



REPRESENTING
CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

August 27, 2012

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 for the Division of Treasury for Fiscal Year 2011-2012.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff Atwater".

Jeff Atwater
Chief Financial Officer
JA/bhm

Enclosure

The Chief Financial Officer is the constitutional officer with the fiduciary responsibility over the Division of Treasury (17.55 F.S.). 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 (17.57 F.S.).

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 has identified potential cost reductions and interest earning opportunities for state agencies. The Bureau also performs standard treasury functions; such as, operating statewide deposit concentration, receipts, and payments posting systems. Additionally, the Bureau 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 2011-2012 fiscal year, the weighted average daily balance of investment holdings was \$18.3 billion, an increase of \$274 million or approximately 1.5% from the prior year.

The Treasury was able to provide positive earnings each month for the 2011-2012 fiscal year. During this period, the Treasury recognized interest earnings of \$437 million. Interest earnings provide additional state resources and are a major source of non-tax revenue.

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 1,860 combined accounts that represent in excess of \$12.3 billion dollars. Program administration staff is responsible for protecting more than \$21.8 billion in public funds deposited in 177 Qualified Public Depositories statewide. These deposits are protected by more than \$10.7 billion in pledged assets and a shared contingent liability managed by the Bureau. Due to the current overall economy in the Florida financial industry, the Bureau continues to maintain an exceptionally high level of monitoring of the state's Qualified Public Depositories. Analysis and oversight is more frequent and more in depth than it has been in the past. In the first 27 years of the program (1981-2008) there were three QPD failures. In calendar year 2009 there were eight failures and in 2010 there were eighteen. In calendar year 2011 there were four failures, two of which had withdrawn from the program before they failed. Each failed institution was collateralized in excess of their minimum requirement, each was acquired by a new institution and all public deposits transferred to the new owners. Although we have not had a failure since June of 2011 and there is an improving trend in the financial institution's rankings, we continue a program of increased monitoring to more accurately gauge the appropriate collateral requirements for these depository institutions.

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 80,000 accounts and total assets over \$2.7 billion.

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FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF TREASURY

ITEMS OF SPECIAL INTEREST FISCAL YEAR 11-12

INVESTMENT COST:

BALANCE JUNE 30, 2012 **\$18,580,902,693.07**

PERCENT OF INVESTMENTS EARNING INTEREST AS OF JUNE 30, 2012 FOR:

GENERAL REVENUE FUND	35.164%
TRUST FUNDS	29.618%
SPECIAL PURPOSE INVESTMENT ACCOUNTS (SPIA)	35.218%

INVESTMENTS BY TYPE (1)

(WEIGHTED AVERAGE DAILY BALANCES)

CERTIFICATES OF DEPOSIT		
BANKS	\$801,161,748.63	
SAVINGS & LOANS	<u>105,680,054.64</u>	
SUBTOTAL	906,841,803.27	
INTERNAL LIQUIDITY SECURITIES	8,463,823,810.03	
INTERNAL INTERMEDIATE SECURITIES	1,065,189,931.19	
INTERNAL BRIDGE SECURITIES	1,456,238,641.43	
TOTAL INTERNAL SECURITIES	<u>10,985,252,382.65</u>	
TOTAL INTERNAL INVESTMENTS		11,892,094,185.92
EXTERNAL MEDIUM TERM SECURITIES	<u>6,361,042,075.18</u>	
TOTAL EXTERNAL INVESTMENTS		<u>6,361,042,075.18</u>
TOTAL INVESTMENTS		<u><u>\$18,253,136,261.10</u></u>

99 % OF TOTAL AVERAGE DAILY TREASURY FUNDS ARE INVESTED

INTEREST EARNINGS	CASH	ACCRUAL
CERTIFICATES OF DEPOSIT	\$17,375,993.99	\$16,141,732.79
INTERNAL LIQUIDITY SECURITIES	19,810,691.46	18,388,386.97
INTERNAL INTERMEDIATE SECURITIES	43,017,634.69	38,438,183.47
INTERNAL BRIDGE SECURITIES	26,613,585.01	23,468,055.35
TOTAL INTERNAL INVESTMENTS	<u>106,817,905.15</u>	<u>96,436,358.58</u>
EXTERNAL MEDIUM TERM SECURITIES	<u>340,396,604.64</u>	<u>340,396,604.64</u>
TOTAL EXTERNAL INVESTMENTS	340,396,604.64	340,396,604.64
TOTAL INTEREST EARNINGS	<u><u>\$447,214,509.79</u></u>	<u><u>\$436,832,963.22</u></u>

