

STATE OF FLORIDA

CITIZENS' REPORT



ROBERT F. MILLIGAN
COMPTROLLER

Fiscal Year Ended
June 30, 1998



Robert F. Milligan
Comptroller of Florida

Bob Milligan was elected to a four-year term as Comptroller of Florida in November 1994, taking office January 3, 1995. He was re-elected in November 1998 to a second term.

As Florida's Comptroller, Milligan is the State's chief financial officer and watchdog over taxpayers' money. As head of the Florida Department of Banking and Finance, he serves on the state Cabinet and provides consumer protection in financial services industries. He has established as the top priorities of the department: concern for and being responsive to the citizens of Florida; and the assurance that the State's budget is legally expended and the State is getting what it is paying for.

Since taking office, Comptroller Milligan has focused on improving the efficiency and effectiveness of the accounting and auditing function of the Comptroller's Office, while maintaining an even hand on policy matters related to the industries under his regulatory authority. At the same time, he has pushed decision-making down to the lowest appropriate level, and aggressively pursued programs to support consumers by improving communications with them. Doing what is right, not what is political, is the standing order of the day.

This report was prepared by the Office of the Comptroller

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About the cover: The theme for this year's Citizens' Report, corresponding to the theme for the 1998 Florida Comprehensive Annual Financial Report, is the Everglades, the largest remaining sub-tropical wilderness in the United States. The Everglades are located in the southern tip of Florida, just west of Miami. Everglades National Park is a complex, fragile ecosystem, which is refuge for 13 threatened or endangered animal species. Due to its uniqueness, the Everglades have been designated as an International Biosphere Reserve, a World Heritage Site, and a wetland of international importance. The Everglades are regarded by scientists as one of the greatest wonders of the world.

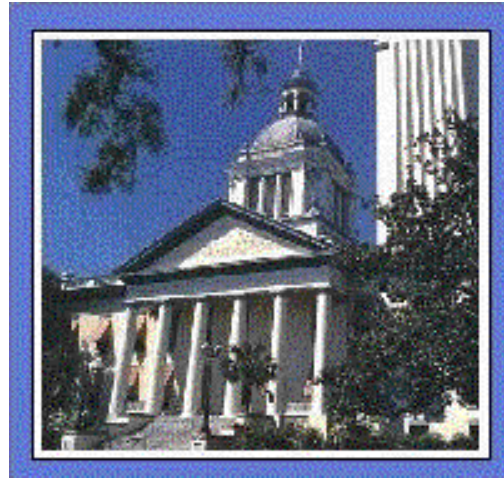
STATE OF FLORIDA CITIZENS' REPORT

*For the Fiscal Year Ended
June 30, 1998*

The Office of the Comptroller prepares a Comprehensive Annual Financial Report (CAFR) which presents the State's financial position and results of operations in accordance with generally accepted accounting principles (GAAP). Much of the information in the CAFR is, by necessity, technical and complex.

This is the first year that the Office of the Comptroller has prepared a Citizens' Report, which highlights certain information derived from the CAFR. However, unlike the CAFR, the information presented in this Citizens' Report is on the budgetary (cash) basis of accounting where receipts are reported when the funds are deposited into the State Treasury and disbursements are reported when funds are drawn out of the State Treasury. Although cash basis reporting is not in accordance with generally accepted accounting principals, this method allows the State to publish the Citizens' Report much sooner after year end than the CAFR. The purpose of this report is to present significant information regarding the financial operations of the State in a more easily understandable format.

In an effort to better inform the public about governmental financial operations, many states have begun to issue simplified financial reports such as this, referred to as "popular reports." This report represents the commitment by Comptroller Milligan to keep Floridians informed about the State's finances and to be accountable in all respects for the receipt and disbursement of public funds.



