

Annual Report 2009

Florida Department of Financial Services *Division of Treasury*

The Chief Financial Officer is the constitutional officer with the fiduciary responsibility over the Division of Treasury. 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; and
- 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 to state agencies has identified potential cost reductions and interest earning opportunities. The bureau also performs standard treasury functions, such as operating a statewide deposit concentration system and receipts and payments posting systems. In addition, the bureau manages a fixed income investment operation, the Treasury Investment Pool, for both general revenue and trust funds in the Treasury and funds of organizations participating in the Treasury Special Purpose Investment Accounts (SPIA). SPIA is an optional investment program open to any entities established by the Florida Constitution or Florida Statutes.

The Treasury Investment Pool is a combination of short and intermediate term fixed income investment strategies. The asset structure of the pool is designed to provide strong liquidity using short term, high quality investments and additional investment income using intermediate investments.

During the 2008-2009 fiscal year, the weighted average daily balance of investment holdings was \$16.015 billion, as compared to \$19.377 billion for the previous fiscal year. This is a decrease of \$3.362 billion or approximately 17%. The decrease primarily related to the revenues falling during the period resulting in a budget shortfall.

Despite the turmoil in financial markets, the Treasury was able to provide positive earnings each month during the period. For the 2008-2009 fiscal year, the Treasury recognized interest earnings of \$432 million, as compared to the \$1.078 billion for the previous fiscal year. Interest earnings provide additional state resources and are a major source of non-tax revenue.

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 its investment vendor's portfolio of funds and promoted its communication efforts to state employees. The Deferred Compensation Program has more than 78,000 accounts and total assets over \$2.1 billion.

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 is responsible for maintaining regulatory collateral deposits for 2,010 combined accounts that represent in excess of \$17.89 billion dollars. Program administration staff is responsible for protecting more than \$19.11 billion in public funds deposited in 213 Qualified Public Depositories statewide. During the 2008-2009 fiscal year, the bureau staff experienced a significant increase in collateral deposits due to the decline in the financial strength of Qualified Public Depositories. While the Qualified Public Deposit Program experienced only three institution failures in the first 20 years of existence, there were three additional failures in the six-month period from January to June 2009. The demand for increased oversight has more than doubled the financial analysis and review segment of the Public Deposit Program in addition to the number of transactions required to process the additional collateral.

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Items of Special Interest Fiscal Year 08-09

Investment Cost:

Balance June 30, 2009 \$15,456,451,073.13

Percent of Investments Earning Interest as of June 30, 2009 for:

General Revenue Fund	37.108%
Trust Funds	36.267%
Special Purpose Investment Accounts	26.625%

Investments by Type (1)

(Weighted Average Daily Balances)

Certificates of Deposit	
Banks	\$807,284,931.51
Savings & Loans	<u>314,804,109.59</u>
Subtotal	1,122,089,041.10

Internal Liquidity Securities	4,022,528,083.28
Internal Intermediate Securities	1,658,845,249.40
Internal Bridge Securities	337,651,117.29
Internal Liquidity Securities Lending	<u>11,218,191.78</u>
Total Internal Securities	6,030,242,641.75

Total Internal Investments **7,152,331,682.85**

External Medium Term Securities	<u>8,862,523,467.73</u>
Total External Investments	8,862,523,467.73

Total Investments **\$16,014,855,150.58**

99% of Total Average Daily Treasury Funds are Invested

Interest Earnings

	Cash	Accrual
Certificates of Deposit	\$54,465,664.45	\$53,559,298.40
Internal Liquidity Securities	50,273,913.61	45,265,853.25
Internal Intermediate Securities	117,759,871.46	107,084,380.09
Internal Bridge Securities	23,336,258.73	17,243,843.02
Internal Liquidity Securities Lending	<u>173,930.29</u>	<u>46,633.40</u>
Total Internal Investments	246,009,638.54	223,200,008.16
External Medium Term Securities	<u>209,148,333.49</u>	<u>209,148,333.49</u>
Total External Investments	209,148,333.49	209,148,333.49
Total Interest Earnings	\$455,157,972.03	\$432,348,341.65

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Items of Special Interest (continued) Fiscal Year 08-09

Interest Distribution	Cash	Accrual
General Fund	\$125,156,722.10	\$119,882,852.23
Trust Fund	215,313,203.13	202,638,008.33
Special Purpose Investment Account	<u>114,688,046.80</u>	<u>109,827,481.09</u>
Total	\$455,157,972.03	\$432,348,341.65

Weighted Average Yields (%)	Cash	Accrual
Certificates of Deposit	4.85%	4.77%
Internal Liquidity Securities	1.25%	1.13%
Internal Intermediate Securities	7.10%	6.46%
Internal Bridge Securities	6.91%	5.11%
Internal Liquidity Securities Lending	1.55%	0.42%
Total Internal Investments	3.44%	3.12%
External Medium Term Securities	2.36%	2.36%
Total External Investments	2.36%	2.36%
Total Portfolio	2.84%	2.70%

Footnote:

(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.

