



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

The Honorable Rick Scott
The Governor of Florida
Capitol Building, Plaza Level
Tallahassee, Florida 32399-0300

Dear Governor Scott:

In accordance with Chapter 17.54, Florida Statutes, I am pleased to submit to you the Annual Report of the Chief Financial Officer of Florida for the Division of Treasury for the Fiscal Year July 1, 2016, to June 30, 2017.

Please let me know if you have any questions or would like additional information.

Sincerely,

A handwritten signature in blue ink that reads "Jimmy Patronis".

Jimmy Patronis

JP/bg

Enclosure

THE CHIEF FINANCIAL OFFICER is the constitutional officer with the fiduciary responsibility over the Division of Treasury. As a core function of the Department of Financial Services, the Division of Treasury's goals are to be effective stewards of the operational monies and other financial assets of the State and to assist state employees with tools to help them prepare for financial security during their retirement years.

THE DIVISION OF TREASURY HAS THREE BUREAUS:

- The Bureau of Funds Management
- The Bureau of Collateral Management
- The Bureau of Deferred Compensation

THE BUREAU OF FUNDS MANAGEMENT operates a cash management system to maximize investments by speeding the flow of funds into the State Treasury. An emphasis on cash management consulting has identified potential cost reductions and interest earning opportunities for state agencies. The Bureau also performs standard treasury functions; such as, operating statewide receipts and payments posting systems.

THE BUREAU OF COLLATERAL MANAGEMENT is a centralized deposit location for specialized handling of regulatory collateral deposits. Regulatory collateral deposits are required of various entities by state agencies as a condition of doing business or acts of guarantee. Asset management staff are responsible for maintaining regulatory collateral deposits for 1,812 combined accounts that represent in excess of \$13.4 billion dollars. Program administration staff are responsible for protecting more than \$24.1 billion in public funds deposited in 138 Qualified Public Depositories statewide. These deposits are protected by more than \$11.5 billion in pledged assets and a shared contingent liability managed by the Bureau.

THE BUREAU OF DEFERRED COMPENSATION manages the Deferred Compensation Program, a pre-tax investment program designed to supplement state employees' pension plans. The Deferred Compensation Program provides employees of the State of Florida with tools to help them prepare for financial security during their retirement years. To achieve this goal, the Bureau partners with investment vendors to offer excellent customer service and investment products at a reasonable cost. The Bureau has made notable additions to their vendors' investment portfolio and increased its communication efforts to state employees. The Deferred Compensation Program has more than 86,000 accounts and total assets over \$4.0 billion.

TREASURY INVESTMENT POOL

The Division manages a fixed income investment operation, the Treasury Investment Pool (Pool). The Pool consists of general revenue and trust funds in the Treasury, as well as, funds of organizations participating in the Treasury Special Purpose Investment Accounts (SPIA). SPIA is an optional investment program open to all entities established by the Florida Constitution/ Statute.

The Treasury Investment Pool utilizes a combination of short and intermediate term fixed income investment strategies. The asset structure of the pool is designed to provide strong liquidity, preserve capital and provide excess returns to the State. This is done through the use of short term, high-quality investments, as well as, additional investment income using intermediate investments.

During the 2016-2017 fiscal year, the weighted average daily balance of investment holdings was \$24.8 billion, an increase of \$1.3 billion or approximately 5% from the prior year.

During this period, the Treasury allocated to the pool participants earnings of \$389 million.

ITEMS OF SPECIAL INTEREST

Fiscal Year 2016-2017

Investment Cost:

Balance June 30, 2017 **\$23,480,639,155.06**

Percent Of Investments Earning Interest As Of June 30, 2017 For:

General Revenue Fund	40.733%
Trust Funds	32.974%
Special Purpose Investment Accounts (Spia)	26.293%

**Investments By Type (1)
(Weighted Average Daily Balances)**

Certificates Of Deposit		
Banks	\$979,284,348.17	
Savings & Loans	0.00	
Subtotal	<u>979,284,348.17</u>	
Internal Liquidity Securities	10,186,541,869.45	
Internal Short Duration Securities	<u>2,915,574,798.10</u>	
Total Internal Securities	13,102,116,667.56	
Total Internal Investments		14,081,401,015.73
External Intermediate Duration Securities	2,596,693,528.55	
External Long Duration Securities	<u>8,137,427,172.21</u>	
Total External Investments		<u>10,734,120,700.76</u>
Total Investments		<u>\$24,815,521,716.49</u>

99 % Of Total Average Daily Treasury Funds Are Invested

Interest Earnings

	Cash	Accrual
Certificates Of Deposit	\$8,809,191.76	\$9,064,947.91
Internal Liquidity Securities	84,915,804.74	69,083,423.09
Internal Short Duration Securities	<u>38,998,498.34</u>	<u>36,150,528.69</u>
Total Internal Investments	132,723,494.84	114,298,899.69
External Intermediate Securities	53,368,248.74	53,368,248.74
External Long Duration Securities	<u>221,415,945.98</u>	<u>221,415,945.98</u>
Total External Investments	274,784,194.72	274,784,194.72
Total Interest Earnings	<u>\$407,507,689.56</u>	<u>\$389,083,094.41</u>