The Florida Capitol

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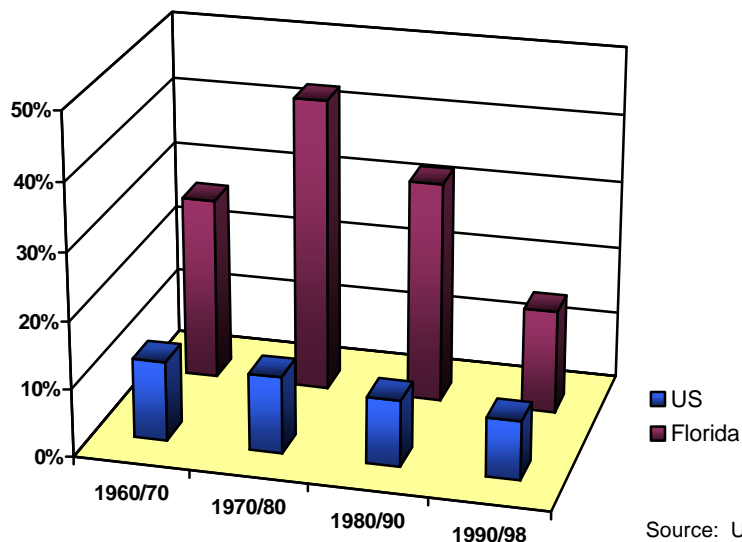
The State

Florida is geographically the twenty-second largest state with a land area of 54,136 square miles and a water area of 4,424 square miles. In 1986, according to the U.S. Census Bureau, Florida became the fourth most populous state.

Florida currently has an estimated population of 14.9 million people. Of the State's population 25.1% are under the age of 20 and 18.4% are 65 years of age or older.

Since 1970, the population of Florida has grown by 120%, whereas the population of the United States as a whole has only grown by 33%.

Comparison of Growth Rate



The Government

The government of the State of Florida consists of three separate branches, the executive, the judicial and the legislative. The Florida Statutes require that all revenues and expenditures of the State of Florida be maintained through the use of four types of funds - the General Revenue Fund, Trust Funds, the Working Capital Fund and the Budget Stabilization Fund. The General Revenue Fund receives the majority of the State tax revenues. Monies for all funds are expended pursuant to Legislative appropriations. The Trust Funds consist of monies received by the State which under law or trust agreement are segregated for a purpose authorized by law. Revenues in the General Revenue Fund which are in excess of the amount needed to meet appropriations may be transferred to the Working Capital Fund. This fund may be used to meet revenue shortages. It may also be used as a source of funds from which temporary loans may be made to other funds to correct imbalances in cash flow due to irregular patterns of collection. Such loans must be repaid during the same fiscal year in which they are made.

Pursuant to a constitutional amendment which was ratified by the voters on November 8, 1994,

the rate of growth in state revenues in a given fiscal year is limited to no more than the average annual growth rate in Florida personal income over the previous five years. (State revenues are defined as taxes, licenses, fees and charges for services imposed by the Legislature on individuals, businesses or non-state agencies. It also includes Lottery ticket sales less prize payments paid.) 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.

By September 1 each year, all executive branch agency heads and the Chief Justice of the Supreme Court are required to submit their budget requests for the next fiscal year to the Governor and the Legislature. The States fiscal year starts on July 1, and continues through June 30th of the following year. The Governor receives revenue estimates from the Revenue Estimating Conference for the General Revenue Fund, Budget Stabilization Fund and Working Capital Fund. Revenue estimates for trust funds are generally provided by the agency that administers the fund. The Governor uses the budget requests and the revenue estimates to prepare his budget recommendation. At least

45 days before the legislative session begins, the Governor submits his budget request to each legislator. This budget request forms the basis for the appropriations bill.