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Summary of Funds of Division of Treasury Showing Receipts, Disbursements and Balances for the Fiscal Year Ended June 30, 2009

Fund Name	Balance June 30, 2008	Direct Receipts	Receipts by Transfers	Disbursements by Warrants	Disbursements by Transfers	Balance per Treasury
General Fund	\$1,949,535,267.43	\$23,547,930,785.47	\$4,219,625,344.33	\$6,710,714,856.34	\$20,916,842,485.40	\$2,089,534,055.49
Trust Fund	\$13,605,313,726.84	\$52,293,614,220.27	\$101,896,305,076.93	\$74,160,279,596.52	\$84,128,147,436.37	\$9,506,805,991.15
Budget Stabilization	\$1,344,814,497.51	\$0.00	\$1,466,749.66	\$0.00	\$1,072,407,249.00	\$273,873,998.17
Total Three Funds	\$16,899,663,491.78	\$75,841,545,005.74	\$106,117,397,170.92	\$80,870,994,452.86	\$106,117,397,170.77	\$11,870,214,044.81

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Cash Receipts and Disbursements

Month	Receipts (in thousands)	Disbursements (in thousands)	Net Receipts or (Net Disbursements) (in thousands)
July	6,244,223	6,803,199	(558,976)
August	5,813,010	6,566,657	(753,647)
September	5,947,358	6,901,220	(953,862)
October	6,191,913	7,255,972	(1,064,059)
November	5,281,876	6,108,893	(827,017)
December	6,295,680	6,954,340	(658,660)
January	5,763,349	6,020,495	(257,146)
February	5,892,650	6,470,347	(577,697)
March	7,343,886	6,872,616	471,270
April	6,674,482	6,906,560	(232,078)
May	6,752,565	6,643,849	108,716
June	7,640,553	7,366,846	273,707
TOTALS	75,841,545	80,870,994	(5,029,449)

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Statement of Assets and Liabilities

Assets	Footnote	June 30, 2009	June 30, 2008
Currency and Coins		\$300,000.00	\$300,000.00
Unemployment Compensation Investments Due From U.S. Treasury - Unemployment TF	(1)	\$445,930,829.50	\$2,080,073,826.48
Deferred Compensation Assets	(2)	\$1,974,577,361.78	\$2,190,720,096.11
Banks Accounts	(3)	\$98,349,925.01	\$109,213,797.19
Consolidated Revolving Account	(4)	<u>\$558,198.86</u>	<u>\$53,270.74</u>
Total Cash, Receivables and Other Assets		\$2,519,716,315.15	\$4,380,360,990.52
Certificates of Deposit		\$1,081,500,000.00	\$1,140,500,000.00
Securities	(6)	\$14,374,951,073.13	\$17,128,678,233.47
Total Investments		<u>\$15,456,451,073.13</u>	<u>\$18,269,178,233.47</u>
Total Assets of the Division of Treasury		\$17,976,167,388.28	\$22,649,539,223.99

Liabilities	Footnote	June 30, 2009	June 30, 2008
General Revenue Fund		\$2,089,534,055.49	\$1,949,535,267.43
Trust Fund	(7)	\$9,506,805,991.15	\$13,605,313,726.84
Budget Stabilization Fund		<u>\$273,873,998.17</u>	<u>\$1,344,814,497.51</u>
Total Three Funds		\$11,870,214,044.81	\$16,899,663,491.78
Interest Payable	(8)	\$16,657,309.27	\$15,366,894.17
Due to Special Purpose Investment Accounts	(5)	\$4,114,160,473.56	\$3,543,735,471.19
Due to Deferred Compensation Participants and/or Program	(2)	\$1,974,577,361.78	\$2,190,720,096.11
Due to Consolidated Revolving Account Agency Participants	(4)	<u>\$558,198.86</u>	<u>\$53,270.74</u>
Total Liabilities of the Division of Treasury		\$17,976,167,388.28	\$22,649,539,223.99

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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 in the amount of \$1,974,577,361.78. The plan assets include Statutory Reserves of \$68,242,443.56, Communication Fund Balance of \$205,856.00 and Operating Account Balance of \$112,450.49
- (3) Represents the "Per Reconciled Cash Balance" of \$185,984,863.00 as of June 30, 2009, with receipted items in transit of \$142,896,356.55 and disbursed items in transit of (\$66,022,604.66), which nets to \$76,873,751.89. These items have cleared the bank but have not been posted to the state ledger. This total also includes \$39,139.18 for an External Fund 8 adjustment which will be corrected July 28, 2009. The Total Bank Accounts figure does not include \$11,834,083.00 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, 2009, is \$7,424,960.33. Of this, \$558,198.86 is in a financial institution account and \$6,866,761.47 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 \$3,183,207.85.
- (7) Included in the Trust Fund Balance is \$5,605,068,334.10 earning interest for the benefit of Trust Funds, Unemployment Trust Fund balance of \$445,930,829.50, and the remaining balance of \$3,455,806,827.55 earning interest for General Revenue.
- (8) Represents \$16,657,309.27 in interest not yet receipted to State Accounts.

