shall ever fall below the requirement set forth in the fourth paragraph of this Section 4.06(A)(4), upon request of the Insurer, the Division shall, at its option, either (i) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and secure a replacement satisfactory to the Insurer within forty-five (45) days, (ii) draw upon the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and deposit the funds into the Reserve Account, or (iii) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and, commencing in the month following such termination, make monthly deposits into the Reserve Account in an amount equal to one-twelfth (1/12th) of the stated amount of such Reserve Account Letter of Credit or Reserve Account Insurance Policy until the Reserve Account Requirement is on deposit therein.

(5) If the State has used moneys from its General Revenue Fund to satisfy debt service on the Bonds pursuant to Section 4.02 hereof, then the Department shall next use moneys in the Trust Fund to repay the State to the extent that general revenue funds were expended.

(6) The balance of any moneys remaining in the Trust Fund after the payments and deposits required by Section 4.06(A)(1) through (5) may be used for right-of-way acquisition or bridge construction, as provided by law.

(B) Whenever the amount on deposit in a subaccount of the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds of the corresponding Series in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in such subaccount of the Reserve Account may be transferred to the other accounts of the Debt Service Fund for the payment of such Series of Bonds.

The Board of Administration, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Board of Administration's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Board of Administration shall withdraw from the appropriate accounts of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) In the event the Division shall issue a Series of Bonds secured by a Credit Facility, the Board of Administration may establish such separate subaccounts in the Interest Account, the Principal Account and the Bond Amortization Account to provide for payment of the principal of and interest on such Series; provided one Series of Bonds shall not have preference in payment from Pledged Gas Taxes over any other Series of Bonds. The Department may also transfer moneys to the Board of Administration for deposit in such subaccounts at such other times and in such other amounts from those provided in this Section 4.06 as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in any subaccounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds; provided such Credit Facility shall have no priority over Bondholders or any Insurer to amounts on deposit in the Debt Service Fund.

SECTION 4.07. REBATE ACCOUNT. Amounts on deposit in the Rebate Account shall be held in trust by the Board of Administration or such other agency as shall be designated by law and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Trust Fund pursuant to the certificate described below) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Department or such other agency as shall be designated by law agrees to undertake all actions required of it in the Certificate as to Arbitrage and Certain Other Tax Matters, dated the date of issuance of the Series 1989 Bonds, relating to such Bonds, as well as any successor Certificate thereto, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Account;

(B) depositing the amount determined in clause (A) above into the Rebate Account;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Account and any other legally available moneys of the Department such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with "gross proceeds" of the Bonds (as defined in the Code).

The provisions of the above-described Certificate may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.08. INVESTMENTS. Moneys on deposit in the Bond Proceeds Account, not immediately needed for the purposes of such Account, may be temporarily invested and reinvested, but only in the securities authorized in Section 18.10, Florida Statutes; provided however, that such investments shall mature, or be subject to redemption on demand by the holder at a price of not less that their par amount, not later than the date on which such moneys will be required for the purposes of such Account.

Any and all income and interest received upon any investment or reinvestment of moneys in the Bond Proceeds Account shall be deposited in such Account and all investments or reinvestments shall be liquidated whenever necessary to provide moneys needed for the purposes of such Account.

Moneys on deposit in the Interest Account, the Principal Account and the Bond Amortization Account may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed for the purposes of such Account. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Any and all income and interest received by the Board of Administration from any investment or reinvestment of moneys in the Interest Account, the Principal Account, the Bond Amortization Account and each subaccount of the Reserve

Account (to the extent such income and the other amounts therein are less than the Reserve Account Requirement applicable thereto), shall be retained in such respective Account or subaccount. Any and all income received by the Board of Administration from the investment or reinvestment of moneys in each subaccount of the Reserve Account (to the extent such income and the other amounts therein are greater than the Reserve Account Requirement applicable thereto) shall be deposited in the Interest Account. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.09. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V
ADDITIONAL BONDS AND GENERAL COVENANTS

SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Division may issue one or more Series of Additional Bonds in accordance with the Act for any one or more of the following purposes: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Board of Administration shall determine that in no Fiscal Year will the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(B) For the purpose of determining the Annual Debt Service under Section 5.01(A) hereof, the interest rate on additional parity Variable Rate Bonds then proposed to be issued and on Outstanding Variable Rate Bonds shall be deemed to be the Maximum Interest Rate.

(C) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Section 4.06 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

(D) In the event that the total amount of Series 1989 Bonds herein authorized to be issued are not issued simultaneously, such Series 1989 Bonds which are subsequently issued shall be subject to the conditions of Section 5.01(A) hereof.

(E) No Additional Bonds shall be issued hereunder if any Event of Default shall have occurred and be continuing hereunder.

SECTION 5.02. BOND ANTICIPATION NOTES. The Division may issue notes in anticipation of the issuance of Bonds, which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution.

SECTION 5.03. COVENANTS WITH CREDIT BANKS AND INSURERS. The Division may make such covenants as it may, in its sole discretion, determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Division, the Department, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.04. FEDERAL INCOME TAX COVENANTS; TAXABLE BONDS.

(A) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds), that the proceeds of such Series of Bonds shall not be used in any manner which would cause the interest on such Series of Bonds to be included in gross income for purposes of federal income taxation to the extent not otherwise included therein on the date of issuance of each such Series.

(B) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Division, the Board of Administration nor the Department, nor any Person under their control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Division, the Board of Administration nor the Department, nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

(C) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that they will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Division may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

SECTION 5.05. SPECIAL COVENANTS RELATING TO RESERVE ACCOUNT INSURANCE POLICY OR RESERVE ACCOUNT LETTER OF CREDIT.