INTEREST DISTRIBUTION	CASH	ACCRUAL
GENERAL FUND	\$111,351,801.64	\$110,462,383.75
TRUST FUND	151,236,339.05	143,756,256.77
SPECIAL PURPOSE INVESTMENT ACCOUNT (SPIA)	<u>184,626,369.10</u>	<u>182,614,322.70</u>
TOTAL	<u><u>\$447,214,509.79</u></u>	<u><u>\$436,832,963.22</u></u>

WEIGHTED AVERAGE YIELDS (%)	CASH	ACCRUAL
CERTIFICATES OF DEPOSIT	1.92%	1.78%
INTERNAL LIQUIDITY SECURITIES	0.23%	0.22%
INTERNAL INTERMEDIATE SECURITIES	4.04%	3.61%
INTERNAL BRIDGE SECURITIES	1.83%	1.61%
TOTAL INTERNAL INVESTMENTS	0.90%	0.81%
EXTERNAL MEDIUM TERM SECURITIES	5.35%	5.35%
TOTAL EXTERNAL INVESTMENTS	5.35%	5.35%
TOTAL PORTFOLIO	2.45%	2.39%

(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, 2012

FUND NAME	BALANCE June 30, 2011	DIRECT RECEIPTS	RECEIPTS BY TRANSFERS	DISBURSEMENTS BY WARRANTS	DISBURSEMENTS BY TRANSFERS	BALANCE PER TREASURY
GENERAL FUND	\$ 1,716,090,420.96	\$24,676,502,338.92	\$2,287,048,239.82	\$8,806,963,660.01	\$17,431,114,575.16	\$2,441,562,764.53
TRUST FUND	9,373,683,133.85	56,803,629,380.87	97,567,013,176.75	72,006,398,615.49	82,637,554,157.05	9,100,372,918.93
BUDGET STABILIZATION	279,157,304.63	0.00	214,607,315.64	0.00	0.00	493,764,620.27
TOTAL THREE FUNDS	11,368,930,859.44	81,480,131,719.79	100,068,668,732.21	80,813,362,275.50	100,068,668,732.21	12,035,700,303.73

MONTH	RECEIPTS (in thousands)	DISBURSEMENTS (in thousands)	NET RECEIPTS OR (NET DISBURSEMENTS) (in thousands)
JULY	6,133,534	6,359,387	(225,853)
AUGUST	6,274,525	7,364,008	(1,089,483)
SEPTEMBER	6,351,027	6,488,023	(136,996)
OCTOBER	6,558,299	6,292,897	265,402
NOVEMBER	6,583,493	7,234,575	(651,082)
DECEMBER	7,323,647	6,712,938	610,709
JANUARY	6,886,140	6,359,944	526,196
FEBRUARY	6,469,006	7,135,906	(666,900)
MARCH	6,692,285	6,139,290	552,995
APRIL	7,764,614	6,467,356	1,297,258
MAY	6,932,770	7,886,244	(953,474)
JUNE	7,510,792	6,372,794	1,137,998
TOTALS	81,480,132	80,813,362	666,770

STATEMENT OF ASSETS AND LIABILITIES

	ASSETS	
	June 30, 2012	June 30, 2011
Currency and Coins	\$0.00	\$300,000.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1) \$30,217,066.66	\$68,128,132.17
Deferred Compensation Assets	(2) 2,718,020,888.99	2,628,812,977.50
Bank Accounts	(3) (13,264,315.76)	35,535,100.20
Consolidated Revolving Account	(4) 785,317.99	353,388.20
Total Cash, Receivables, and Other Assets	\$2,735,758,957.88	\$2,733,129,598.07
Certificates of Deposit	951,600,000.00	703,100,000.00
Securities	(6) 17,629,302,693.07	16,937,893,579.05
Total Investments	\$18,580,902,693.07	\$17,640,993,579.05
Total Assets of the Division of Treasury	\$21,316,661,650.95	\$20,374,123,177.12
	LIABILITIES	
	June 30, 2012	June 30, 2011
General Revenue Fund	2,441,562,764.53	1,716,090,420.96
Trust Fund	(7) 9,100,372,918.93	9,373,683,133.85
Budget Stabilization Fund	493,764,620.27	279,157,304.63
Total Three Funds	\$12,035,700,303.73	\$11,368,930,859.44
Interest Payable & Securities Liability	(8) 14,276,830.70	12,399,399.68
Due to Special Purpose Investment Accounts	(5) 6,547,878,309.54	6,363,626,552.30
Due to Deferred Compensation Participants and/or Program	(2) 2,718,020,888.99	2,628,812,977.50
Due to Consolidated Revolving Account Agency Participants	(4) 785,317.99	353,388.20
Total Liabilities of the Division of Treasury	\$21,316,661,650.95	\$20,374,123,177.12