Prior to and during the legislative session, the House Fiscal Responsibility Council and the Senate Budget Committee hold hearings and working sessions with the various agencies, and then submit separate appropriation bills to their respective members. Once the House and Senate have passed their individual appropriations bills, the bills are sent to a conference committee to work out any differences. When a conference bill is finalized, it is sent to both houses for passage. After passage by both houses, the bill is then sent to the Governor who may exercise line item veto or veto the entire bill. The appropriations bill is the

only bill that the legislature is required to pass during the session.

The Florida Constitution and Statutes mandate that the state budget as a whole, and each fund within the state budget, be kept in balance from currently available revenues each state fiscal year. In other words, the State is required to have a balanced budget every year. The State Comptroller has the duty to ensure that revenues collected will be sufficient to meet the appropriations and that no deficit will occur in any state fund. If a deficit occurs, the Administration Commission, with the approval of the Governor and at least three other members, is authorized to reduce all approved state agency budgets and releases by a sufficient amount to prevent a deficit in any fund.

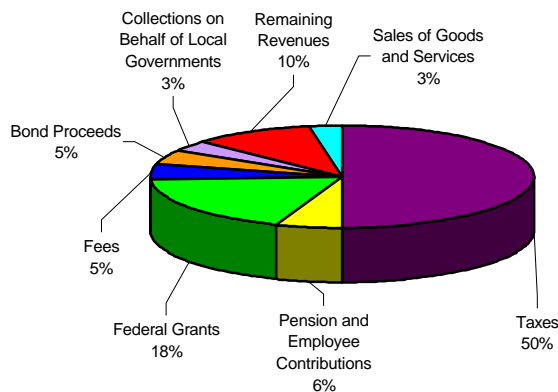
Cash Basis Receipts and Disbursements

The following tables are reported on a cash basis. They represent actual deposits to the State Treasury from sources outside of the treasury, or actual disbursements to sources outside of the State Treasury. The General Revenue Fund and the Trust funds are combined to clearly present actual cash received and disbursed. These tables do not show the receipt and disbursement of monies between funds maintained in the State Treasury.

**Cash Deposits to the State Treasury - All Funds
Fiscal Year Ending June 30, 1998
(in thousands)**

Taxes	\$21,988,168
Federal Grants	8,112,999
Pension and Employee Contributions	2,510,029
Fees	2,147,329
Bond Proceeds	2,085,033
Collections on Behalf of Local Governments	1,361,691
Sales of Goods and Services	1,191,044
Licenses	888,902
Interest	744,271
Child Support Collections	581,303
Tobacco Settlement Installments	575,607
Medicaid Recoveries	545,056
Additional Sources of Revenue	421,476
Non-Federal Grants	326,013
Receipts from State Funds Outside the State Treasury	300,498
Fines, Forfeitures and Judgements	221,574
Unclaimed Property Receipts	135,991
Total Cash Deposits	<u><u>\$44,136,984</u></u>

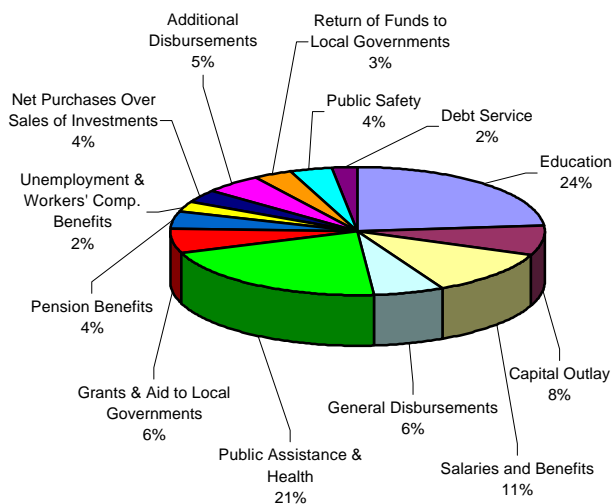
**Cash Deposits to the State Treasury - All Funds
Fiscal Year Ending June 30, 1998**