(A) The Board of Administration shall annually submit to the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Department to the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

(B) The Division, the Department and the Board of Administration hereby acknowledge that the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

SECTION 5.06. COVENANT TO CAUSE TRANSFERS. The Department shall be required to transfer Pledged Gas Taxes on deposit in the State Transportation Trust Fund into the Trust Fund, at the times and in the amounts sufficient to comply with the requirements of Section 4.06 hereof with respect to transfers from the Trust Fund.

ARTICLE VI
DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(B) Default shall be made in the payment of the fees due any provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(C) Default shall be made in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Division, the Board of Administration or the Department to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Division, the Board of Administration or the Department shall not be deemed in default hereunder if such default can be cured within a reasonable period of time (not exceeding sixty days unless otherwise approved by all Insurers) and if the Division, the Board of Administration or the Department in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 6.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Division, the Board of Administration, the Department or by any officer thereof.

SECTION 6.03. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 hereof to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.04. CONTROL BY INSURER. Upon the occurrence and continuance of an Event of Default, each Insurer, if such Insurer is not in default under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure.

ARTICLE VII
SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. The Division, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders, but with the prior consent of the Insurer of the corresponding Series of Bonds (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Division, the Board of Administration and the Department in this Resolution other covenants and agreements thereafter to be observed by the Division, the Board of Administration and the Department or to surrender any right or power herein reserved to or conferred upon the Division, the Board of Administration and the Department.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project, provided that any such Additional Project or modification to the Initial Project shall be in compliance with the Act.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To provide for the establishment of a subaccount in the Reserve Account which shall equally and ratably secure more than one Series of Bonds issued hereunder; provided the establishment of such subaccount shall not materially adversely affect the security of any Outstanding Bonds.

(I) To make any other change that, in the opinion of the Division, would not materially adversely affect the security for the Bonds.

SECTION 7.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Division for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of other than the lien and pledge created by this Resolution which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Division shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Division shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Division and the Registrar for inspection by all Bondholders. The Division shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Division shall receive an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Division may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Division from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Division and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 7.03. AMENDMENT WITH CONSENT OF INSURER ONLY. If all of the Bonds Outstanding hereunder are insured as to payment of principal and interest by an Insurer or Insurers, and the Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such rating agencies on the date of being insured, the Division may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V and VI hereof with the written consent of said Insurer or Insurers and the acknowledgment by said Insurer or Insurers that its insurance or guaranty policy will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.06 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of federal income taxation nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Gas Taxes to the extent provided herein. Upon receipt of evidence of such consent of the Insurer or Insurers as aforesaid, the Division may adopt such Supplemental Resolution. After the adoption by the Division of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof. Copies of any Supplemental Resolution proposed to be adopted pursuant to this Section 7.03 shall be provided to Moody's and Standard & Poor's.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01. DEFEASANCE. If the Division shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Gas Taxes, and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Board all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Division either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due, as verified by a nationally recognized certified public accountant or firm of certified public accountants will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said

Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Division may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Department free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Division shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

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

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Division, and the pledge of the Pledged Gas Taxes and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 8.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Division any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.03. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

SECTION 8.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 8.05. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 8.06. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 8.07. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 28, 1989.

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APPENDIX F

A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION" AND AUTHORIZING THE SALE OF NOT TO EXCEED $160,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1991; PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE DEPARTMENT OF GENERAL SERVICES:

Section 1. That the resolution authorizing the issuance of the not to exceed $300,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989 (the "Series 1989 Bonds") which was adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance of the Department of General Services, on the 28th day of February, 1989 (as further described in the title hereof) (the "Authorizing Resolution"), is hereby amended as follows (words, letters or punctuation marks ~~stricken~~ are deletions; words, letters or punctuation marks underlined are additions):

(A) Section 1.01 of the Authorizing Resolution is hereby amended to add a definition of "Administrative Expenses" as follows:

"Administrative Expenses" shall mean, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges or both of the Board of Administration and the Division ; and (ii) such other fees or charges or both as may be approved by the Board of Administration or the Division, including but not limited to those related to tax law compliance, disclosure of information, and paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

(B) The first paragraph of subsection (A) of Section 4.06 of the Authorizing Resolution is amended as follows:

(A) The Department shall cause moneys in the Trust Fund (other than moneys in the Bond Proceeds Account) to be deposited or credited (after provision is made for payment of Administrative Expenses) on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(C) Section 1.01 of the Authorizing Resolution is hereby amended to amend the definition of "Reserve Account Requirement" as follows:

"Reserve Account Requirement" shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount to be determined by the Director of the Division, which amount shall not exceed ~~equal to~~ the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

(D) Section 3.03 of the Authorizing Resolution is replaced with a new Section 3.03 to read as follows:

SECTION 3.03 NOTICE OF REDEMPTION. The Bonds may be made redeemable in such manner and upon such terms and conditions as determined by subsequent resolution adopted by the Division prior to the sale of the Bonds or any Series thereof.

Unless waived by any Holder of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed by first class mail (postage prepaid) at least thirty (30) days prior to the date of redemption to the registered owner of the Bonds to be redeemed, of record on the books of the Registrar, as of forty-five days prior to the date of redemption. Such notice of redemption shall specify the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all of the Outstanding Bonds of the series, the date fixed for redemption, and the redemption price thereof and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure so to give any such notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the registered owner of such Bond receives such notice.