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 \$67,102,166.84 as of June 30, 2012, with receipted items in transit of \$133,485,682.18 and disbursed items in transit of (\$88,285,573.48), which nets to \$45,200,108.70. These items have cleared the bank but have not been posted to the state ledger. The Total Bank Accounts figure does not include \$12,503,018.47 held in clearing and/or revolving accounts outside the Treasury. The Total Bank Accounts figure includes post month clearing of 14,657.48.
- (4) The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2012, is \$8,309,317.99. Of this, \$785,317.99 is in a financial institution account and \$7,524,000 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 \$1,494,615.93.
- (7) Included in the Trust Fund Balance is \$5,472,491,916.72 earning interest for the benefit of Trust Funds; Unemployment Trust Fund balance of \$30,217,066.66; and the remaining balance of \$3,597,663,935.55 earning interest for General Revenue.
- (8) Represents \$7,107,846.32 in interest not yet receipted to State Accounts and Securities Liability Cost of \$7,168,984.38 which settles July 2012.

Note:

Total Market Value of all Investments held by the Treasury

June 30, 2012

\$18,917,117,540.58

June 30, 2011

\$17,842,226,955.49

BUREAU OF COLLATERAL MANAGEMENT
Collateral In Custody Of, Pledged To, or Held By Custodians
for the State Chief Financial Officer as of June 30, 2012

COLLATERAL IN CUSTODY OF CFO

STOCK

EDUCATION, Department of

Comptroller, Office of the..... \$1,124,600.53

Total Value of Stock \$1,124,600.53

CASH

ENVIRONMENTAL PROTECTION, Department of

Waste Management, Division of..... \$3,115,477.66

FINANCIAL SERVICES Commission

Insurance Regulation, Office of..... \$205,704,846.66

FINANCIAL SERVICES, Department of

Agents and Agency Services, Division of..... \$294,661.30

Treasury, Division of \$63,835,780.04

JACKSONVILLE Transportation Authority

Finance & Systems, Division of..... \$349,260.86

PUBLIC SERVICE COMMISSION, Florida

Commission Clerk, Office of..... \$50,649.64

TRANSPORTATION, Department of

Comptroller, Office of..... \$716,863,060.78

Total Cash..... \$990,213,736.94

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FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF TREASURY

BUREAU OF COLLATERAL MANAGEMENT Collateral In Custody Of, Pledged To, or Held By Custodians for the State Chief Financial Officer as of June 30, 2012

CERTIFICATES OF DEPOSIT

FINANCIAL SERVICES Commission

Financial Regulation, Office of..... \$1,780,000.00

Insurance Regulation, Office of..... \$18,919,038.42

FINANCIAL SERVICES, Department of

Agents and Agency Services, Division of..... \$315,000.00

LOTTERY, Department of

General Accounting, Division of..... \$2,004,475.28

Total Certificates of Deposit..... \$23,018,513.70

LETTERS OF CREDIT

FINANCIAL SERVICES Commission

Insurance Regulation, Office of \$7,494,090.00

FINANCIAL SERVICES, Department of

Treasury, Division of..... \$2,033,585,274.00

Total Letters of Credit..... \$2,041,079,364.00

TOTAL COLLATERAL IN CUSTODY OF CFO

Stock..... \$1,124,600.53

Cash, Certificates of Deposit, Letters of Credit \$3,054,311,614.64

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FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF TREASURY

BUREAU OF COLLATERAL MANAGEMENT Collateral In Custody Of, Pledged To, or Held By Custodians for the State Chief Financial Officer as of June 30, 2012

COLLATERAL HELD BY CUSTODIANS

CUSTODIAL ACCOUNTS (SECURITIES)

FINANCIAL SERVICES Commission

Financial Regulation, Office of..... \$37,726,706.41

Insurance Regulation, Office of..... \$622,174,267.75

FINANCIAL SERVICES, Department of

Treasury, Division of..... \$8,599,865,160.57

Workers' Compensation, Division of..... \$138,125.00

Total Custody Accounts (Book-entry)..... \$9,259,904,259.73

CUSTODIAL ACCOUNTS (CASH)

FINANCIAL SERVICES Commission

Financial Regulation, Office of..... \$50,000.00

FINANCIAL SERVICES, Department of

Treasury, Division of..... \$15,000,000.00

Total Custody Accounts (Cash)..... \$15,050,000.00

TOTAL COLLATERAL HELD BY CUSTODIANS

Custodial Accounts..... **\$9,274,954,259.73**

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

GRAND TOTAL (STOCK)..... \$1,124,600.53

GRAND TOTAL (ALL OTHER) \$12,329,265,874.37