**Cash Disbursements from the State Treasury - All Funds
Fiscal Year Ending June 30, 1998
(in thousands)**

Education *	\$9,905,323
Public Assistance and Health *	8,734,323
Salaries and Benefits	4,755,161
Capital Outlay	3,154,893
General Disbursements	2,648,559
Grants and Aid to Local Governments and Non-Profit Organizations	2,565,739
Pension Benefits for State and Local Retirees	1,850,142
Public Safety *	1,572,397
Net Purchases Over Sales of Investments	1,470,323
Return of Funds to Local Governments	1,430,215
Unemployment and Workers' Compensation Benefits	1,002,546
Debt Service	901,699
Additional Disbursements	651,395
Child Support Enforcement Payments	553,425
University Disbursements *	506,577
Environmental Protection *	146,211
Costs Associated with Natural Disasters*	<u>130,096</u>
Total Cash Disbursements	<u><u>\$41,979,024</u></u>

**Cash Disbursements from the State Treasury -
All Funds
Fiscal Year Ending June 30, 1998**



* These disbursement categories do not duplicate specifically-identified categories already listed, such as Salaries and Benefits, Capital Outlay, Grants and Aid to Local Governments and Non-Profit Organizations, etc.

**Change in Cash in the State Treasury - All Funds
Fiscal Year Ending June 30, 1998
(in thousands)**

Cash in the State Treasury at July 1, 1997 (a)	\$ 10,354,053
Cash Deposits to the State Treasury	44,136,984
Cash Disbursements from the State Treasury	<u>41,979,024</u>
Cash in the State Treasury at June 30, 1998 (a)	<u><u>\$ 12,512,013</u></u>

(a) Pursuant to Section 18.10(1), Florida Statutes, the State Treasurer is required to invest all deposits in the Treasury to maximize earnings and benefits for the State.

Budget Stabilization Fund

Pursuant to a constitutional amendment, the rate of growth in state revenues in a given fiscal year is limited to no more than the average annual growth rate in Florida personal income over the previous 5 years. Revenues in excess of this limitation are to be deposited in the Budget Stabilization Fund. During the current fiscal year, \$276.6 million was transferred from the General Revenue Fund to the Budget Stabilization Fund. The June 30, 1998 balance in this fund was \$686 million.

Working Capital Fund

Anticipated general revenue, which the Legislature deliberately leaves unappropriated, is transferred to the Working Capital Fund (also known as "The Rainy Day Fund"). By statute, this fund is limited to 10 percent of the amount of net revenue of the General Revenue Fund for the preceding year. The fund may be used to meet revenue shortages or to provide funds for unexpected emergencies. During the current fiscal year, \$150.7 million was transferred from the General Revenue Fund to the Working Capital Fund.

Florida Lottery

The Lottery is required by legislative mandate to transfer 38% of the lottery ticket sales to the Department of Education. The Department of Education received approximately \$811.3 million from the Lottery for the fiscal year ended June 30, 1998. Since the inception of the Lottery, approximately \$8.4 billion has been received by the Department of Education.

Medicaid

The Medicaid program averaged approximately 1.4 million eligible recipients and spent \$6.7 billion on direct services during fiscal year 1998.

Year 2000

The year 2000 issue is a result of the first two digits being eliminated from the year when computer programs were written. On January 1, 2000, the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00". Unfortunately, many programs, if not corrected, will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or to stop processing altogether.

The State of Florida has been working on the year 2000 issue within state agency computer systems for several years to prevent this from occurring. The State has identified four hundred and ninety-two (492) computer systems that are mission-critical (that is, critical to conducting operations) and is subjecting those systems and equipment to the following stages of work: awareness stage, assessment stage, remediation stage, and the validation/testing stage. As of June 30, 1998, the 492 agency developed mission-critical systems were 100% completed with the awareness stage, 93% with the assessment stage, 69% with the remediation stage, and 41% with the validation/testing stage. The 16 top priority mission-critical systems were 100% completed with the awareness stage, 97% with the assessment stage, 60% with the remediation stage, and 33.5% with the validation/testing stage.