The Registrar/Paying Agent shall not be required (a) to issue, transfer or exchange any Bonds during a period beginning at the opening of business on either the 15th business day next preceding the date fixed for redemption or the 15th business day next preceding any debt service payment date and ending at the close of business on the date fixed for redemption or the debt service payment date; or (b) to transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in a separate account by an escrow agent, the Board of Administration, the Registrar, or a paying agent, in trust for the registered owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for the payment thereof and, to the extent provided in this section to receive Bonds for any unredeemed portion of the Bonds. Any and all Bonds redeemed prior to maturity shall be duly cancelled by the Registrar and shall not be reissued.

In addition to the mailing of the notice described above, each notice of redemption and payment of the redemption price shall meet the requirements of this paragraph; provided, however, that failure of such notice or payment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above in this Section 3.03.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; (v) the publication date of the official notice of redemption; (vi) the name and address of the Registrar; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Each further notice of redemption shall be published one time in The Bond Buyer of New York, New York or in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

(d) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the registered owner thereof shall present and surrender such Bond to the Registrar for payment of the principal amount thereof so called for redemption, and the Registrar shall execute and deliver to or upon the order of such registered owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

Section 2. That the first series of bonds to be issued under the Authorizing Resolution is hereby authorized to be issued and is to be designated as the "$160,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1991 (the "Bonds").

Section 3. That the Bonds are hereby authorized to be sold at public sale on the date and at the time to be set out in the Notice of Sale to be published as provided in this Resolution. The Bonds referred to herein may be sold separately or combined with any other road bond issues authorized by this Board to be sold.

Proposals for purchase of the Bonds will be received at the office of the Division of Bond Finance, Suite 312 Knight Building, 2737 Centerview Drive, Tallahassee, Florida, or at another location designated in the Notice of Sale, from the time that the Notice of Sale is published until the time and date of sale specified in such Notice of Sale.

Section 4. That the Director of the Division of Bond Finance is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Sale of the Bonds, or an abbreviated version as approved by bond approving counsel, in The Bond Buyer, New York, New York, such publication to not be less than ten (10) days prior to the date of sale; and to publish such Notice of Sale in such other newspapers on such date as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Sale, or if all bids received are rejected, such Bonds may again be offered for sale upon publication of a Notice of Sale not less than five (5) days prior to the date of sale.

Section 5. That the Director is hereby authorized to distribute a Notice of Sale and a form of proposal for the sale of the Bonds. The Notice of Sale shall be in such form as shall be determined by the Director of the Division, with the advice of bond approving counsel, and shall contain such information as required by applicable law.

Section 6. That the Director of the Division of Bond Finance is hereby authorized to have up to 3,000 copies of the Preliminary Official Statement and 3,000 copies of the Final Official Statement relating to the public offering of the Bonds printed and distributed; to contract with national rating services; to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Bonds.

Section 7. That the Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Bonds when offered, on his or her determination of the best Proposal submitted in accordance with the terms of the Notice of Sale provided for herein, and such award shall be final. The Director or Assistant Secretary of the Division of Bond Finance shall report such sale to this Board.

Section 8. That the Chairman and the Secretary or any Assistant Secretary of the Governing Board are hereby authorized to execute the Bonds in the manner provided by the Authorizing Resolution and to deliver such Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the Bonds as provided by the Authorizing Resolution and other proceedings authorizing the issuance of the Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary Bonds, in one or more denominations totaling the aggregate principal amount of the Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division of Bond Finance shall cancel the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as herein authorized and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the bond registrar/paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division of Bond Finance, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 9. That Citibank, N. A., is hereby designated as bond registrar and paying agent for the Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement, by and between the State Board of Administration of Florida and Citibank, N. A.

Section 10. That the Bonds shall mature serially except as otherwise set forth in the Notice of Sale, and shall be subject to redemption as provided in the Notice of Sale, provided that the Director of the Division of Bond Finance is authorized to amend the maturity schedule of the Bonds, prior to publication of the Notice of Sale, in such manner as he may determine to be in the best interest of the State of Florida. In no event, however, shall the principal amount of the Bonds exceed One Hundred Sixty Million Dollars ($160,000,000). The Bonds shall be payable at the principal corporate trust office of Citibank, N.A., New York, New York, or its successors. Interest shall be payable by check or draft mailed to the Registered Owners of the Bonds as they appear on the registration books of the Registrar at 5:00 p.m. on the Record Date; provided, however, that a Registered Owner of not less than $500,000 in aggregate principal amount of Bonds shall have the interest on its Bonds paid on the day the interest payment becomes due in immediately available funds by wire transfer within the continental United States to or at the direction and expense of such Registered Owner if such Registered Owner gives written notice of such election to the Registrar prior to the Record Date for such interest payment date. Such notice may provide for such election to remain in effect for subsequent payments until changed or revoked by another written notice. The Bonds shall be dated November 1, 1991, and shall bear interest from November 1, 1991, payable on July 1, 1992, and semiannually on each January 1 and July 1 thereafter. The Bonds shall mature on July 1 of the years and in the amounts as provided in the Notice of Sale, the final maturity of the Bonds to be not later than July 1, 2025.

Section 11. That there shall be established a Reserve Account from the proceeds of the Bonds in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the Bonds, (b) 125% of the average Annual Debt Service on the Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 12. That any portion of the Bonds may be issued separately, provided that the Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 13. That the Director of the Division of Bond Finance is hereby authorized to offer for sale a lesser principal amount than that set forth in this Resolution and to adjust the maturity schedule and redemption provisions for the Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Sale as may be required.

Section 14. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the Bonds that the purchase price for the Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such Bonds offered for sale.