Interest Distribution

	Cash	Accrual
General Fund	\$130,007,322.19	\$130,749,555.99
Trust Fund	154,352,648.70	134,705,057.34
Special Purpose Investment Account (Spia)	<u>123,147,718.68</u>	<u>123,628,481.08</u>
Total	<u>\$407,507,689.57</u>	<u>\$389,083,094.41</u>

Weighted Average Yields (%)

	Cash	Accrual
Certificates Of Deposit	0.90%	0.93%
Internal Liquidity Securities	0.83%	0.68%
Internal Short Duration Securities	1.34%	1.24%
Total Internal Investments	0.94%	0.81%
External Intermediate Securities	2.06%	2.06%
External Long Duration Securities	2.72%	2.72%
Total External Investments	2.56%	2.56%
Total Portfolio	1.64%	1.57%

(1) The securities classified as internal investments are managed by the Treasury Investment Section. The external investments are managed by investment management firms hired by the CFO's office.

SUMMARY OF FUNDS OF DIVISION OF TREASURY SHOWING RECEIPTS, DISBURSEMENTS, AND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FUND NAME	BALANCE June 30, 2016	DIRECT RECEIPTS	RECEIPTS BY TRANSFERS	DISBURSEMENTS BY WARRANTS	DISBURSEMENTS BY TRANSFERS	BALANCE PER TREASURY
General Fund	\$3,244,177,330.38	\$31,458,155,567.55	\$2,233,306,576.60	\$1,400,234,826.73	\$32,279,172,236.57	\$3,256,232,411.23
Trust Fund	15,632,144,631.75	66,131,272,988.04	141,023,738,256.17	95,851,529,121.17	111,008,572,596.20	15,927,054,158.59
Budget Stabilization	<u>1,353,690,000.00</u>	<u>0.00</u>	<u>30,700,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,384,390,000.00</u>
TOTAL THREE FUNDS	<u>\$20,230,011,962.13</u>	<u>\$97,589,428,555.59</u>	<u>\$143,287,744,832.77</u>	<u>\$97,251,763,947.90</u>	<u>\$143,287,744,832.77</u>	<u>\$20,567,676,569.82</u>

MONTH	RECEIPTS (in thousands) \$	DISBURSEMENTS (in thousands) \$	NET RECEIPTS OR (NET DISBURSEMENTS) (in thousands) \$
July	7,452,941	7,833,047	(380,106)
August	7,908,008	7,957,088	(49,080)
September	7,681,798	7,751,272	(69,474)
October	7,649,503	7,543,562	105,941
November	7,455,051	7,948,340	(493,289)
December	8,651,022	8,636,141	14,881
January	8,110,149	7,419,962	690,187
February	7,385,366	7,567,025	(181,659)
March	8,745,618	8,804,470	(58,852)
April	8,854,996	8,184,875	670,121
May	8,623,347	8,818,600	(195,253)
June	9,071,630	8,787,382	284,248
TOTALS	97,589,429	97,251,764	337,665

STATEMENT OF ASSETS AND LIABILITIES

	ASSETS	
	June 30, 2017	June 30, 2016
Currency and Coins	\$0.00	\$0.00
Unemployment Compensation Investments	(1) \$3,597,148,273.72	\$3,175,547,178.82
Due From U.S Treasury -Unemployment TF		
Deferred Compensation Assets	(2) 4,041,387,838.90	3,680,087,209.18
Bank Accounts	(3) (119,159,502.32)	(93,908,757.25)
Consolidated Revolving Account	(4) 213,933.04	115,539.40
Total Cash, Receivables, and Other Assets	\$7,519,590,543.34	\$6,761,841,170.15
Certificates of Deposit	1,046,500,000.00	958,000,000.00
Securities	(6) 22,434,139,155.06	23,069,878,610.63
Total Investments	\$23,480,639,155.06	\$24,027,878,610.63
Total Assets of the Division of Treasury	\$31,000,229,698.40	\$30,789,719,780.78
	LIABILITIES	
	June 30, 2017	June 30, 2016
Due to:		
General Revenue Fund	3,256,232,411.23	3,244,177,330.38
Trust Fund	(7) 15,927,054,158.59	15,631,633,443.57
Budget Stabilization Fund	1,384,390,000.00	1,353,690,000.00
Total State Liabilities	\$20,567,676,569.82	\$20,229,500,773.95
Interest Payable & Securities Liability	(8) 211,764,928.79	9,209,363.40
Due to Special Purpose Investment Accounts	(5) 6,179,186,427.85	6,870,806,894.85
Due to Deferred Compensation Participants and/or Program	(2) 4,041,387,838.90	3,680,087,209.18
Due to Consolidated Revolving Account Agency Participants	(4) 213,933.04	115,539.40
Total Liabilities of the Division of Treasury	\$31,000,229,698.40	\$30,789,719,780.78

STATEMENT OF ASSETS AND LIABILITIES continued

(1) Unemployment Trust Fund represents U.C. Benefit Funds invested by the Federal government and due from the U.S. Treasury.