During the current fiscal year, the State spent in excess of \$11.2 million from specific appropriations, in addition to funds paid out of agency budgets, to address this problem.

Tobacco Litigation Settlement

As of September 1998, the State of Florida was awarded \$13 billion in relation to the tobacco litigation settlement in August 1997. The Tobacco Settlement Trust Fund has been created to accept the deposit of all funds received by the State as a result of the settlement of this lawsuit. Funds received are primarily used on education, training and enforcement programs. As of June 30, 1998, the State received approximately \$ 575.6 million in relation to the tobacco settlement.

Electronic Funds Transfer

The state uses electronic fund transfer (EFT) to process payments both faster and safer. As of June 30, 1998, there were 143,514 employees, 122,500 retirees and 615 vendors signed up for this program. During fiscal year 1998, \$17.5 billion of payments were processed using EFT.

Purchasing Card Program

In February 1997, the Office of the Comptroller, Department of Management Services and Bank of America (formerly NationsBank) teamed up to provide state agencies and local governments a more efficient and effective way to purchase and pay for goods and services through the use of a VISA purchasing card. The purchasing card is a credit card which is restricted to the amount purchased per transaction, day and month, as well as location.

There are no monthly paper statements from the bank or paper warrants (checks) to the bank. The State receives the billing from the bank electronically. The billing is reviewed, approved and recorded electronically, and the bank is paid through EFT. For some departments this saves as much as \$60 per transaction in processing costs. This program is also available to, and is being used by, some local governments.

Unclaimed Property

Since 1961, the Office of the Comptroller has administered the Unclaimed Property Program. Chapter 717, Florida Statutes, requires financial institutions and other entities to report intangible personal property they are holding that is considered unclaimed or abandoned. Examples of such property include inactive bank accounts, stocks, bonds, uncashed dividends, utility deposits and refunds. In addition to money and securities, the State's holdings also include

tangible property from safe deposit boxes and trust holdings, such as watches, jewelry, coins, currency, stamps, historical items and other miscellaneous articles. The property must have been inactive for a set period of time, usually between one and five years. The Comptroller's Office acts as custodian for the State of Florida, holding the unclaimed property in trust until the property is claimed. Unclaimed money is deposited into the State School Fund, and is used exclusively for public education, as appropriated by the Legislature.

Florida never takes legal ownership of the property. The Comptroller's Office takes great effort in locating rightful owners of the property. Citizens have the right to claim property at any time regardless of the amount. Currently, the Comptroller's Office is holding more than \$527 million in unclaimed property and another \$37 million in securities. Citizens in Florida may call the Department's toll free customer service hotline at 1-888-258-2253 to check on unclaimed property (outside of Florida, call (850) 488-7777) or visit Unclaimed Property's website at <http://up.dbf.state.fl.us>.

Bonded Debt

The State has both full faith and credit bonds and revenue bonds outstanding. A full faith and credit bond has a specific revenue source dedicated to making the debt service (principal and interest) payments. However, if that source is not sufficient to meet the debt service requirements, the State is obligated to provide other monies to make the payments. Full faith and credit bonds are limited to financing various types of capital projects and land acquisitions. The State is not authorized to issue bonds to fund governmental operations.

A revenue bond has a specific source of revenue other than state tax revenues (i.e. toll collections) dedicated to make the debt service payments. If these revenues are insufficient to make the required payments, the State is not obligated to provide any additional monies to make the debt service payments.

Prior to the issuance of either a full faith and credit bond or a revenue bond, the Division of Bond Finance reviews supporting documentation to provide assurance that the pledged revenue sources are expected to be sufficient to provide adequate funding of the debt service requirements.

At the end of the fiscal year 1998, the State had \$13,744,343,000 in bonded debt outstanding. The State has maintained very good bond ratings, allowing for lower interest rates on its debt.