Section 15. That the Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division of Bond Finance, and such other officers and employees of the Division of Bond Finance as may be designated as agents of the Division of Bond Finance in connection with the issuance and delivery of the Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division of Bond Finance, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds.

Section 16. Notwithstanding anything contained in the Authorizing Resolution to the contrary, it is the intent of the Governing Board that interest on the Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Bonds, or any series thereof, whether such requirements are now in effect, pending or subsequently enacted. The Division of Bond Finance is hereby authorized and directed to take all actions necessary with respect to the Bonds and each series thereof to comply with such requirements of federal tax law.

Section 17. All prior or concurrent resolutions or parts of resolutions inconsistent with this Resolution are hereby amended by this Resolution but only to the extent of any such inconsistency.

Section 18. The Bonds were validated by Final Judgment of the Circuit Court of the Second Judicial Circuit of Florida, in and for Leon County, Florida, on April 28, 1989. The time for which an appeal may be taken from such judgment expired with no appeal having been filed. The authorization of the sale of the Bonds pursuant to this Resolution is subject to the approval of fiscal sufficiency by the State Board of Administration.

Section 19. This Resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

ADOPTED on September 24, 1991.

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APPENDIX G

A RESOLUTION AUTHORIZING THE PUBLIC SALE OF AN AMOUNT NOT TO EXCEED $65,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1993 AND AMENDING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE APPLICATION OF BOND PROCEEDS; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION THAT:

Section 1. The not to exceed $65,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1993 (herein referred to as the "1993 Bonds") heretofore authorized by resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, on February 28, 1989, as amended by a resolution adopted on September 24, 1991, (collectively, the "Authorizing Resolution"), and validated by Final Judgment of the Circuit Court on April 28, 1989, are hereby authorized to be sold at public sale on the date and at a time to be set out or provided for in the Notice of Bond Sale to be published as provided in this resolution.

Proposals for purchase of the 1993 Bonds shall be received at the office of the Division of Bond Finance, 2737 Centerview Drive, Knight Building, Suite 312, Tallahassee, Florida, or at another location designated in the Notice of Bond Sale, from the time that the Notice of Bond Sale is published until the time and date of sale specified in such Notice of Bond Sale.

Section 2. The Director of the Division of Bond Finance of the State Board of Administration (herein referred to as the "Division"), is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Bond Sale of the 1993 Bonds, or an abbreviated version, in The Bond Buyer, New York, New York, such publication to be not less than ten (10) days prior to the date of sale; and to publish such Notice of Bond Sale in such other newspapers on such dates as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Bond Sale, or if all bids received are rejected, such 1993 Bonds may again be offered for sale upon publication of a Notice of Bond Sale not less than five (5) days prior to the date of sale.

Section 3. The Director of the Division is hereby authorized to distribute a Notice of Bond Sale and a form of proposal for the sale of the 1993 Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Director of the Division and shall contain such information as required by applicable law.

Section 4. The Director of the Division is hereby authorized to have up to 3,500 copies of each of the Preliminary and Final Official Statements relating to the public offering of the 1993 Bonds printed and distributed; to contract with national rating services; to conduct information meetings; and to take such other action as may be deemed appropriate for the dissemination of information relating to the sale of the 1993 Bonds.

Section 5. The Secretary or any Assistant Secretary of the Division is hereby authorized and empowered to award said 1993 Bonds, when offered, on his or her determination of the best proposal submitted in accordance with the terms of the Notice of Bond Sale provided for herein. Such award shall be final. The Secretary or Assistant Secretary shall report such sale to this Board after the award of the 1993 Bonds.

Section 6. The proper officials of the Board of Regents and the Division are hereby authorized to execute the 1993 Bonds in the manner provided by the Authorizing Resolution, and to deliver such 1993 Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the 1993 Bonds as provided by the proceedings authorizing the issuance of the 1993 Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary 1993 Bonds, in one or more denominations totalling the aggregate principal amount of the 1993 Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the 1993 Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division shall cancel or require the cancellation of the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as authorized herein and in the Authorizing Resolution and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 7. Citibank, N.A., New York, New York, is hereby designated as the registrar and paying agent for the 1993 Bonds.

Section 8. The 1993 Bonds shall be dated, shall mature in such years and amounts, shall be payable, and shall be subject to redemption as provided by the Notice of Bond Sale and the Official Statement.

Section 9. The following definitions, found in Section 1.01 of the Authorizing Resolution, are hereby amended to read as follows:

"'Additional Project' shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5)."

"'Division' shall mean the Division of Bond Finance of the State Board of Administration."

"'Governing Board' shall mean the Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration."

Section 10. The use of the proceeds of the 1993 Bonds constitutes an Additional Project within the meaning of the Authorizing Resolution, which consists of, to the extent not included as part of the Initial Project, (a) the acquisition of real property or the rights to real property for state roads, as defined by law, or (b) the construction of state bridges, which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5).

Section 11. Application of 1993 Bond Proceeds. Upon receipt of the proceeds of the sale of the 1993 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the 1993 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the 1993 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the 1993 Bonds.

(2) The balance of the 1993 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account and shall be used for an Additional Project.

Section 12. That there may be established a Reserve Account from the proceeds of the 1993 Bonds. If a Reserve Account is established it will be funded in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the 1993 Bonds, (b) 125% of the average Annual Debt Service on the 1993 Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 13. That any portion of the 1993 Bonds may be issued separately, provided that the 1993 Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 14. That the Director of the Division is hereby authorized to offer for sale a lesser principal amount than that set forth in this resolution.