Note:	June 30, 2009	June 30, 2008
Total Market Value of all investments held by the Treasury.	\$15,223,888,198.29	\$18,144,764,623.24

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Collateral

*In Custody Of, Pledged To or Held By Custodians
for the State Chief Financial Officer as of June 30, 2009*

Collateral in Custody of CFO

STOCK

EDUCATION, Department of Comptroller, Office of the.....	\$1,138,047.01
Total Value of Stock.....	\$1,138,047.01

CASH

ENVIRONMENTAL PROTECTION, Department of Waste Management, Division of.....	\$2,907,942.60
FINANCIAL SERVICES COMMISSION Insurance Regulation, Office of.....	\$166,400,558.57
FINANCIAL SERVICES, Department of Agents and Agency Services, Division of.....	\$189,939,68
Insurance Fraud, Division of.....	\$7,770.46
Treasury, Division of.....	\$7,644,026.83
JACKSONVILLE TRANSPORTATION AUTHORITY Finance & Systems, Division of.....	\$3,694,781.82
TRANSPORTATION, Department of Comptroller, Office of.....	\$583,583,929.00
Total Cash.....	\$764,428,948.96

CERTIFICATES OF DEPOSIT

FINANCIAL SERVICES COMMISSION Financial Regulation, Office of.....	\$1,525,000.00
Insurance Regulation, Office of.....	\$25,578,884.36
FINANCIAL SERVICES, Department of Agents and Agency Services, Division of.....	\$210,000.00
LOTTERY, Department of General Accounting, Division of.....	\$2,069,869.61
PINELLAS COUNTY BOARD OF COUNTY COMMISSIONERS Pinellas County Public Works Department.....	\$1,008,000.00
TRANSPORTATION, Department of Comptroller, Office of.....	\$260,762.54
Total Certificates of Deposit.....	\$30,652,516.51

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Collateral (continued) In Custody Of, Pledged To or Held By Custodians for the State Chief Financial Officer as of June 30, 2009

Collateral in Custody of CFO	
LETTERS OF CREDIT	
FINANCIAL SERVICES COMMISSION Insurance Regulation, Office of.....	\$7,167,733.89
FINANCIAL SERVICES, Department of Treasury, Division of.....	\$4,042,020,000.89
Total Letters of Credit.....	\$4,049,187,733.89
PROMISSORY NOTES	
FINANCIAL SERVICES COMMISSION Insurance Regulation, Office of.....	\$285,000.00
Total Promissory Notes.....	\$285,000.00
TOTAL COLLATERAL IN CUSTODY OF CFO	
Stock.....	\$1,138,047.01
Cash, Certificates of Deposit, Letters of Credit, Promissory Notes.....	\$4,844,554,199.36
Collateral Held by Custodians	
CUSTODIAL ACCOUNTS (SECURITIES)	
FINANCIAL SERVICES COMMISSION Financial Regulation, Office of.....	\$51,094,243.04
Insurance Regulation, Office of.....	\$541,908,671.96
FINANCIAL SERVICES, Department of Treasury, Division of.....	\$12,404,728,408.21
Workers' Compensation, Division of.....	\$44,062.50
TAMPA-HILLSBOROUGH COUNTY EXPRESSWAY AUTHORITY Financial Services and Contracts Administration.....	\$5,867,019.79
TRANSPORTATION, Department of Comptroller, Office of.....	\$621,034.00
Total Custody Accounts (Book-entry).....	\$13,004,263,439.50

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Collateral (continued) In Custody Of, Pledged To or Held By Custodians for the State Chief Financial Officer as of June 30, 2009

Collateral Held by Custodians	
CUSTODIAL ACCOUNTS (CASH)	
FINANCIAL SERVICES, Department of Treasury, Division of.....	\$42,325,000.00
Total Custody Accounts (Cash).....	\$42,325,000.00
TOTAL COLLATERAL HELD BY CUSTODIANS	
Custodial Accounts.....	\$13,046,588,439.50
Grand Totals of Collateral in Custody of, Pledged to, or Held by Custodians for the State Chief Financial Officer	
GRAND TOTAL (STOCK).....	\$1,138,047.01
GRAND TOTAL (ALL OTHER).....	\$17,891,142,638.86