**Bonded Debt
For Year Ended
June 30, 1998**

Full Faith and Credit - State Taxes	
Education	\$7,309,255,000
Transportation	776,835,000
	<u>8,086,090,000</u>

Full Faith and Credit - Other Sources	
Conservation ⁽¹⁾	57,215,000
Transportation ⁽²⁾	559,850,000
	<u>617,065,000</u>

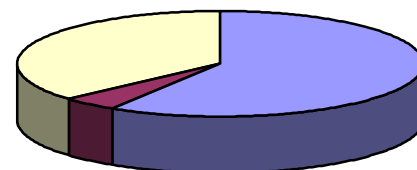
Revenue	
Education	486,983,000
Conservation	2,604,045,000
Transportation	1,622,670,000
Public Facilities	327,490,000
	<u>5,041,188,000</u>

Total \$13,744,343,000

(1) Payable from local government water and sewage facilities. \$50,985,000 has been escrowed.

(2) Jacksonville Transportation Authority Bonds.

**Bonded Debt
For Year Ended
June 30, 1998**



■ Full Faith & Credit - State Taxes
■ Full Faith & Credit - Other Sources
■ Revenue

**State of Florida
Principal Officials
for the Fiscal Year Ended June 30, 1998**

EXECUTIVE BRANCH

**Lawton Chiles, Governor
Buddy MacKay, Lieutenant Governor**

CABINET

**Robert F. Milligan, Comptroller
Sandra B. Mortham, Secretary of State
Robert A. Butterworth, Attorney General
Bill Nelson, Treasurer and Insurance Commissioner
Bob Crawford, Commissioner of Agriculture
Frank T. Brogan, Commissioner of Education**