Section 15. As amended and supplemented by this resolution, the Authorizing Resolution, as amended, is in all respects ratified and confirmed, and this resolution shall be read, taken and construed as a part of the Authorizing Resolution so that all of the rights, remedies, terms, conditions, covenants and agreements of the Authorizing Resolution, as modified herein, shall apply and remain in full force and effect with respect to this resolution and to the 1993 Bonds.

Section 16. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the 1993 Bonds that the purchase price for the 1993 Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such 1993 Bonds offered for sale.

Section 17. The Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division, and such other officers and employees of the Division as may be designated as agents of the Division in connection with the issuance and delivery of the 1993 Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the 1993 Bonds.

Section 18. Notwithstanding anything contained in any prior resolution to the contrary, it is the intent of the Governing Board that interest on the 1993 Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the 1993 Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Division is hereby authorized and directed to take all actions necessary with respect to the 1993 Bonds to comply with such requirements of federal tax law.

Section 19. All prior resolutions or parts of resolutions inconsistent with this resolution are hereby amended by this resolution, but only to the extent of any such inconsistency.

Section 20. This resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

ADOPTED on June 8, 1993.

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A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ADOPTED BY THE GOVERNOR AND CABINET ON FEBRUARY 28, 1989, AS AMENDED, ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING $500,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I
GENERAL

SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This supplemental resolution is adopted pursuant to the provisions of Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law, and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services (the "Division") on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

SECTION 1.02. DEFINITIONS. When used in this supplemental resolution, all the definitions contained in Article I of the Resolution, in addition to the definition contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

The terms "herein," "hereunder," "hereby," "herewith," "hereof," and any similar terms, shall refer to this supplemental resolution; the term "heretofore" shall mean before the date of adoption of this supplemental resolution; and the term "hereafter" shall mean after the date of adoption of this supplemental resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this supplemental resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this supplemental resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this supplemental resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this supplemental resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The $500,000,000 aggregate principal amount of Bonds authorized by this supplemental resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statutes (1995), as required by Section 215.605, Florida Statutes.

ARTICLE II
AUTHORIZATION AND FORM OF BONDS

SECTION 2.01. AUTHORIZATION OF ADDITIONAL BONDS. This supplemental resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," in an additional aggregate principal amount not exceeding $500,000,000, which may be issued in one or more Series as provided in the Resolution. The aggregate principal amount of Bonds which may be executed and delivered under the Resolution is not limited except as is or may hereafter be provided in the Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

ARTICLE III
SECURITY FOR THE BONDS

SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Bonds authorized by this supplemental resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION. The Bonds authorized by this supplemental resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this supplemental resolution to the same extent as if incorporated verbatim in this supplemental resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

ARTICLE IV
MISCELLANEOUS

SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this supplemental resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this supplemental resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 4.02. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.04. EFFECTIVE DATE. This supplemental resolution shall take effect immediately upon its adoption.

ADOPTED DECEMBER 16, 1997.

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING $1,000,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REVENUE BONDS IN SEVERAL SERIES; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This Supplemental Resolution is adopted pursuant to the provisions of the Act and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

SECTION 1.02. DEFINITIONS. When used in this Supplemental Resolution, all the definitions contained in Article I of the Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

“Additional Project” shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this Supplemental Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this Supplemental Resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this Supplemental Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of bonds by the Division of Bond Finance (the "Division") on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The Bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this Supplemental Resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The Bonds authorized by this Supplemental Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statues (1995), as required by Section 215.605, Florida Statutes.

ARTICLE II

AUTHORIZATION AND FORM OF BONDS

SECTION 2.01. AUTHORIZATION OF ADDITIONAL BONDS. This Supplemental Resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds" in an additional aggregate principal amount not exceeding $1,000,000,000, which may be issued in one or more series as provided in the Resolution and herein.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by the Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

ARTICLE III

SECURITY FOR THE BONDS

SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Bonds authorized by this Supplemental Resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION. The Bonds authorized by this Supplemental Resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds. The Bonds authorized are in addition to the amounts previously authorized in the Resolution, as amended and supplemented.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this Supplemental Resolution to the same extent as if incorporated verbatim in this Supplemental Resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Supplemental Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 4.02. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.04. EFFECTIVE DATE. This Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED June 26, 2003.

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APPENDIX J

DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION OF FLORIDA

STATE OF FLORIDA
FULL FAITH AND CREDIT
DEPARTMENT OF TRANSPORTATION
RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REFUNDING BONDS
SERIES (TO BE DETERMINED)

Adopted March 20, 2012

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING $310,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REFUNDING BONDS, SERIES (TO BE DETERMINED); AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act (as defined below) and pursuant to a resolution authorizing the issuance of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, adopted by the Governor and Cabinet of the State of Florida as the Governing Board, on February 28, 1989, as supplemented and amended (the "Authorizing Resolution"), and is supplemental to said Authorizing Resolution.

SECTION 1.02. DEFINITIONS. When used in this resolution, all the definitions contained in Article I of the Authorizing Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Refunding Bonds.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law.

"Refunded Bonds" shall mean the portion of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A and Series 2003A which are refunded by the Refunding Bonds.

"Refunding Bonds" shall mean the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series (to be determined), authorized to be sold by this resolution.

Words importing the masculine gender include the feminine gender. Words importing the singular number include the plural number, and vice versa.