(2) 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 \$12,980,872.02 as of June 30, 2017, with receipted items in transit of \$95,184,884.30 and disbursed items in transit of (\$895,500.38), which nets to \$94,289,383.92. These items have cleared the bank but have not been posted to the state ledger. The Total Bank Accounts figure does not include \$77,889,001.34 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, 2017, is \$7,025,933.04. Of this, \$213,933.04 is in a financial institution account and \$6,812,000.00 is invested in Special Purpose Investment Accounts.

(5) Represents the CFO's Special Purpose Investment Accounts held in the Treasury Investment Pool and interest due to those accounts. The CFO's Special Purpose Investment Accounts are investments on behalf of state agencies with funds outside the CFO's Cash Concentration System and other statutorily or constitutionally created entities.

(6) Includes Purchased Interest in the amount of \$3,370,615.68.

(7) Included in the Trust Fund Balance is \$7,706,218,353.32 earning interest for the benefit of Trust Funds; Unemployment Trust Fund balance of \$3,597,148,273.72; the remaining balance of \$4,623,687,531.55 earning interest for General Revenue.

(8) Represents \$9,464,014.03 in interest not yet receipted to State Accounts and Securities Liability Cost of \$202,300,914.76 which settles July 2017.

	June 30, 2017	June 30, 2016
Note: Total Market Value of all Investments held by the Treasury	\$23,328,701,501.85	\$24,402,542,617.00

BUREAU OF COLLATERAL MANAGEMENT

*Collateral in Custody Of, Pledged To, or Held By Custodians
for the State Chief Financial Officer as of June 30, 2016*

COLLATERAL IN CUSTODY OF CFO

■ **STOCK**

EDUCATION, Department of

Comptroller, Office of the..... \$1,564,618.00

Total Value of Stock **\$1,564,618.00**

■ **CASH**

ENVIRONMENTAL PROTECTION, Department of

Waste Management, Division of..... \$43,732,212.16

South Florida Water Management District..... \$2,193,385.40

FINANCIAL SERVICES Commission

Financial Regulation, Office of..... \$1,770,765.14

Insurance Regulation, Office of..... \$135,554,665.15

FINANCIAL SERVICES, Department of

Agents and Agency Services, Division of \$0.00

Treasury, Division of..... \$29,308,002.59

JACKSONVILLE Transportation Authority

Finance & Systems, Division of..... \$0.00

PUBLIC SERVICE COMMISSION, Florida

Commission Clerk, Office of..... \$0.00

TRANSPORTATION, Department of

Comptroller, Office of..... \$1,197,435,537.15

Total Cash..... **\$1,409,994,567.59**

■ **CERTIFICATES OF DEPOSIT**

FINANCIAL SERVICES Commission

Financial Regulation, Office of..... \$1,275,001.37

Insurance Regulation, Office of.....\$14,824,550.65

FINANCIAL SERVICES, Department of

Agents and Agency Services, Division of..... \$0.00

LOTTERY, Department of

General Accounting, Division of..... \$2,390,802.49

Total Certificates of Deposit..... \$18,490,354.51

■ **LETTERS OF CREDIT**

FINANCIAL SERVICES Commission

Insurance Regulation, Office of.....\$1,331,351.00

FINANCIAL SERVICES, Department of

Treasury, Division of..... \$5,957,425,000.00

Total Letters of Credit..... \$5,958,756,351.00

■ **TOTAL COLLATERAL IN CUSTODY OF CFO**

Stock.....\$1,564,618.00

Cash, Certificates of Deposit, Letters of Credit \$7,387,241,273.10

COLLATERAL HELD BY CUSTODIANS

■ CUSTODIAL ACCOUNTS (SECURITIES)

FINANCIAL SERVICES Commission

Financial Regulation, Office of.....\$38,166,669.33

Insurance Regulation, Office of\$443,316,084.63

FINANCIAL SERVICES, Department of

Treasury, Division of\$5,578,155,800.14

Workers' Compensation, Division of \$0.00

Total Custody Accounts (Book-entry) \$6,059,638,554.10

■ CUSTODIAL ACCOUNTS (CASH)

FINANCIAL SERVICES Commission

Financial Regulation, Office of \$1,600,000.00

FINANCIAL SERVICES, Department of

Treasury, Division of \$15,000,000.00

Total Custody Accounts (Cash) \$16,600,000.00

TOTAL COLLATERAL HELD BY CUSTODIANS

Custodial Accounts \$6,076,238,554.10

GRAND TOTALS OF COLLATERAL IN CUSTODY OF, PLEDGED TO, OR HELD BY CUSTODIANS FOR THE STATE CHIEF FINANCIAL OFFICER

GRAND TOTAL (STOCK)\$1,564,618.00

GRAND TOTAL (ALL OTHER) \$13,445,479,827.20