LEGISLATIVE BRANCH

SENATE

Toni Jennings, President

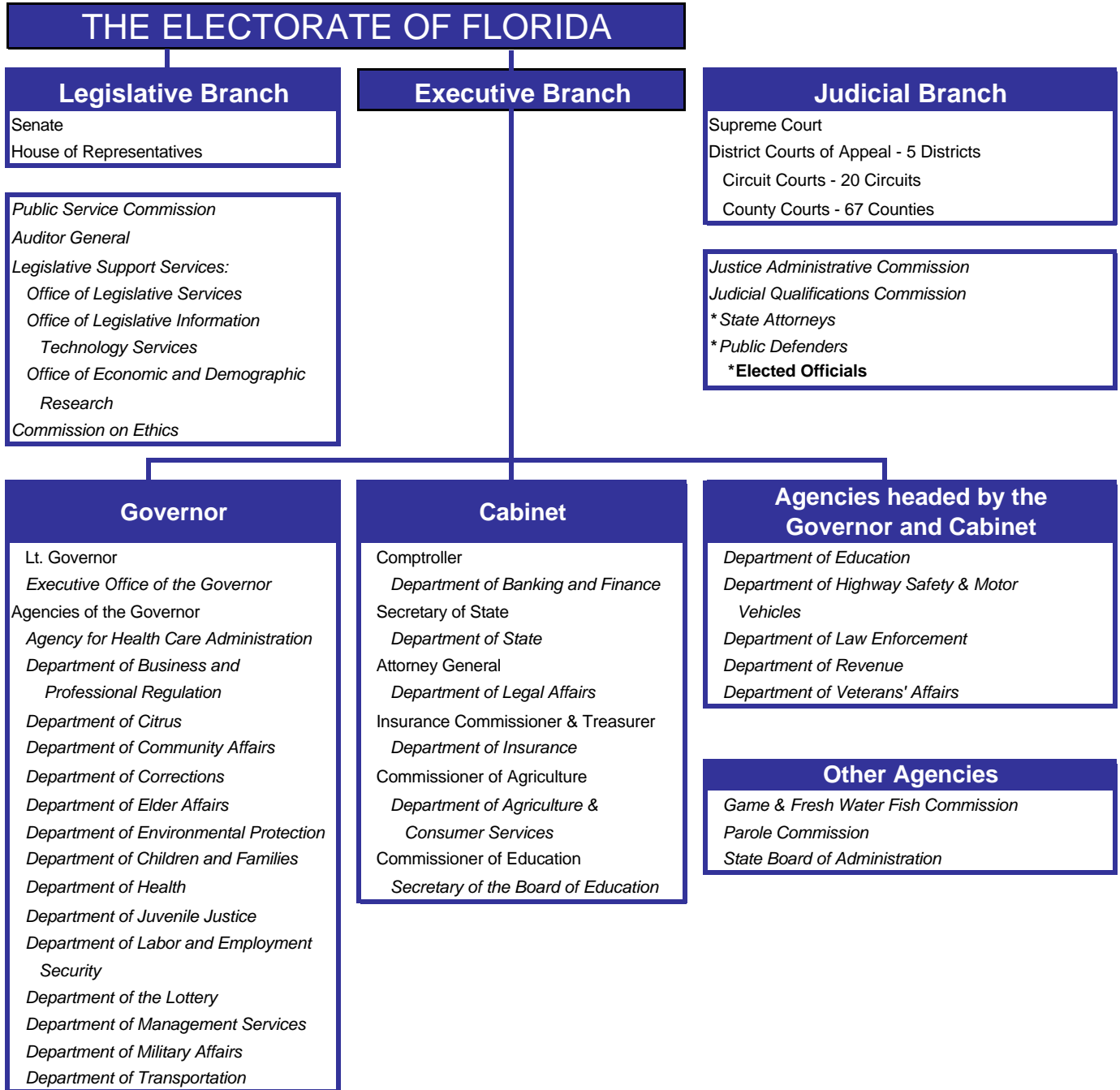
HOUSE OF REPRESENTATIVES

Daniel Webster, Speaker

JUDICIAL BRANCH

SUPREME COURT

Gerald Kogan, Chief Justice



Florida's Constitution, in the traditional American pattern of "separation of power," divides the governmental structure of the state into three separate independent branches.

The Legislative Branch has exclusive law-making power and determines the general policies by which the problems of society are to be met. The Executive Branch, with the Governor as its chief, administers the laws made by the Legislature. The Cabinet shares some executive power and responsibilities with the Governor.

The Judicial Branch interprets the law and applies the Constitution.



Alligators in Everglades National Park

Florida's Comprehensive Annual Financial Report is available via the Comptroller's web site at www.dbf.state.fl.us in both HTML and PDF format.

The Florida Communities Network web site provides links to all Florida state agencies, committees, commissions and other organizations. In addition, the site also includes links to local governments in Florida. The site may be accessed at fcn.state.fl.us.

Comptroller Hotlines:

Comptroller's Get Lean Hotline: 1-800-GET LEAN (438-5326) answers calls from 8:30 a.m. to 4:30 p.m., about waste, fraud and abuse in state government, and accepts suggestions on how the state can save money. Messages can be left during non-working hours. Callers can remain anonymous.

Comptroller's Consumer Hotline: 1-800-848-3792 (Florida only) takes questions and complaints from 8:30 a.m. to 4:30 p.m., Monday through Friday on businesses regulated by the Divisions of Banking, Finance (including Unclaimed Property), and Securities, and on matters of investigatory interest to the Office of Financial Investigations.

Funeral and Cemetery Hotline: 1-800-323-2627 to ask questions and get information about the regulation of cemeteries in the State or "pre-need" requirements.

Unclaimed Property Hotline: 1-88VALUABLE (1-888-258-2253) Call toll-free to see if the state is holding money in your name.

Note: Hearing impaired citizens can call the Department's TDD line at (850) 921-8377.



Snowy Egret



Alligator



Florida Panther



Snowy Egret

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