ARTICLE II

AUTHORIZATION OF ISSUANCE AND SALE OF BONDS; AUTHORIZATION TO EXECUTE AN ESCROW DEPOSIT AGREEMENT

SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF THE REFUNDING BONDS. (A) The Refunding Bonds are hereby authorized to be issued and sold at public sale in an aggregate principal amount not exceeding $310,000,000, on a date and at a time to be set out or provided for in the Notice of Bond Sale. The Refunding Bonds are authorized in addition to any Bonds otherwise authorized. All Refunding Bonds shall be designated "State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series (to be determined)", or such other designation as may be determined by the Director (the "Director") of the Division of Bond Finance of the State Board of Administration (the "Division"). The Refunding Bonds shall be sold to refund the Refunded Bonds. The maturities or portions of maturities to be refunded shall be as determined by the Director to be in the best financial interest of the State. The Refunding Bonds may be sold in one or more series. The Refunding Bonds may be sold separately or combined with any other Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds authorized to be sold. The Refunding Bonds shall be dated, shall bear interest from such date, and shall be payable as to principal and interest in each year, and in such amounts as indicated or provided for in the Notice of Bond Sale. The Refunding Bonds shall be issued in fully registered form in the denominations of $1,000 or any integral multiple thereof. Interest on the Refunding Bonds will be paid by check or draft mailed (or made by wire transfer, at the election of a Bondholder, in the manner and under the terms provided for in the State's agreement with the Registrar/Paying Agent, provided that such Bondholder advances to the Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the Registrar/Paying Agent to deduct the amount of such payment) to the Bondholder thereof as of 5:00 p.m. on the Record Date at the address shown on the registration books maintained by the Registrar/Paying Agent for the Refunding Bonds. The interest rates of the Refunding Bonds, not to exceed the maximum lawful rate on the date of sale of the Refunding Bonds, shall be determined in accordance with the Notice of Bond Sale, and the Refunding Bonds shall mature as determined by the Director in the Notice of Bond Sale. Principal of the Refunding Bonds will be payable to the Bondholders thereof upon their presentation and surrender when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, the Registrar/Paying Agent. The Division may issue Refunding Bonds secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined in accordance with the Notice of Bond Sale.

(B) Notwithstanding anything to the contrary in the Authorizing Resolution, this resolution, or any other resolution relating to the Refunding Bonds (for the purposes of this section, collectively, the "Bond Resolution"), the Refunding Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, "Securities Depository" means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Refunding Bonds is maintained in accordance herewith, any provision of the Bond Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Bond Resolution shall be deemed to give full effect to such book-entry system.

If the Refunding Bonds are issued in book-entry only form:

(1) The Refunding Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Refunding Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Refunding Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository ("Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Refunding Bonds. Beneficial ownership interests in the Refunding Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Refunding Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Refunding Bonds. Transfers of ownership interests in the Refunding Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division, the Department, the State Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Refunding Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Refunding Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Department's obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Bond Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Refunding Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Refunding Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Refunding Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Refunding Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Bond Resolution of holding, delivering or transferring Refunding Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Refunding Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Refunding Bonds shall, while the Refunding Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(C) The Division may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Refunding Bonds in the form of fully registered bonds to each Beneficial Owner.

(D) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to publish the Notice of Bond Sale of the Refunding Bonds, or an abbreviated version thereof, in The Bond Buyer, New York, New York, or in some other newspaper or financial journal, such publication to be not less than 10 days prior to the date of sale (provided, that if no bids are received at the time and place called or provided for in the Notice of Bond Sale, or if all bids received are rejected, such Refunding Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Director or the Secretary or an Assistant Secretary of the Governing Board) and to determine the most advantageous date and time of a public sale which is to be set out or provided for in the Notice of Bond Sale. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Refunding Bonds identified in such election shall be designated as Term Bonds. Bids for the purchase of the Refunding Bonds shall be received at the offices of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale specified or provided for in the Notice of Bond Sale.

(E) The Director is hereby authorized to distribute a Notice of Bond Sale and a bid form for the sale of the Refunding Bonds. The Notice of Bond Sale, including the bid form, shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Authorizing Resolution, as supplemented hereby, and as the Director determines to be in the best financial interest of the State. Any prior distribution of a Notice of Bond Sale and bid form is hereby ratified.

(F) The Director of the Division is hereby authorized to prepare and distribute preliminary and final official statements in connection with the public offering of the Refunding Bonds. The Director of the Division is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman, Secretary or Assistant Secretary of the Governing Board are hereby authorized to execute the final official statement or a certificate with respect thereto, in connection with the public offering of the Refunding Bonds, and the execution thereof shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement. Any prior printing and distribution of a preliminary official statement is hereby ratified.

(G) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 (plus such additional copies as may be requested by the successful bidder at the expense of such bidder) copies of the final official statement relating to the public offering of the Refunding Bonds printed and distributed; to contract with national rating services; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds.

(H) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to award the sale of the Refunding Bonds and to pay the costs, fees and expenses associated therewith, provided the true interest cost rate on the Refunding Bonds does not exceed the maximum statutory rate. Such award by the Director or the Secretary or an Assistant Secretary shall be based on his or her determination of the best bid submitted in accordance with the terms of the Notice of Bond Sale and such award shall be final. The sale shall be reported to the Governing Board after award of the Refunding Bonds.

(I) In the event that conditions preclude, or circumstances render unnecessary or undesirable, the sale of the maximum principal amount of the Refunding Bonds authorized to be sold by this resolution, then in such event the Director or the Secretary or an Assistant Secretary of the Governing Board is hereby authorized to offer for sale a lesser principal amount than that set forth herein.

(J) The Refunding Bonds shall be subject to redemption as provided in this resolution, the Authorizing Resolution, and in the Notice of Bond Sale.

(K) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to provide in the Notice of Bond Sale that the purchase price for the Refunding Bonds may include a discount not to exceed 3% of the aggregate principal amount of such bonds offered for sale.

(L) The Chairman, Secretary, or an Assistant Secretary of the Governing Board or a duly authorized alternative officer is hereby authorized on behalf of the Division to execute the Refunding Bonds (including any temporary bonds) as provided in the Authorizing Resolution and any of such officers is hereby authorized, upon the execution of the Refunding Bonds in the form and manner set forth in the Authorizing Resolution, to deliver the Refunding Bonds in the amounts authorized to be issued hereunder to the Registrar/Paying Agent for authentication and, upon receipt of payment of the purchase price (together with accrued interest, if any), to the original purchaser of the Refunding Bonds, and to distribute the proceeds of the Refunding Bonds as provided herein and in the Authorizing Resolution.

(M) The Chairman, Secretary, or an Assistant Secretary of the Governing Board, the Director, and such other officer or employee of the Division as may be designated by the Governing Board as agent of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the sale, execution and delivery of the Refunding Bonds.

(N) U.S. Bank Trust National Association, New York, New York, or its successor as Registrar/Paying Agent, is hereby designated as the Registrar/Paying Agent for the Refunding Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement between the State of Florida and the Registrar/Paying Agent.

SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENTS. The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an Escrow Deposit Agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the Escrow Deposit Agreement.

ARTICLE III

APPLICATION OF BOND PROCEEDS.

SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Refunding Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such series, the remainder of the proceeds of such series shall be transferred and applied as follows:

(a) An amount equal to the accrued interest, if any, on the Refunding Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Refunding Bonds.

(b) All remaining proceeds shall be transferred to the Board of Administration for deposit into a trust fund, hereby created, to be known as the "State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series (to be determined) Retirement Fund" (hereinafter referred to as the "Escrow Deposit Trust Fund". Such amount, together with the income on the investment thereof, and other legally available funds, if required, shall be sufficient to pay when due the entire principal of the Refunded Bonds, together with interest accrued and to accrue thereon to their respective maturity dates or, if called for redemption prior to maturity, such prior redemption dates and redemption premiums, if any, and the expenses and fees listed in the Escrow Deposit Agreement as provided for in Section 2.02 above. Moneys on deposit in the Escrow Deposit Trust Fund shall be used to purchase Federal Obligations (as defined in the Escrow Deposit Agreement) in accordance with the schedules given in the Escrow Deposit Agreement. The maturing Federal Obligations, the earnings thereon, if required, and the cash on deposit in the Escrow Deposit Trust Fund shall be sufficient to accomplish the refunding described above. In the alternative, in the discretion of the Director of the Division of Bond Finance, moneys on deposit in the Escrow Deposit Trust Fund shall be invested in the State Treasury, or in such other legally authorized investments, until such time as such funds, together with other legally available funds, if necessary, are needed to effect the redemption of the Refunded Bonds.

SECTION 3.02. RESERVE ACCOUNT. If determined by the Director to be necessary or desirable, there may be established a subaccount in the Reserve Account for one or more Series of bonds. Such Reserve Account, if established, shall be funded in an amount determined by the Director of the Division, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, or (b) the maximum amount permitted under applicable provisions of the Code. Any deposit to the Reserve Account made with respect to the Refunding Bonds shall be funded with proceeds of the Refunding Bonds or a Reserve Account Credit Facility (as provided for in the Authorizing Resolution) or some combination thereof, as determined by the Director of the Division.

ARTICLE IV

SECURITY FOR THE BONDS

SECTION 4.01. REFUNDING BONDS SECURED ON A PARITY WITH THE OUTSTANDING BONDS. The Refunding Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 4.02. REFUNDING BONDS SECURED BY THE AUTHORIZING RESOLUTION. The Refunding Bonds authorized by this resolution shall be deemed to have been issued pursuant to the Authorizing Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Authorizing Resolution shall be deemed to have been made for the benefit of the Holders of the Refunding Bonds as fully and to the same extent as the Holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Authorizing Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this resolution to the same extent as if incorporated verbatim in this resolution, and shall be fully enforceable in the manner provided in the Authorizing Resolution by any of the Holders of the Refunding Bonds.

ARTICLE V

MISCELLANEOUS

SECTION 5.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Refunding Bonds issued hereunder.

SECTION 5.02. APPROVAL OF STATE BOARD OF ADMINISTRATION. The authorization of the sale of the Refunding Bonds pursuant to this resolution is subject to the prior approval as to fiscal sufficiency by the State Board of Administration, pursuant to Section 215.73, Florida Statutes.

SECTION 5.03. FISCAL AGENT. Upon the sale and delivery of the Refunding Bonds by the Division on behalf of the Board, the Board of Administration shall act as the fiscal agent for the Board with respect to the Refunding Bonds.

SECTION 5.04. CONTINUING DISCLOSURE.

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department of Transportation hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Secretary or other authorized officer of the Department of Transportation, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

SECTION 5.05. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict. The authority for the issuance and delivery of the unissued portion of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds previously authorized on November 9, 2010 is hereby canceled.

SECTION 5.06. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED March 20, 2012.

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APPENDIX K

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Florida Department of Transportation (the “Department”) and the Division of Bond Finance of the State Board of Administration of Florida (the “Division”) in connection with the issuance of $_____________ State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A (the “Bonds”). This Disclosure Agreement is being executed and delivered pursuant to Section 5.04 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on March 20, 2012. The Department and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”). It shall inure solely to the benefit of the Department, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the resolution of the Governor and Cabinet of the Division of Bond Finance adopted on February 28, 1989, as amended and supplemented (the “Resolution”), which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. CONTINUING DISCLOSURE. (A) Information To Be Provided. The Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees to provide or cause to be provided the information set forth below, or such information as may be required to be provided, from time to time, under the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2012, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

(a) Motor and Diesel Fuel Tax Collections;
(b) Investment of Funds;
(c) Debt Service Coverage;
(d) Sources and Amounts of State Funds;
(e) History of Legislative Appropriations;
(f) Statement of Resources and Liabilities;
(g) Schedule of Outstanding Bonds; and
(h) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State’s audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(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;

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Department to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Department acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder.

(B) Method of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Department's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Department shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Department chooses to include additional information not specifically required by this Disclosure Agreement, the Department shall have no obligation to update such information or include it in any such future submission.

Dated this ___ day of __________, 2012.

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION	DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
By________________________________ Authorized Officer	By____________________________________ Assistant Secretary

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_________ __, 2012

Division of Bond Finance
of the State Board of Administration
Hermitage Centre
1801 Hermitage Boulevard, Suite 200
Tallahassee, FL 32308

Re: $___________
State of Florida
Full Faith and Credit
Department of Transportation
Right-of-Way Acquisition and Bridge Construction Refunding Bonds
Series 2012A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $___________ State of Florida (the "State"), Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A (the "Series 2012A Bonds") by the Division of Bond Finance (the "Division") of the State Board of Administration of Florida (the "Board of Administration").

The Series 2012A Bonds are issued under and pursuant to the Laws of the State of Florida, including particularly Article VII, Section 17 of the Constitution of Florida, Section 206.46, Florida Statutes, Section 215.605, Florida Statutes, Sections 215.57 - 215.83, Florida Statutes, and Section 337.276, Florida Statutes, and under and pursuant to resolutions of the Division adopted on February 28, 1989, as amended and supplemented (collectively, the "Resolution"), and under and pursuant to resolutions of the State of Florida, Department of Transportation (the "Department") adopted on March 2, 2012.

The Series 2012A Bonds are dated and bear interest from their date of original issuance and delivery, except as otherwise provided in the Resolution. The Series 2012A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum as provided in or pursuant to the Resolution. Interest on the Series 2012A Bonds shall be payable on each January 1 and July 1, commencing July 1, 2012.

The Series 2012A Bonds are being issued in order to provide moneys to refinance a portion of the outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A and Series 2003A, and to pay certain costs of issuance.

As to questions of fact material to our opinion, we have relied upon the representations of the Division and the Department contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Division is a duly created and validly existing public body corporate of the State of Florida.

2. The Division has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Division, is in full force and effect in accordance with its terms and is valid and binding upon the Division and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution has been duly authorized, executed and delivered by the Division and constitutes a valid and binding obligation of the Division, enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Pledged Gas Taxes (as defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Resolution creates the valid pledge which it purports to create of the full faith and credit of the State of Florida.

3. The Division is duly authorized and entitled to issue the Series 2012A Bonds, and the Series 2012A Bonds have been duly and validly authorized and issued by the Division in accordance with the Constitution and laws of the State of Florida. The Series 2012A Bonds constitute a valid and binding obligation of the State of Florida as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued.

4. The Series 2012A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes imposed by Chapter 198, Florida Statutes, as amended, and taxes imposed by Chapter 220, Florida Statutes, as amended, on interest income or profits on debt obligations owned by corporations as defined therein.

5. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Division, the Board of Administration and the Department must continue to meet after the issuance of the Series 2012A Bonds in order that interest on the Series 2012A Bonds not be included in gross income for federal income tax purposes. The failure by the Division, the Board of Administration or the Department to meet these requirements may cause interest on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Division, the Board of Administration and the Department have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2012A Bonds. Assuming continuing compliance by the Division, the Board of Administration and the Department with the tax covenant described above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2012A Bonds is not an item of preference for purposes of the alternative minimum tax imposed on individuals and corporations; however interest on the Series 2012A Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of the Series 2012A Bonds.

We have examined the form of the Series 2012A Bonds and, in our opinion, the form of the Series 2012A Bonds is regular and proper.

It should be noted that (1) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2012A Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2012A Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Series 2012A Bonds, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof.

We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Respectfully submitted,

APPENDIX M

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 2012A Bonds. The 2012A 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 2012A 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 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012A 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 2012A 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 2012A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2012A 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 2012A 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 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012A 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 2012A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2012A Bond documents. For example, Beneficial Owners of 2012A Bonds may wish to ascertain that the nominee holding the 2012A 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 2012A 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 2012A 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 2012A 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 2012A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Department of Transportation (the "Department"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2012A 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 2012A 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 2012A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2012A Bonds.

For every transfer and exchange of beneficial interests in the 2012A 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 2012A Bonds, references herein to the Registered Owners or Holders of the 2012A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2012A Bonds unless the context requires otherwise.

The Division of Bond Finance, the Department and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2012A 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 2012A 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 2012A Bonds, or the purchase price of, any 2012A 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 2012A Bonds for partial redemption.

So long as the 2012A Bonds are held in book-entry only form, the Division of Bond Finance, the Department and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2012A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2012A Bonds;

(ii) giving notices of redemption and other matters with respect to the 2012A Bonds;

(iii) registering transfers with respect to the 2012A Bonds; and

(iv) the selection of the beneficial ownership interests in the 2012A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division of Bond Finance, the Department and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2012A Bond as the absolute owner for all purposes, whether or not such 2012A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2012A Bonds will be payable upon presentation and surrender of the 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2012A Bonds on the Record Date.

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